

Appendix 6

Schedule of requirements (the ‘musts’)

Schedule taken from the Academies Financial Handbook 2017.

For the purposes of this schedule, a trustee is a Director. For the purposes of this schedule, “this handbook” means the “Academies Financial Handbook 2017”.

This annex, which is not a substitute for the full Academies Financial Handbook, brings the requirements discussed throughout the handbook together in one list: the ‘musts’. Academy trusts also need to have regard to the definition of ‘should’.

GOVERNANCE AND FINANCIAL OVERSIGHT		
Must have the skills, knowledge and experience to run the academy trust.		
‘Must’	InMAT	School
Must fully understand duties as company directors and charity trustees , must be aware of Charity Commission guidance <u>CC3: The Essential Trustee: What you Need to know, what you need to do</u> and must not have de facto trustees (<u>page 7, 1.5.14, 1.5.15 and 3.1.12</u>)		
Must adhere to the seven principles of public life (<u>1.1.2</u>).		
Must arrange for annual letters to trusts’ accounting officers from ESFA’s accounting officer and the accountability framework to be discussed by the board of trustees and action taken where appropriate to strengthen the trust’s systems (<u>1.5.5</u>).		
Must appoint a senior executive leader (principal or chief executive), in writing, who may act as an ex-officio trustee. The role must not rotate. (<u>2.1.2</u>)		
Must designate, in writing, a named individual as the academy trust’s accounting officer (the senior executive leader – principal or chief executive) who must: <ul style="list-style-type: none"> • be a fit and suitable person for the role • take personal responsibility for regularity, propriety and value for money • assure the board of trustees that there is compliance with the handbook, the funding agreement and all relevant aspects of company and charitable law • advise the board of trustees, in writing, of any action or policy incompatible with the terms of the academy trust’s articles, funding agreement or handbook • notify ESFA’s accounting officer, in writing, if action proposed by the board of trustees is in breach of the trust’s articles, funding agreement or this handbook 		

<ul style="list-style-type: none"> • adhere to the ‘seven principles of public life’ (1.5.21 to 1.5.25, 2.1.8, 4.2.2 and 4.2.3) 		
Must ensure the board of trustees meets at least three times a year , and conducts business only when quorate (2.1.3)		
Must have a chief financial officer , who is the finance director, business manager or equivalent, to lead the finance department (2.1.10)		
Must have appropriately qualified and/experienced finance staff (2.1.11)		
Must approve a written scheme of delegation of financial powers that maintains robust internal control arrangements (2.1.4)		
<p>Must take full control of the academy trust’s financial affairs, apply the letter and the spirit of this handbook, and ensure appropriate oversight of financial transactions by:</p> <ul style="list-style-type: none"> • having all the trust’s property and assets under the control of trustees, and measures in place to prevent losses or misuse • having bank accounts, financial systems and financial records operated by more than one person • keeping and maintaining full and accurate accounting records • preparing accruals accounts, giving a true and fair view of the trust’s use of resources, in accordance with existing accounting standards (1.4.1, 1.4.3 and 2.1.8) 		At academy level
Must comply with all terms of any Financial Notice to Improve (1.5.7).		
Must waive the right to delegated authorities and seek EFSA prior approval on those transactions set out in this handbook if the academy trust is subject to a Financial Notice to Improve (1.5.9)		
Must ensure value for money, regularity and propriety in relation to the management of its funds, using its discretion reasonably to command broad public support (1.5.13 and 1.5.22)		
Must provide details of the academy trust’s governance arrangements in the governance statement published with its audited accounts (1.5.17)		
Must provide details of the board of trustee’s review of their governance structure and composition of the board , in the academy trust’s governance statement when producing audited accounts for the first time (1.5.17)		
Must publish up-to-date details of their governance arrangements in a readily accessible form on their websites in line with this handbook (2.5.2)		
Must ensure there are measures in place to manage conflicts of interest (3.1.12)		

Must ensure the chair of the board of trustees and the accounting officer manage their relationships with connected parties to avoid both real and perceived conflicts of interest (3.1.13)		
Must recognise that certain transactions with connected parties may attract greater public scrutiny and require sufficient disclosure in annual accounts to support the high standards of accountability and transparency of the public sector, including: <ul style="list-style-type: none"> • transactions with individuals in a position of control and influence, including the chair of the board of trustees and accounting officer. • Payments to commercial organisations which have a profit motive, as opposed to those in the voluntary sector • Relationships with external auditors that go beyond their duty to deliver a statutory audit (3.1.14) 		
Must capture, in the academy trust's registers of interests , and as set out in this handbook: <ul style="list-style-type: none"> • Relevant business and pecuniary interests of members, trustees, local governors of academies within a multi academy trust, and senior employees (3.1.17) • Interests of other individuals as set out in 3.1.18 		
Must publish , on the academy trust's website, the relevant business and pecuniary interests of members, trustees, local governors and accounting officers (3.1.20)		
Must ensure that the use of confidentiality clauses does not prevent an individual's right to make disclosures in the public interest (3.1.24)		
Must complete, and return to ESFA, a financial management and governance self-assessment for new academy trusts, or constituent academies joining a multi-academy trust (4.3.1)		
Must notify ESFA of any instances of fraud or theft where the value exceeds £5,000, individually or cumulatively, or any value where the fraud is unusual or systematic (4.8.2)		
Must notify DfE via Edubase within 14 days of the appointment or vacating of the position of member, trustee, local governor, chair of trustees, chairs of local governing bodies, accounting officer and chief financial officer, and ensure that its record on Edubase for all individuals holding these positions remains up to date (4.7.4)		
FINANCIAL PLANNING, MONITORING AND REPORTING		
Must prepare and monitor financial plans to ensure ongoing financial health.		

Must have the full board of trustees approve a balanced budget for the financial year and must minute their approval (<u>2.2.2</u>)		
Must submit budget forecast information to ESFA (<u>2.2.3</u>)		
Must ensure the board of trustees and any separate finance committee are responsible for: <ul style="list-style-type: none"> ensuring good financial management and effective internal controls compliance with the funding agreement and this handbook ensuring sufficient rigour and scrutiny in the budget management process to understand and address variances between the budget forecast and actual income and expenditure receiving and considering information on the financial performance of the trust at least three times a year, taking action to ensure ongoing viability (<u>2.2.4</u>) 		
Must notify ESFA if the board of trustees formally proposes to set a deficit revenue budget for the current financial year which it is unable to address, after unspent funds from previous years are taken into account (<u>2.2.5</u>)		
Must have a cautious approach to investments in line with the principles set out in this handbook (<u>2.2.9</u>)		
Must charge for boarding provision in line with this handbook (<u>2.2.12</u>)		
Must refer any novel, contentious and/or repercussive transaction to ESFA for explicit prior authorisation (<u>3.3.1</u> , <u>2.2.10</u> , <u>3.1.15</u> and <u>3.8.3</u>)		Via INMAT
Must obtain ESFA's prior approval before borrowing , including finance leases and overdraft facilities, of any duration (<u>3.4.1</u> , <u>2.2.7</u> and <u>3.9.3</u>)		Via InMAT
Must obtain ESFA's prior approval for writing off debts and losses , and entering into guarantees, letters of comfort and indemnities beyond limits specified in this handbook (<u>3.6.1</u> to <u>3.6.4</u>)		Via InMAT
Must, in respect of staff severance payments , consider the following before making a binding commitment: <ul style="list-style-type: none"> whether the proposed payment to be in the interests of the trust; whether a payment is justified and value for money, based on a legal assessment of the case; and review the level of settlement, which must be less than the legal assessment of what the relevant body (eg an employment tribunal) is likely to award in the circumstances (<u>3.7.4</u>) 		
Must obtain ESFA's prior approval for the non-contractual/non-statutory element of a staff severance payment of £50,000 or more (gross, before deductions) before making a binding settlement offer (<u>3.7.6</u>)		Via InMAT

Must not accept a settlement for a staff severance payment unless it satisfies the conditions in this handbook (3.7.7)		Via InMAT
Must consider, when making a compensation payment , whether the proposed payments based on a careful appraisal of the facts, including legal advice, and that value for money will be achieved (3.7.9)		Via InMAT
Must obtain ESFA's prior approval for a non-contractual/non-statutory compensation payment of £50,000 or more (3.7.10)		Via InMAT
Must obtain ESFA's prior approval for ex gratia payments of any value (3.7.15)		Via InMAT
Must obtain ESFA's prior approval, before entering into the acquisition and disposal of fixed assets beyond limits specified by this handbook (3.8.1)		Via InMAT
Must ensure a lease arrangement , or disposal , achieves the best price that can reasonably be obtained, and maintains the principles of regularity, propriety and value for money (3.8.2 and 3.9.4)		
Must obtain ESFA's prior approval before entering into lease arrangements beyond limits specified in this handbook (3.9.3)		Via InMAT
INTERNAL CONTROL AND INTERNAL SCRUTINY		
Must have in place sound internal control and risk management and assurance processes.		
Must establish a control framework that recognizes public expectations about governance, standards and openness (2.3.2)		
Must include, in the trust's internal control framework : <ul style="list-style-type: none"> • co-ordinating the planning and budgeting processes; • applying discipline in financial management, including managing banking, debt and cash flow, with appropriate segregation of duties; • preparation of monthly budget monitoring reports; • ensuring that delegated financial authorities are respected; • selection, planning and oversight of any capital projects; • the propriety and regularity of financial transactions; • the management and oversight of assets; • ensuring efficiency and value for money in the organisation's activities; • a process for independent checking of financial controls, systems, transactions and risks (2.3.3) 		
Must ensure that decisions about levels of executive pay follow a robust evidence-based process and are reflective of the individual's role and responsibilities (2.3.5)		
Must have appropriate procedures in place for whistleblowing (2.3.7)		

Must recognize and manage present and future risks , including contingency and business continuity planning, to ensure the academy trust's continued and effective operation (<u>2.3.9</u> and <u>2.3.10</u>)		
Must have adequate insurance cover in compliance with its legal obligations and funding agreement, or has opted into DfE's risk protection arrangement (<u>2.3.12</u>)		
Must implement reasonable risk management audit recommendations made to the trust by risk auditors (<u>2.3.14</u>)		
Must establish an audit committee , or a committee which fulfills the functions of an audit committee, dependent on the risk, complexity and annual income of the trust (<u>2.4.2</u>)		
Must have the relevant committee provide assurances to the board of trustees by reviewing the risks to internal financial control at the academy trust and agreeing a programme of work to address those risks (<u>2.4.4</u>)		
Must oversee the controls and risks at constituent academies (<u>2.4.5</u>)		
Must ensure that information submitted to DfE and ESFA that affects funding is accurate and compliant (<u>2.4.6</u>)		
Must be aware of the risk of fraud, theft and irregularity and address it through their internal control and assurance arrangements by putting in place proportionate controls (<u>4.8.1</u> and <u>2.3.3</u>)		
PROPER AND REGULAR USE OF FUNDS		
Must be able to show that public funds have been used as intended by Parliament.		
<p>Must ensure the following principles are applied:</p> <ul style="list-style-type: none"> • seeking ESFA's prior approval on all proposed transactions beyond the trust's delegated authority limits • spending has been for the purpose intended and there is probity in the use of public funds • spending decisions represent value for money • internal delegation levels exist and are applied within the trust • a competitive tendering policy is in place and applied, and OJEU procurement thresholds are observed • relevant professional advice is obtained where appropriate, including that of an external auditor where necessary (<u>3.1.1</u> and <u>3.1.3</u>) 		Via InMAT
Must be even-handed in relationships with connected parties , and ensure goods or services provided by individuals or organisations connected to the trust are provided at no more than cost beyond the limits specified in this handbook (<u>3.1.12</u> and <u>3.2.2</u> to <u>3.2.17</u>)		

Must ensure that no member, trustee, local governor, employee or related individual or organization uses their connection to the academy trust for personal gain (<u>3.1.12</u>)		
Must ensure there are no payments to any trustee unless such payment is permitted by the articles and complies with the terms of any relevant agreement with the Secretary of State (<u>3.1.12</u>)		
Must obtain the Charity Commission's prior approval for paying a trustee for acting as a trustee (<u>3.1.12</u>)		Via InMAT
Must ensure that senior employees' payroll arrangements full meet HM Treasury's tax requirements (<u>3.1.22</u>)		
Must ensure any gifts given by the academy trust have the reason fully documented and have regard to propriety and regularity in the use of public funds (<u>3.5.1</u>)		
Must not pool PFI funding across a multi-academy trust (<u>3.10.5</u>)		
Must have due regard to the funding needs of their individual academies if multi-academy trusts pool GAG , and to the appeals mechanism in place (<u>3.10.6</u>)		
Must ensure the academy trust is eligible for the delegations and freedoms set out in this handbook by virtue of its funding agreement (<u>3.11.1</u> to <u>3.11.5</u>)		
AUDIT REQUIREMENTS		
Must be able to assure Parliament and the public that public funds have been used for the purpose intended.		
Must produce audited accounts in line with the 'Statement of Recommended Practice' (SORP) for charities (<u>1.4.2</u> , <u>1.4.3</u> , <u>2.2.14</u> and <u>4.1.1</u>)		
Must submit audited accounts to ESFA by 31 December (<u>1.4.2</u>)		
Must publish audited accounts on the trust's website by the end of January following the financial year to which the accounts relate, file their accounts with Companies House and provide a copy to anyone who requests them (<u>1.4.5</u>)		
Must approve a set of accounting policies (<u>2.2.14</u>)		
Must appoint a statutory (external) auditor to certify whether the accounts are true and fair (<u>2.2.14</u>) and <u>4.1.1</u>)		

Must put the external audit contract in writing as a letter of engagement (<u>4.1.2</u>)		
Must put additionally purchased financial services from the external auditor in a separate letter of engagement (<u>4.1.2</u>)		
Must provide in the audit contract for the removal of external auditors before the expiry of the term as set out in this handbook (<u>4.1.4</u>)		
Must notify ESFA immediately of the removal or resignation of external auditors , and the reasons (<u>4.1.5</u>)		
Must prepare information, at the request of ESFA, to facilitate financial consolidation (<u>4.1.7</u>)		
Must make financial disclosures in their audited financial statements in line with this handbook (<u>3.1.8</u> and <u>3.1.9</u>)		
Must demonstrate how the trust has secured value for money via the governance statement in the annual accounts (<u>1.5.23</u>)		
Must include a statement on regularity, propriety and compliance , signed by the academy trust's accounting officer, in the audited accounts (<u>1.5.23</u> and <u>4.2.2</u>)		
Must include a review of the accounting officer's statement on regularity, propriety and compliance within the external auditor's remit (<u>4.2.5</u>)		
Must address, jointly to the trust and the Secretary of State through ESFA, the auditor's conclusions on regularity (<u>4.2.5</u>)		
Must cooperate with NAO officials and their contractors and provide such help, information and explanation as is reasonable and necessary (<u>4.5.1</u>)		
Must provide ESFA with access to all books, records, information, explanations, assets and premises to assist ESFA with its audits (<u>4.6.1</u>)		
Must retain all records necessary for at least six years after the end of the period to which funding relates (<u>4.6.2</u>)		
Must provide ESFA or its agents with information of sufficient quality to meet the purposes for which it has been requested (<u>4.7.1</u>)		