



## Academies Financial Handbook 2013: Factsheet

### Overview

The Academies Financial Handbook ('the handbook') is issued by the Education Funding Agency (EFA) on behalf of the Secretary of State, and it is a requirement for all academy trusts to comply with the handbook. It sets out the basic financial management, control and reporting requirements to which academy trusts must work, and reflects and supplement those rules set out in academy trusts' funding agreements. It also describes the delegated financial authority levels that the Secretary of State has given to academy trusts and hence the circumstances when they must seek the Secretary of State's consent before making a financial transaction.

### Relevance

The handbook applies to all types of academy including single-academy trusts, multi-academy trusts, traditional sponsored academies, converter academies, free schools studio schools, university technical colleges and special school academies. It is for use by anyone with a financial management and governance role within an academy trust and gives key information about the roles and responsibilities of academy trustees, accounting officers, principal finance officers and auditors.

### Effective dates

The 2013 edition of the handbook came into effect on 1 September 2013. Until then, the 2012 edition was effective. Developments in the accountability framework for academy trusts will take place periodically, and an update to the 2013 handbook was published on 31 October 2013. The provisions in the October update take effect from 7 November 2013.

### Role of accounting officers

Accounting officers need to follow the requirements set out in the handbook and are personally responsible for ensuring regularity, propriety and value for money in the use of the academy trust's funds.

The handbook includes information about an annual value for money statement that accounting officers will need to submit to the EFA. The statement for the year ended 31 August 2013 should be submitted by 31 December 2013. The form of the statement is on the [EFA website](#). It should be emailed to [AcademiesFinancialMonitoring.EFA@education.gsi.gov.uk](mailto:AcademiesFinancialMonitoring.EFA@education.gsi.gov.uk).

## Main developments

We made major revisions to the handbook in 2012 to reflect the evolving nature of academies and to introduce both revised approaches to accountability (in particular a regularity audit) and some additional freedoms. Over the past year we have sought to extend these themes.

For example the 2013 handbook has some important things to say about the expectations that would be placed on academies that need to recover from financial weakness, as set out in a Financial Notice to Improve. In relation to freedoms the new edition of the handbook increases academy trusts' authority to dispose of assets and to enter into certain leases without having to obtain the consent of the Secretary of State. It also introduces the option for a multi-academy trust to pool its GAG (General Annual Grant) to meet costs at any of its academies. Access to these freedoms will remain dependent upon the terms of each funding agreement and the handbook explains more about this.

## Main changes

We have maintained the concept of the 2013 handbook as a short set of rules rather than detailed guidance. Beyond this the key changes include:

- improved information relating to the interlocking roles of **trustees, directors and governors**;
- additional information on the **role of the accounting officer**;
- clarification of the delegated limit for academy trusts to make **staff severance payments**;
- clarification and relaxation of the delegated limits for trusts to dispose of **fixed assets**;
- clarification and relaxation of the delegated limits for trusts to take up **leases**;
- additional information about **Financial Notices to Improve**;
- emphasis of academy trusts' duties in relation to **payments to trustees**;
- decoupling of the annual **value for money statement** (announced in the 2012 handbook) from academy trusts' annual accounts, and replacement with a separate return;
- introduction of the option for a **multi-academy trust to pool its GAG** to meet costs at any of its academies;
- emphasis of academy trusts' duties in relation to goods and services provided by **sponsors and other connected parties**, including additional information in the Oct 2013 update on the 'no profit' principles;
- a change to the criteria for establishing an **audit committee** so that it focuses on the size, rather than the type, of academy trust;
- confirmation that the appointment of a **responsible officer** is not mandatory;
- the introduction of an annex summarising the **requirements** in the handbook;
- changes to **formatting and cross-referencing**, and the use of a navigation pane so that it is easier to move between key topics.

## 31 October 2013 update

### Granting of leaseholds on land and buildings (paragraph 2.4.8)

We have clarified that the granting of a leasehold interest on land and buildings to another party, regardless of length, requires the approval of the Secretary of State. This is to ensure consistency with the provisions of the Academies Act 2010.

### Not for profit principles (paragraphs 2.6.1 to 2.6.8)

We have included additional information about the principles that apply to the supply of goods and services to academy trusts by sponsors and other connected parties. Trusts should ensure that such transactions maintain a 'not for profit' basis. They should follow cost accounting conventions and allow these accepted practices and principles to guide decisions. Additionally:

- **Charging for overheads:** Overhead charges should be proportionate to the amount of work being done for the trust. For example, if 10% of the connected supplier's activity is for the trust then that trust should pick up a maximum of 10% of the supplier's total overheads. However, if at the end of the year, the charges for overheads recouped by the supplier exceed the total paid for overheads by the supplier, we would expect the supplier to reduce the charges to the trust in the next financial year. This will ensure the trust is complying fully with the 'not for profit' principles by not paying more than the proportionate sum for the services received, and the supplier is not drawing inadvertent profits; and
- **Services supplied by self-employed consultants:** Whilst a self-employed consultant may not factor in specific 'profits' to their day rate, we would not expect consultants to charge trusts the same as they would charge a customer in the commercial market. How much less than the market rate charged will be a matter for negotiation. The trust must ensure this process is based on an understanding of market rates, and only enter into such a contract when satisfied that the agreed 'at cost' figure is reasonable and justifiable.

### Application of delegations and freedoms (paragraphs 2.6.29 to 2.6.34)

We have included additional information about those academy trusts to which some of the delegations and freedoms in the handbook that go beyond those in a trust's funding agreement do not apply.

## Consultation

We developed the handbook following extensive collaboration with a working group of academy staff. The working group's responsibilities included providing feedback on the 2012 handbook and making recommendations to the EFA about the content of the 2013 edition.

## Managing Public Money

Managing Public Money is the Treasury's guide that sets out the main principles for dealing with resources used by public sector organisations. The handbook covers all of the areas of Managing Public Money that directly apply to academy trusts.

## **Academies Accounts Direction**

The handbook recognises that all academy trusts are required to produce, and publish, annual accounts. This is a statutory requirement and a condition of funding agreements. The detailed form and content of the accounts is detailed in the [Accounts Direction](#).

## **Additional guidance**

The handbook contains links to several useful documents and websites. There is extensive guidance on best practice in financial management for charities on the Charity Commission's website. CIPFA has also published financial guidance for academies. All academy trusts are required to have registered auditors and they are often able to give specific accounting advice. There are also a number of other bodies and associations that can provide support including the Academy Finance Directors' Forum, the Association of School and College Leaders, Freedom and Autonomy for Schools – National Association and the National Association of School Business Management.

## **Contact point**

If you need clarification about the handbook from the EFA please email the [Academies Enquiry Service](#).

© Crown copyright 2013