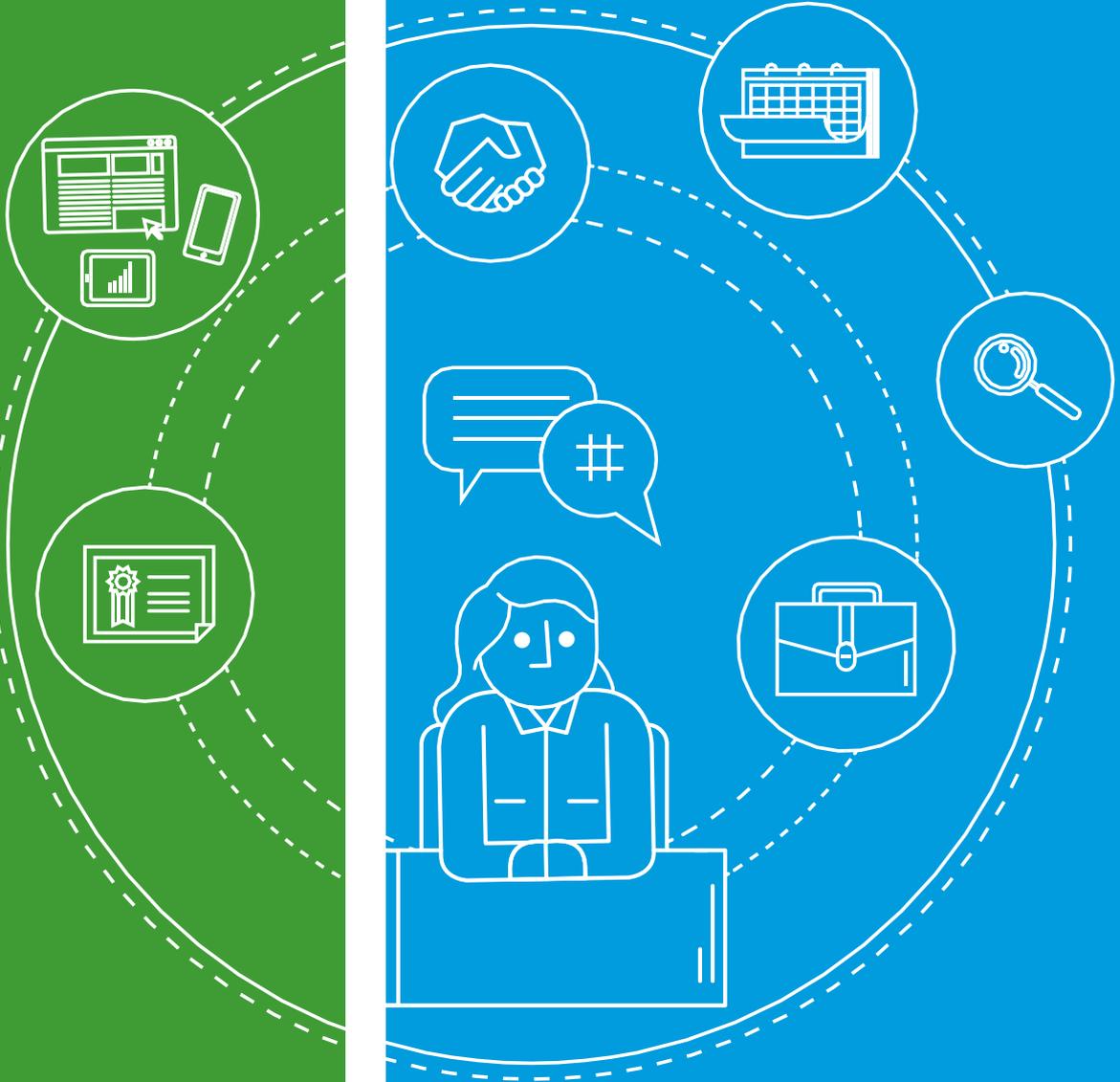


2021
UPDATE



ACADEMY TRUST HANDBOOK 2021

Insight series

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING



INTRODUCTION

The Academy Trust Handbook 2021 (formerly the Academies Financial Handbook) was published in June 2021, and will come into effect on 1 September 2021. In this insight series we will look in detail at some of the key changes and the practical implications for trusts starting with an outline of the changes from the 2020 Handbook and areas with greater focus in this edition, along with some key points to consider around cyber security. The implications for trusts and actions to be considered will then be expanded upon in later editions.



Name change reflecting responsibilities beyond finance

The name of the Academies Financial Handbook has been changed to Academy Trust Handbook (ATH), to reflect the content of the document and its importance in the running of trusts, and the wider range of content beyond just a financial focus. This is also reflected in the change in name of financial notice to improve (FNtI) which is now notice to improve (NtI).



Governance theme

Governance continues to be high on the agenda and a key theme throughout the document. Baroness Berridge in her foreword to the handbook also encourages trusts to commission an external governance review to compliment the self-assessment completed by trusts. This is recognised as an important tool, in particular as trusts change. With the continuing emphasis on governance, this will be covered in a briefing devoted to the topic later in the series.



Risk areas

There have been some high profile cyber security attacks on education establishments recently and this comes against a backdrop of an increasing threat more widely. Cyber crime issues are highlighted in part 6 of the ATH, with emphasis on the importance of controls in place to mitigate against the risk of ransomware attacks in the sector.



SUMMARY OF CHANGES IN 2021

The Handbook is in 9 parts and we have picked up the key changes and areas of greater focus below. Further details on the key changes will be discussed in later articles in this series.

Part 1: Roles and responsibilities

Boards should identify the skills required to ensure that they have the necessary breadth of knowledge and experience across the trustee body as a whole, to meet the needs of the trust and provide the appropriate level of oversight. With this in mind the ATH introduces the following changes this year:

- Those with parental responsibility should have representation as trustees: This is already included in trusts' articles of association and this is now included as an area of emphasis in the handbook . All trusts should have reserved places for parents in their governance structure of trusts. The ATH stipulates that single academy trusts should have at least two such places on the board and trusts with multiple academies should have at least two such places on the board and at least two such places on each local governing body;
- Suitability of members: Trusts must ensure that their members are not currently subject to a direction made under section 128 of the Education and Skills Act 2008 which prohibits individuals from taking part in academy trust management, and that they do not appoint as a member, a person who is currently subject to a section 128 direction;
- Academy trusts must ensure enhanced Disclosure and Barring Service (DBS) certificates are obtained as appropriate for all staff and supply staff; and
- Three specific sections have been added to new edition in regards to safeguarding, health and safety and estates management, setting out the duties of board of trustees in these areas, highlighting the role of governance across all aspects of the trust and not just finance;
 1. Academy trust boards have a duty to safeguard and promote the welfare of children as included in the ATH. Ofsted has also published its review of sexual abuse in schools and colleges in June 2021, including a number of recommendations for school and college leaders with a whole school approach to identify issues and intervene early to protect children and young people [Review of sexual abuse in schools and colleges - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/reviews/sexual-abuse-in-schools-and-colleges). Boards should familiarise themselves with the content of the review and ensure that the appropriate actions are implemented at their individual trusts;
 2. External reviews of the effectiveness of the board are highlighted as important and part of the wider programme of self-assessment and improvement for the trusts; and
 3. Greater consultation with the Regional Schools Commissioner (RSC) when there are senior executive leadership changes to promote discussion around structure and options.

From 1 March 2022 any newly appointed senior executive leader can only be a trustee if the members decide to appoint them as such, the senior executive leader agrees and the trust's articles permit it.

We welcome the replacement of the term 'clerk' with governance professional, recognising the importance of this role and the advice given to trustees.

SUMMARY OF CHANGES IN 2021

Part 2: Main financial requirements

Scheme of delegation

The handbook states that whilst the board cannot delegate overall responsibility for the academy trust's funds, it **must** approve a written scheme of delegation of financial powers that maintains robust internal controls. The scheme of delegation **should** be reviewed annually, and immediately when there has been a change in trust management or organisational structure.

Executive and severance payments

As included in the 2020 handbook, the trust **must** publish on its website the number of employees whose benefits exceeded £100k, in £10k bandings for the previous year ended 31 August. In addition, where the trust has entered into an off-payroll arrangement with someone who is not an employee, the amount paid by the trust for that person's work for the trust must also be included in the website disclosure where payment exceeds £100k as if they were an employee.

In accordance with HM Treasury's Guidance on Public Sector Exit Payments, trusts **must** obtain prior ESFA approval before making a staff severance payment where:

- an exit package which includes a special severance payment is £100,000 or above; and/or
- the employee earns over £150,000.

Trusts should also continue to be mindful of off payroll arrangements for staff and ensure senior employees' payroll arrangements fully meet their tax obligations and comply with HM Treasury's guidance about the employment arrangements of individuals on the avoidance of tax. Senior managers with significant financial responsibilities should be exclusively on payroll.

Documents for public inspection

The trust **must** make certain key documents available for public inspection, to demonstrate openness and transparency. We would expect this to be via the trust's own website, with publication on a timely basis. Generally, these are found on the governance or trustee section of the site and uploaded once approved and include:

- the agenda for every meeting of the trustees, local governing bodies and committees;
- the approved minutes of each meeting; and
- any report, document or other paper considered at each meeting (named teachers, employees (or proposed employees), students may be excluded, as well as any matter which, by reason of its nature, the trustees are satisfied should remain confidential).

SUMMARY OF CHANGES IN 2021

Part 3 Internal scrutiny

The changes highlighted in the handbook are:

- The chair of the audit and risk committee **should** not be the same person as the chair of the finance committee;
- The clerk is now referred to as a governance professional; and
- Internal scrutiny **must** not be carried out by a member of the senior leadership team.

Part 6 The regulator and intervention

Part 6 of the handbook sets out how the ESFA oversees academy trusts and may intervene were concerns arise. Changes in this section for 2021 include:

- Provision of written authority to the ESFA for third parties to provide information, where the ESFA has concerns about financial management and/or governance at an academy trust.
- **Cyber security:** Academy trusts **must** be aware of the risk of cyber crime and put in place proportionate controls and take appropriate action when an incident has occurred. Trusts must obtain permission from the ESFA to pay any cyber ransom demands.

From our work in the sector, particularly reviewing trust risk registers it is clear that cyber threats and IT security are becoming of increasing concern across academy trusts. It is therefore, not surprising to see cybercrime as a separate section within the handbook. In particular, there has been an increase in ransomware attacks. The wide ranging destructive damage including temporary school closures is not limited to loss of payroll and financial data, but also governance documentation as well as pupil information. We are seeing the impact not just on financial and MIS systems, but a detrimental impact on the delivery of education to pupils.

In advance of our next article focussing on cyber security, here are some questions you should initially consider and embed cybersecurity in all discussions within the trust:

- Have you got appropriate user access controls in place and multifactor authentication for every user?
- Does staff training cover awareness of IT security risks?
- Are you up to date with patches and anti-virus software?
- Have you got a developed, documented and thorough cyber response and business continuity plan in place?

Six ways to protect your organisation against cyber-crime

Cyber criminals don't just target large businesses. Data is king when it comes to cyber-crime, and cyber criminals are on the hunt for vulnerabilities wherever they exist.

Weak IT controls can grant access to systems and provide cyber criminals with a route to underlying business and personnel data.

- 1 Raise cyber security awareness.
- 2 Back up your information.
- 3 Protect your social media accounts.
- 4 Examine your supply chains.
- 5 Update your operating systems.
- 6 Educate staff on credential theft.

In its November 2020 'Cyber impact' report Jisc recommends compliance with the BS31111 cyber risk and resilience standard, which sets out senior management and organisational responsibilities for cyber security.

Academy Trust Handbook 2021 Series

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