



Education & Skills
Funding Agency

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[ESFA-enquiry-form](#)

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To accounting officers in academy trusts. Copied to chairs of trustees

Dear colleague

When I joined ESFA in August 2022, I was struck by the great work being delivered by academy trusts. Having spoken to many of you, your passion and drive as system leaders is clear.

Of course, as accounting officers we have a collective responsibility for ensuring the funds paid to academies (now well over £30 billion per year) are properly used, and that strong financial management remains the enabler for everything we do. It is therefore satisfying to see that consistently 92% of your external auditors report no regularity issues in your annual accounts and that, despite the challenges of recent years, the great majority of trusts are so well-run financially. I want to offer you my thanks for this sustained achievement.

In addition to our assurance role, I have said often that I would like ESFA to be a source of both certainty and support for the sector, with a greater focus on partnership working with you. I want to listen and continue to build your trust in us.

One of the messages I have heard clearly from you is that the financial oversight framework within which you operate, including the documents, returns and systems that we develop, need to be as easily understood and straightforward to use as possible. It is also clear that the academy sector has developed and matured in recent years, with high standards of financial management and governance, and the framework needs to be proportionate to that level of development and maturity. We also want to be as responsive as possible to suggestions for improvement.

We are therefore grateful that a number of you and your colleagues, and the sector bodies which represent or support you, have been able to spend time talking to us over recent months to explore how we can continue to make these things simpler. Because of this, we have been able to develop a significant number of proposals to streamline and improve the financial oversight framework.

Some have been delivered already, as we reach a key milestone with the publication of a new Academy trust handbook. As well as being a materially

shorter document, we have reviewed several key requirements to hopefully reflect the growing maturity of the sector. Key areas updated include:

- Related party transactions - A doubling of the threshold beyond which ESFA approval is required for related party transactions. From 1 September 2023 this increases from £20k to £40k. We have also removed the ESFA approval requirements for transactions with some schools, colleges and universities, and reinforced where the approval requirements do not apply to transactions with faith bodies.
- Annual reporting – We have removed the requirement for you to provide explanations in your annual accounts when holding fewer than 6 board meetings per year, although this in no way reduces our expectation to have regular and effective meetings.
- Budget setting - We are providing an additional month to submit your annual [budget forecast return](#) to us, which extends the deadline to 31 August. We appreciate this is a difficult one for us to get right, given the submission window remains over the summer. But we hope that the extension will help ease the myriad of priorities your trust will be managing at the end of each academic year.
- Budget monitoring – We are providing you with more discretion in the distribution of management accounts.
- Sustainability – We are confirming you can set up salary sacrifice schemes for electric vehicles, in most cases without our approval.

More broadly we have worked hard to ensure this version of the ATH is as concise as possible, removing detail and prescription, which is now unnecessary for the sector. It should therefore be a more straightforward and easier document to follow. Where you want to learn more about a particular subject, we will continue to publish a range of supporting guidance and you will find links to this in the handbook.

Alongside, there are a very small number of places where this year's handbook more strongly emphasises trusts' existing responsibilities - most notably the critical importance in ensuring the ongoing safety of your school estate. To be clear, there are no new requirements in relation to estates, but rather this is about emphasis and explanation of existing responsibilities.

We are also publishing a new tool setting out each of the requirements in the handbook as a tabular checklist for your trust to use. Whilst not a substitute for the handbook itself, we hope it will be another small step in making your life simpler. We do want to emphasise that the tool is an entirely optional resource, and there is no requirement to submit it to us. However, we would appreciate any [feedback](#) on how useful you find it and, for that matter, any feedback on the handbook itself. You told us that the handbook is well regarded but we want to ensure we keep getting the balance right between prescription and local discretion.

Beyond the changes set out in the handbook, our work is looking at a whole range of other improvements that we can make to the financial oversight framework. For example, we are considering what we can do to improve and streamline the financial returns you submit. We are exploring how best to

develop our suite of financial management good practice guides as a means of maximising support without setting additional requirements. We are looking to emphasise areas where trusts have autonomy over financial decisions. And we are planning to improve the join-up of DfE and ESFA information about funding and finance. There are a range of other examples, and we will update the sector as we take each of these forward.

More broadly, this is the start of the process rather than the end. We are keen to maintain the dialogue with you about the financial oversight framework in the longer term and welcome any feedback and suggestions for improvements. It is important that we draw on front-line expertise, including established forums such as the [Academies finance and assurance steering group](#) and its working groups, and those of you and your teams who help us with the [School resource management programme](#). The insight offered by the financial oversight advisory group has also been invaluable. My thanks again to all involved.

Please do share this letter with your board of trustees and chief financial officer, and I hope you can arrange for it to be discussed at your next board meeting.

With best wishes for your students' success in their examination results later in the summer. In the meantime, I hope you have the opportunity for a deserved break and some relaxation.

Yours sincerely



David Withey
Chief Executive
Education and Skills Funding Agency