



# williams giles

Chartered Accountants

www.williamsgiles.co.uk

## ACADEMIES FINANCIAL HANDBOOK (AFH) 2015 – Highlights

The new AFH takes effect from 1<sup>st</sup> September 2015. Whilst designed to provide stability, the regulatory framework just grows and grows.

**Governance:** Some trusts still do not fully understand that members are distinct from trustees/directors. When members have resigned from the Board and as trustees, perhaps when a new head has been appointed, they must also resign as a member so a replacement can be appointed. It is forbidden for an academy to have either de facto trustees or shadow directors - someone on whose direction or instruction the academy is accustomed to act but who is not actually a legal trustee on the Board.

**Audit Committee:** The obligation to have an audit committee has been removed from all trusts except those with income exceeding £50M.

**Website Info:** Many academies are failing to post the required level of information on their websites. By 31<sup>st</sup> January financial statements must be posted. Other mandatory posting includes the register of business interests, full details of all trustees who have served in the last 12 months with dates of appointment and resignation, attendance records for meetings, and full details of committee structures and members. A new stipulation is that the register of business interests should identify all close family relationships between members or trustees and between members or trustees and the trust's employees.

**Connected parties:** The much tighter rules for trading with connected parties introduced in 2013 remain and the de minimis rule stays at just £2,500.

**Debt cap:** Debt write-offs and liabilities and indemnities have been capped at £250k. This is a total amount of individual and cumulative delegations which remain at 1% of total annual income (or £45,000 if smaller) per write-off, and 2.5% of total annual income in any single year. A particular target for the EFA is photocopier leases which have unlimited indemnities hidden in the small print.

**Clause 1.5.5:** The promised 'Dear Accounting Officer' letter has yet to be seen this year. The most recent one was issued on 19<sup>th</sup> May 2014.

The AFH is filled with helpful links to important and useful guidance such as The Governors Handbook, and various trustee publications from the Charity Commission. These are available to read online in .pdf form. Of particular interest are 'Twenty questions for the governing board to ask itself' and 'Twenty-one questions for multi-academy trust boards'. These form useful prospective agendas for a Board away-day.

# Academy Update

## September 2015

## STOP PRESS- Academy Breakfast Club

The WG academy breakfast club meets at Williams Giles offices for the first time in the 2015/16 academic year on 16<sup>th</sup> September 2015. 8.00am for 8.30am start. Bacon (and veggie) sandwiches provided. We will be discussing pro-active HR management and how to avoid having to throw money at problems! All done by 10.00am. Call or e-mail [leighann.stone@williamsgiles.co.uk](mailto:leighann.stone@williamsgiles.co.uk) if you would like to join us.

## Accounts Direction (AD) 2015 – SORP 2005

This is a brief summary of some of the main changes. It is nonetheless well worth reading the whole direction even if we produce your accounts for you as it will help to understand why we may ask for some of the information that we do.

- Modified or qualified regularity reports must now be notified to the EFA and National Audit Office as soon as the need becomes apparent.
- Accounts must be submitted through the Document Exchange. The EFA is seeking to ensure that academies take responsibility for submitting their own accounts and do not delegate that to their auditors.
- The value-for-money statement is now included in the Governance Statement. It no longer needs to be submitted separately.
- Non-contractual severance payments now need to be disclosed on an individual basis regardless of value.
- It is now formal that church academy supplemental agreements should follow the substance of the arrangement rather than the strict legal form.
- There is new guidance recognising more frequency on academy movement between trusts and how to account for the resulting mergers, departures and dissolutions.

## FRS102 and the 2015 SORP, what does it all mean?

For most existing academies, not a great deal at first sight. The new rules only come into effect for the handful of companies incorporated on or after 1<sup>st</sup> January 2015; only a small number, but enough to warrant a separate 2015 Accounts Direction.

For everyone else who will not have to comply until next year, comparative balances for 2015 financial statements will be restated to meet with the new standards. Many academy trusts are small companies and so are not subject to as many of the new disclosures as larger companies, but they are not exempt from impact.

Where loans have been provided at interest rates of zero or below market rate, which would cover the approved Salix scheme or new capital loans, it will be necessary to introduce an appropriate notional interest rate as both donation and corresponding expense.

Equally important is a different basis of assumptions for determining the defined benefit pension obligations via the LGPS. As most academy schemes have a deficit this will mean that the deemed finance cost to the income and expenditure account will increase.

## The seven principles of public life

The EFA continues to stress the importance of academies' Boards of Trustees and Accounting Officers adherence to the "seven principles of public life". The issue is re-enforced with every instance of public failure, often accompanied by costly financial consequences. Whilst a bit heavy-handed, the principles do offer clarity of approach and behavior and can help as part of Board induction and training activity. The seven principles are:

1. Selflessness- As holders of public office you should always act solely in the public interest
2. Integrity- You can never open yourself to undue influence nor take any decisions to benefit yourself or your family or friends; either directly or indirectly
3. Objectivity- You must take decisions impartially fairly and on merit using the best available information
4. Accountability- Holders of public office are accountable to the public for their decisions and actions and must subject themselves to this necessary scrutiny.
5. Openness- Decisions should be taken in an open and transparent manner, and information not withheld unless there are clear and lawful reasons for so doing.
6. Honesty- Holders of public office should be truthful.
7. Leadership- You should exhibit all of these principles in your own behaviour and actively promote and support them. Poor behaviour should always be challenged.

Source: <https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2>

Whatever your financial needs in running your academy trust, Williams Giles can help.

Over 100 academy schools are taking benefit from our specialist team, gaining insight and practical guidance in the professional running of a modern academic business.

For more information, contact:

**Alyson Howard**

[alyson.howard@williamsgiles.co.uk](mailto:alyson.howard@williamsgiles.co.uk)

**Alex Ffrench**

[alex.ffmpeg@williamsgiles.co.uk](mailto:alex.ffmpeg@williamsgiles.co.uk)

**Gemma Chan**

[gemma.chan@williamsgiles.co.uk](mailto:gemma.chan@williamsgiles.co.uk)

**Kirstin Barker**

[kirstin.barker@williamsgiles.co.uk](mailto:kirstin.barker@williamsgiles.co.uk)

Academy hotline: 01795 478044

## The future of the audit committee

In the 2015 handbook, the income limit that necessitates an Audit Committee (AC) has been raised to £50m which we feel is very high. If you are under that threshold do you need one anymore? The AC function still has to happen in all trusts, either in a different committee or the full Board, so the requirement and limits are somewhat moot.

The AFH has two specific areas of activity, as follows:

- The committee must focus on providing assurance to the Board of Trustees that risks are being adequately managed, by reviewing the risks to internal financial control and agreeing a programme of work to address and provide assurance on those risks.
- In addition that they should advise on the appointment, reappointment and dismissal of the external auditor as well as review and receive the external auditor's plan and audit findings

The AFH also states categorically that academy staff cannot be part of an audit committee and, where its functions are combined with the Finance Committee (where one might have rotating finance and audit chairs); staff cannot act as members when audit matters are discussed. However, they can remain on hand to provide information and participate in discussions. There is a helpful guide to terms of reference for an audit committee created by NASBM which can be found online at <http://www.nasbm.co.uk/PublicDocuments/22Audit%20Committee%20Terms%20of%20Reference.pdf>

## ET AL

Alyson Howard FCCA CF September 2015



The regulatory regime surrounding academies is now tighter than ever and with funding only going downwards despite some quite serious upwards pressure on costs due to statutory increase in Teachers Pension contributions and National Insurance contributions, many may be asking themselves is it still worth it? Quite honestly I don't think the funding is any easier in the maintained sector and academies do have greater freedoms which should enable them to optimise their operation more effectively whilst still ensuring a first class education is delivered to the pupils and students.

One of the reasons we have chosen to discuss HR practice and policy in our upcoming academy breakfast on 16<sup>th</sup> September is because we see far too many academies buying into Local Authority HR and employer legal support and often these do not offer the most cost effective advice. Far too often, long expensive suspensions and weasel-worded compromise agreements ensue when, in the commercial world, the employee would have been swiftly disciplined and dismissed. The 'let's play safe and throw money at a problem' attitude simply cannot continue. Academies spend more money on people than on anything else. Manage that effectivity and you are on the road to managing your budget. Why should any school, academy or not, put up with inadequate staffing of whatever type?

Some Accounting Officers should look long and hard with their Boards of Trustees at whether all of their people are really offering value for money. It's not only the IT suppliers that need to be subjected to that scrutiny!