

# Academy Trust Handbook 2024

Our summary of the key changes

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The Education and Skills Funding Agency have published the Academy Trust Handbook 2024.

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Our summary highlights the changes alongside our insights discussing what these may mean for the sector and your trust.

## Our summary of the key changes for trustees and finance staff

The Education and Skills Funding Agency (ESFA) have published the [Academy Trust Handbook](#) (the Handbook) 2024, which will be effective from 1 September 2024.

The Handbook has again been published very late in the academic year, after schools have broken up for the summer holidays, giving trusts and their leaders little time to review it before the date it becomes effective. The delay was at least in part due to the Election, but let's hope the Handbook can be published earlier next year.

There are few changes again this year, but it is nevertheless important that trustees and CFOs review the new edition and action any necessary changes promptly at the beginning of the new academic year so that your trust is compliant as quickly as possible. The Handbook also strengthens messages in a small number of key areas. Its publication was accompanied by a [Dear Accounting Officer letter](#) which draws attention to the main changes.

In our helpful summary we highlight the changes alongside our insights discussing what these may mean for the sector and your trust.

It is important that trustees and CFOs review the new edition and action any necessary changes promptly.



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# Delegated authorities

## Change 1

Confirming that trusts will be able to enter into finance leases where the lease category appears on the DfE approved list (5.25 and 5.26).

**UHY view:** This is probably the key change since it permits trusts to take out certain finance leases without approaching the ESFA for prior approval. The change has been implemented to provide trusts with the flexibility to manage spending decisions locally.

Only asset types appearing on the DfE approved list will be granted automatic approval, and trusts must continue to obtain prior approval for finance leases on any asset not on the approved list, or for:

- taking up a leasehold or tenancy agreement on land or buildings from another party for a term of 7 or more years
- granting a leasehold interest, including a tenancy agreement, of any duration, on land and buildings to another party.

Further guidance, including the list of assets granted prior consent, can be found [here](#). The main assets included are leases related to IT equipment, telephony, catering and cleaning equipment, furniture, LED lighting systems, minibuses and other vehicles for the use of the school and leases related to temporary classrooms.

Note that despite the relaxation of the rules around obtaining prior approval, it remains important that trusts identify whether a lease is a finance lease or an operating lease. The type of lease impacts on the way it is accounted for in the financial statements, and so determining the type of lease should be a key consideration. It is wise to consult your auditors because the nature of many lease agreements means the type of lease is not always clear, and we regularly see leases that are held to be operating lease but in substance are finance leases.

# Roles and responsibilities

## Change 1

The content on register of business interests has been relocated from part of the Handbook to 1.45 to 1.48 within the roles and responsibilities section.

There are no changes to the requirements, but this serves as an opportune moment to remind trusts of the must requirements in this area:

- 1.45: **Must** keep a register of any relevant business and financial interests
- 1.46: The register **must** include their full names, date of appointment, term of office, date they stepped down (where applicable), who appointed them and relevant business and financial interests including:
  - directorships, partnerships and employments with businesses
  - trusteeships and governorships at other educational institutions and charities
  - for each interest: the name and nature of the business, the nature of the interest and the date the interest began.
- 1.47: **must** identify relevant interests from close family relationships between the academy trust's members, trustees or local governors. It must also identify relevant interests arising from close family relationships between those individuals and employees.

**UHY view:** The use of the word relevant here often causes confusion since it is not defined. Trusts ought to have a complete record of all business interests, regardless of whether they are likely to ever enter into transactions with the identified related party. Note that just because an interest needs to be recorded, it is not necessarily a reportable related party transaction, or one that would need to be disclosed in the financial statements; for example, two entities are not automatically related parties simply by virtue of them having a director or trustee in common, there also needs to be an element of control.

Who would be classed as 'close family' is another area of ambiguity. It usually means those family members, or members of the same household, who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity. Close family would therefore normally include a person's spouse or partner, all children, siblings and parents. However, it is worth bearing in mind the greater scrutiny that may be given to connections of the Accounting Officer or Chair of Trustees, so for these individual it might be worth consider whether the definition of close applies more widely for them, in order to increase transparency.

## Change 2

Reminding trusts the importance of the digital and technology standards (1.16).

Trusts should refer to the [DfE's digital and technology standards](#), which were developed to support trusts in making more informed decisions about technology.

The standards, first published in 2022, but updated in May 2024 in respect of cyber security standards, should be used as guidelines to support schools in using the right digital infrastructure and technology. They are aimed at everyone involved in the planning and use of technology within schools and colleges, not just a IT staff, and cover:

- Broadband internet standards
- Cloud solution standards
- Cyber security standards
- Digital accessibility standards
- Digital leadership and governance standards
- Filtering and monitoring standards
- Laptop, desktop and tablet standards
- Network cabling standards
- Network switching standards
- Servers and storage standards
- Wireless network standards

**UHY view:** There have continued to be a number of cyber-attacks against the education section, and so it no surprise to see the cyber security standards updated to address tasks that should be completed by both the senior leadership team (SLT) and IT support. Cyber security is not something that IT teams can carry out alone, it is a shared responsibility between multiple roles and teams.

The new cyber security standards content has not been updated, but the format of the key information presented has been changed to make them more accessible to staff without cyber expertise. Helpfully, the previous cyber security standards have been [mapped to the new ones](#), so that you can see where the previous information now lies.

# Main financial requirements

## Change 1

### Emphasising that trusts' reserves policy includes a clear plan for managing reserves (2.8)

The board of trustees must:

- ensure that financial plans are prepared and monitored, satisfying itself that the trust remains a going concern and financially sustainable
- take a longer term view of the trust's financial plans consistent with the requirement to submit three-year budget forecasts to ESFA
- set a policy for holding reserves, and explain it in its annual report, including a clear plan for managing reserves.

**UHY view:** The ESFA [Good practice guide on Academy Trust Reserves](#) is an excellent resource and we would recommend that all Accounting Officers, Trustees and Chief Financial Officers read this guidance if they have not done so recently.

This helpful guide defines reserves, why they are needed, and sets out the regulatory requirements. It also helps boards finalise a reserves policy and poses questions that boards may wish to consider to ensure their trust is using its funding adequately for current and future pupils.

The end of the guide includes some further useful links, including one to a Charity Commission publication "[Charity reserves: building resilience](#)"

Our [Insight article on 20 May 2024](#) explores some of the thoughts around reserves and may help you to understand the ESFA guide, and it explains how we have seen some clients approached by the ESFA and asked to justify the level of reserves they are holding.

## Change 2

### Clarifying the position around when trusts must approach ESFA for Electric Vehicle (EV) salary sacrifice schemes (2.31)

Following ongoing cross-government discussions, the ESFA have decided it is necessary to pause the position on EVSS schemes included in the 2023 ATH while they clarify their approach and gather data on how trusts are planning to implement them.

Thus, from 1 September 2024 academy trusts must approach ESFA to seek approval for the following transactions:

- entering into a new electric vehicle salary sacrifice scheme
- accepting any further employees onto an existing electric vehicle salary sacrifice scheme.

Trusts must contact ESFA early in the planning stage, both in relation to new schemes and accepting further employees onto existing schemes.

**UHY view:** Salary sacrifice schemes need to be considered as part of the wider setting of executive salaries. Further guidance on this can be found [here](#). It is important that all times those involved in setting executive pay remember that it is essential that salaries can be justified, are in the best interests of the academy trust, reflect the individual's responsibilities, and demonstrate value for money.

# Internal scrutiny

## Change 1

### Explaining which internal scrutiny options to be applied for trusts with annual revenue income over £50 million (3.16)

All trusts must deliver internal scrutiny in the way most appropriate to its circumstances, and options continue to include any combination of:

- a. an in-house internal auditor
- b. a bought-in internal audit service
- c. the appointment of a non-employed trustee
- d. an independent peer review by the chief financial officer from another academy trust.

However, the new Handbook says that trusts with an annual revenue income over £50 million should (and from 1 September 2025 must) deliver internal scrutiny using any combination of a) and b) only.

**UHY view:** The gentle introduction of this requirement is presumably in response to the late publication of the Handbook, but it will become a must requirement in 2025. Despite the growth in multi-academy trusts, the number of trusts of this size remains low, and in our experience trusts with income of more than £50m are generally quite sophisticated and do have a professional style internal scrutiny arrangement, but presumably the ESFA continue to see some instances where approach has been light. We would suggest that it would be good practice for any sizeable trust to use a professional service, with options c) and d) really more appropriate for some single academy trusts, and therefore we are surprised that the income threshold is as high as it is.

All trusts, regardless of income levels, may also use other individuals or organisations where specialist non-financial knowledge is required. The ESFA good practice guide "[Internal scrutiny in academy trusts](#)" is an excellent resource and provides a non-exhaustive list of areas that might be reviewed, including non-financial areas such as safeguarding, ESG, data and cyber security where it may be advantageous to engage a specialist in that particular area.

## Change 2

### Clarifying qualifications and/or experience for trustees and peer reviewers (3.17)

To ensure those carrying out the programme of internal scrutiny work are suitably qualified and/or experienced, trustees and peer reviewers performing the work should have appropriate qualifications and/or experience relevant to the area being reviewed.

**UHY view:** This is a sensible clarification, although for now it remains a best practice 'should' rather than a 'must'. Whilst it may remain appropriate for a small trust to use a trustee or peer reviewer, it does make sense that the trust should ensure the individual has the relevant skillset. Whilst the number of trusts relying on a trustee or peer reviewer is quite small, the clarification will mean these trusts should carefully consider whether this approach remains appropriate.

# The regulator and intervention

## Change 1

### Clarifying that trusts take appropriate action to meet DfE's cyber security standards (6.14)

Academy trusts must also be aware of the risk of cybercrime, put in place proportionate controls and take appropriate action where a cyber security incident has occurred. Trusts should take appropriate action to meet [DfE's cyber security standards](#), which were developed to help them improve their resilience against cyber-attacks.

**UHY view:** This links to Change 2 highlighted in the Roles and Responsibilities section earlier. With all educational establishments increasingly relying on digital tools and platforms for administration, teaching and learning, it is vital that trusts do everything in their power to protect sensitive data and financial information, safeguard educational materials, comply with the legal requirements of

GDPR, and help prevent cyber-attacks. A strong system will also help to ensure the continuity of education and to foster a safe online environment for students.

## Change 2

### The list of examples where a Notice to Improve (NtI) may be issued has been extended to include management of the school estate (6.16)

This means that where trustees and the executive are found to be failing to manage their school estate and maintain it in a safe working condition strategically and effectively, they risk a NtI being issued.

Other governance grounds on which a NtI can be issued continue to be:

- the trust board not being properly constituted
- trustees failing to comply with their safeguarding duties
- trustees lacking the skills, knowledge and experience to exercise effective oversight of the trust's operations and performance, including educational performance

These are in addition to a number of financial management triggers, including an actual or projected deficit or cash flow problems.

**UHY view:** This follows the enhanced priority give to estate management in recent years, including the need for trusts to reference this in several places in their financial statements, including the Accounting Officer specifically confirming they've considered their responsibilities in respect of estates safety and management in their statement of regularity and propriety.

Academy trusts must be aware of the risk of cybercrime, put in place proportionate controls and take appropriate action where a cyber security incident has occurred.





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## You can read the full 2024 Handbook [here](#).

Alongside the main Handbook, the ESFA have again published a separate list of 'must' as in an interactive Excel document which trusts can download and self-complete. This list is available directly [here](#), and is an entirely optional resource, with no requirement to submit it to ESFA. It does need to be remembered that the list of musts abbreviates the requirements and so cannot be used as a substitute for the full Handbook.

We always recommend that the publication of the new Handbook each year is an opportune moment for Accounting Officers, Chief Financial Officers and trustees to read the list of 'musts' as a minimum, to remind themselves of the key requirements of the Handbook. It would be good practice to work through the Excel tool or, if you've not had such a review recently, to engage your internal auditors to complete a full review of compliance with the Handbook as part of a wider governance review.

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## Reminders

The Handbook uses two key words throughout:

**Must** – this is an explicit requirement of the Handbook and failure to comply is a breach that would be classed as a regularity issue, reportable in the audit findings report and possibly the financial statements.

**Should** – this identifies minimum good practice which trusts should apply unless they can demonstrate that an alternative approach better suits their circumstances.

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