

# **CLIVE OWEN LLP** **ACADEMY NEWSLETTER**

**SEPTEMBER 2018**

## ACADEMY NEWSLETTER – SEPTEMBER 2018

As usual over the summer there have been several announcements as expected from the ESFA - the Academies Accounts Direction (AAD) and Academies Financial Handbook (AFH), together with changes to the Risk Protection Arrangement (RPA) and for the first time a 'Dear auditor letter'.

We summarise these changes in this newsletter, together with other changes which we trust you will find useful.

Please feel free to share this with your Trustees, Directors and Governors.

### Contents

1.	Academy Accounts Direction (AAD)	3
2.	Academies Financial Handbook 2018 (AFH)	4
3.	Website – careers programme	6
4.	Condition data collection	6
5.	Risk Protection Arrangement (RPA)	6
6.	Frameworks	6
7.	Dear auditor letter	7
8.	Deposit account interest	8
9.	Academies Accounts Return (AAR)	8
10.	Your contacts	8

# 1. Academies Accounts Direction (AAD)

Whilst there are a number of changes the majority are just clarification or slight tightening up of the disclosures.

## The major changes are:

- 1 The need to include information regarding trade union facility time within the trustees report. This requirement is only applicable for those who employ more than 49 full-time equivalents throughout any seven months of the accounting year. In essence, this will catch all secondary SAT and most MATS.

For those that have an active trade union official there is a page of additional disclosures in the trustee report (P20 of 2017/18 AAD). We understand most trusts, however, buy into the local authority scheme. If this is the case we suggest you only include a note stating this.

- 2 Additional disclosures in the trustee report where you are fundraising.
- 3 An additional note showing income and expenditure for the teaching school where the trust has one.
- 4 Enhanced disclosures regarding related party transactions where transactions exceed £2,500 in the financial year.

You must confirm that a statement of assurance has been received. Income and expenditure must be shown separately and there are additional disclosures where there is a trading subsidiary.

- 5 Regularity issues now specifically include alcohol and excessive gifts. Historically this has been a grey area with the ESFA mentioning it within FNTI but never before stating it must not be bought. We advise all of our clients to review their policy on gifts and, if applicable, amend it to remove the ability to purchase alcohol and gift vouchers which have the ability to buy alcohol. Our view is that where alcohol is bought for a fundraising event, e.g. parents buy a ticket to attend a BBQ at which they get a burger and a glass of wine within the price, or wine is sold at an event, that is subject to licensing laws that should be acceptable. Also, the buying of alcohol for communion at faith schools should not give rise to a regularity breach.

The other changes tighten up on deadlines for accounts submission where a trust ceases, the audit report, expansion of the funds note (makes it longer), treatment of capital grants, inclusion of the apprentice levy within social security costs and grossing up of the levy where the trust has accessed the fund.

## 2. Academies Financial Handbook 2018 (AFH)

Most of the changes impact from 1 September 2018. The changes in this were more significant than in prior years. In particular, there is focus on the role of the trustees in particular the chair of the trust.

### The main changes are:

- 1 Section 2.3.3 states that 'the trust **must** prepare management accounts every month setting out its financial performance and position, comprising budget variance reports and cashflow forecasts with sufficient information to manage cash, debtors and creditors'.

We believe that the ESFA do not expect trusts to change employment contracts. For example SBM's who currently work term-time do not need to change to full-term so they can prepare July management accounts. We think though that there is an expectation that June management accounts are prepared before the end of term (if possible) and obviously the August management accounts are prepared as soon as possible after the new academic year starts.

- 2 Section 2.3.3 goes on to state 'management accounts **must** also be shared with the chair of the trustees every month irrespective

of the size of the trust, and with the other trustees six times a year'. In essence, where the chair of the trust has little financial expertise it would seem sensible to involve the chair of finance (or equivalent). However, given the ESFA have placed this responsibility on the chairs of trusts it would appear that the ESFA expect them to receive some appropriate training to be able to undertake this role.

In respect of the sharing of the management accounts with other trustees six times a year, we understand that the ESFA expect each board meeting to review the finances (this may be in the form of a report/notes from the finance committee rather than a formal report depending upon the financial position of the trust). Where there are not six meetings a year the "balance" may be done electronically.

Note where the board meets less than six times per annum, per 2.1.2 the trust 'must describe in the governance statement, accompanying its annual accounts, how it maintained effective oversight of funds with fewer meetings'.

3 Given the letters regarding executives' pay where it exceeds £100,000, it is probably no surprise that there are additional considerations for the board to document when setting this. To comply the board **must** ensure its approach is transparent, proportionate and justifiable. They therefore expect:

- a) The process for determining pay to be agreed by the board in writing in advance.
- b) Decisions are independent, and conflicts of interest are avoided.
- c) Factors for determining pay are clear.
- d) Pay is defensible relative to the public-sector market.
- e) Rationale behind the process is recorded and retained (the minutes should include reference to whether the level of pay represents value for money).
- f) Non-teaching pay should not increase at a faster rate than teachers.
- g) Inappropriate pay may be challenged by the ESFA.

#### 4 Related Party Transactions

There are new requirements in respect of related party

transactions which are implemented after 1 April 2019.

For all transactions the ESFA must be advised in advance (an online portal will be set up in due course). Where the value of the transaction(s) exceeds the following the ESFA must give their approval **before** the transaction is undertaken:

- 1 Contract exceeds £20,000; or
- 2 Contracts that take the value of contracts with the related party above £20,000 in the same financial year; or
- 3 Any additional contracts issued after either 1 or 2 above have occurred.

Note - Salaries and related employment costs are exempt from the above.

There are a number of other changes to the AFH:

- Ability of Secretary of State to require a trust to remove a member or trustee
- ESFA may refer entities to the Charity Commission
- Recommends use of their 'deals for schools' (see later comments regarding frameworks)
- Ensuring insurance, not via the RPA, covers buildings and contents, business continuity, employer's and public liability
- Whistleblowing procedures
- Internal assurance report (or equivalent) must be made available promptly to all trustees
- Trustees **must** ensure appropriate, reasonable and timely response to any findings by the auditors

- Set out that if trusts fail to provide information by specified deadlines or if the information provided is not of an acceptable quality then the ESFA may investigate and deduct the costs of doing so from the recurrent funding

At present, we do not know how these costs will be calculated. This financial penalty is in addition to naming and shaming those trusts who submit two documents late within a twelve month period.

### 3. Website - Careers Programme

The ESFA published guidance in June 2018 - 'What Academies free schools and colleges should publish on-line'. This can be found at [www.gov.uk/guidance/what-academies-free-schools-and-colleges-should-publish-online](http://www.gov.uk/guidance/what-academies-free-schools-and-colleges-should-publish-online).

The list is extensive but is mainly information that one would expect to see.

Please do check your website as there are new requirements regarding the schools careers programme for those aged 12 to 18 years old.

The information includes:

- Name, email address and telephone number of the careers leader

- Summary of the careers programme. This should include details of how pupils, parents, teachers and employers can access
- Details of how the school measures and assesses the impact of the careers programme for the pupils
- The date of the next review

The guidance states that all schools should have a trustee/governor who takes a strategic interest in careers education and guidance and encourages employer engagement

### 4. Condition Data Collection

These site visits will commence in September 2018 and will be ongoing until the Autumn of 2019.

### 5. Risk Protection Arrangement (RPA)

The DfE have announced that from September 2018 within the existing deduction of £20 per pupil that the following will be included:

- Overseas travel - including winter sports
- Cultural assets - including a free valuation service

As ever, do check the terms and conditions to ensure you are covered.

### 6. Frameworks

A reminder that there are a number of frameworks in place which may enable you to save on existing procurement.

These include NASBM, Crescent Purchasing Consortium and Crown Commercial Services. Details for the latter can be found at [www.gov.uk/government/publications/deals-for-schools/deals-for-schools](http://www.gov.uk/government/publications/deals-for-schools/deals-for-schools)

*Frameworks include:*

- Energy and utilities
- ICT
- Printers, copiers and multi-functional devices (MFD's)
- Insurance
- Audit services
- Soft facilities management

## 7. Dear auditor letter

Lord Agnew wrote to all firms that they know audit academies.

They asked us to work with you to make you aware of the following:

- GAG Pooling - The DfE see this as the greatest freedom for a MAT. Effectively MAT's decide on the level of financial support required by an Academy without reference to the GAG statement
- Integrated curriculum Financial Planning (ICFP) - Encouraging the use of this tool which helps with teacher deployment
- Three-year forecasting - Now mandatory. Asking us to ensure trustees challenge future pupil projections

- KPI's / Benchmarking - Encouraging the use of the departments own benchmarking tool. The data for 2016/17 has recently been uploaded. Obviously you also have access to our [benchmarking report](#).

- Best of breed templates - Production of a monthly reporting pack that is accessible to non-accountants. We are currently working on a model which we hope to release shortly
- Auditors management letters - A reminder that recommendations should be implemented in a timely fashion

- Internal audit - Asked us to place more reliance on (we already do review this as part of the planning)

Operational challenges - Asked us to ask you to consider:

- a) Do you have standard contract of employment across the trust?
- b) Are you using the same exam boards across the trust?
- c) Have you implemented an electronic purchase order system?
- d) Have you centralised your banking?
- e) Have you benchmarked your supplier costs?
- f) Are you accessing DfE frameworks?

Training for the Chair and non-executives – Encouraged us to provide. As you are aware we do training sessions. If anyone would like a trustee training session or to provide ideas for future events please let us know.



## 8. Deposit account interest

We have recently reached agreement with a firm that reviews the banking market to find the best deposit account interest rates.

The service reviews the liquidity/spread of monies (eg 50% instant access, 20% 90 days, 30% one year), type of bank and number of banks you would be willing to spread your deposit over.

It then produces a report showing the additional interest you could earn, the protection you would receive and fees payable for the service. Early findings are encouraging.

Should you wish to explore this service then please let us know.

## 10. Your contacts



 **Chris Beaumont**  
chris.beaumont@cliveowen.com



 **Gary Ellis**  
gary.ellis@cliveowen.com



 **Kevin Shotton**  
kevin.shotton@cliveowen.com

## 9. Academies Accounts Return (AAR)

The ESFA have provided guidance regarding the 2017/18 AAR. New items for this return are:

- 1 Details for all staff who's FTE salary exceeds £100k - number of and role.
- 2 Gender analysis - calculated on FTE at the end of each month.
- 3 Related party transactions (payments and receipts) broken down into bands - £0 to £2,500, £2,501 to £10,000, £10,001 to £20,000 and £20,001 to £50,000.
- 4 Details of the number of control issues in the auditor's management letter, including those given highest priority (red in our case), and those high priority control issues from the previous year that are unresolved.