



MEMORANDUM

To: Technical Representatives

From: Rob Shaw

Date: 14 September 2016

Ref: TM 14/16

HAT ACADEMIES MANUAL ~ AUGUST 2016

The HAT Academies Manual has been updated to reflect the requirements of the Academies Financial Handbook (September 2015) and Academies Accounts Direction 2015 to 2016, both published by the Education Funding Agency (EFA). We have also taken the opportunity to align the Manual with our Charities Manual (January 2015) following changes made to that Manual at the end of last year. The Manual is effective for periods ending 31 August 2016 and should be used in conjunction with the Charities Manual (January 2015).

With the exception of changes introduced by the transition to FRS 102 (which impact the Accounts Direction and model annual report “Coketown”), the changes in guidance from the EFA and hence in the Manual are not significant. However, as for any client, careful consideration of the impact of FRS 102 is required. This will no doubt require your professional input and advice to the academy trust’s finance team, the accounting officer and the Board of Trustees. Therefore, all senior staff should read the EFA’s transitional guidance available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/525158/Transition_guide_for_academies_SORP_2015.pdf

The other main changes to note are as follows:

- Accounts Direction:
 - Clarification that the related parties note should include any transaction with connected parties irrespective of whether they meet the definition of a related party [s7.6.11];
 - Guidance on service concession arrangements [s8.7.12]; and
 - Wording has been provided for the trustees’ insurance note, where the academy trust has risk protection arrangements [s8.11.3].
More guidance on these changes is provided on page 7 of the Direction.
- Academies Financial Handbook:
 - Clarification that academy trusts **must** not have de facto trustees or shadow directors (page 7);
 - Emphasis that accounting officers **must** adhere to the ‘seven principles of public life’ (1.5.23);

- Explanation that academy trusts **must** publish on their websites up-to-date details of their governance arrangements in a readily accessible form (2.5.2);
- Clarification that an academy trust's register of interests **must** also identify close family relationships between members or trustees, and between members or trustees and the trust's employees (3.1.18) and that academy trusts **must** publish relevant business and pecuniary interests of local governors on their website (3.1.20);
- Explanation that the delegated limits for academy trusts, to write-off debts or enter into liabilities, is subject to a ceiling of £250,000 (3.6.2);
- Extension of academy trusts' delegated authorities to take up a leasehold or tenancy agreement on land and buildings (3.9.3); and
- Simplifying arrangements so that only academy trusts with an annual income in excess of £50m must have a dedicated audit committee (2.4.2).
- More guidance is included on page 5 of the Handbook.

All academies are consolidated into the EFA and subsequently the Department for Education's own financial statements and their auditor, the National Audit Office also publishes instructions for component auditors (i.e. for all firms undertaking an academy audit). Where relevant, this information has been incorporated into the Manual, but all auditors should familiarise themselves with this guidance.

Finally, a new Financial Handbook is effective from 1 September 2016. Although not relevant for current assignments, it can be accessed via the EFA website. The changes in this Financial Handbook are again, not significant but should be reviewed in case your client requires advice in order to apply changes from 1 September 2016. Some of the headlines from the "what has changed in this edition" section are

- Emphasising that all trusts **must** have a senior executive leader who should also be appointed as accounting officer, and that these roles **must not** rotate (1.5.19, 2.1.2 and 2.1.8);
- Confirming that trusts **must** publish the relevant business and pecuniary interests of their accounting officer regardless of whether or not they are a trustee (2.5.2 and 3.1.20);
- Confirming that trusts **must** use Edubase to notify the Department for Education (DfE) of the appointment and vacating of the positions;
- Explaining that variances between budget and actual income and expenditure **must** be understood and addressed (2.2.4);
- Making it a **requirement**, rather than a recommendation, for trusts to have a whistleblowing procedure (2.3.5);
- Emphasising that the audit committee's oversight of its trust **must** (if relevant) extend to the controls and risks at its constituent academies (2.4.5); and
- Emphasising prior approval of severance payments **must** be obtained (when over the limits laid out in the handbook) **before** making a binding commitment to staff.

NB: – the format and guidance in respect of the Annual Accounts Return 2015 to 2016 has yet to be published by the EFA so the work programme. in this manual is based on the 2015 format and requirements. You should therefore check the latest guidance from the EFA before completing the Return.

We are always pleased to receive feedback on our manuals. If you have any comments on this Manual then please email rob@hatgroup.co.uk.