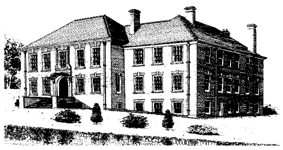
Baxter & Co

Chartered Certified Accountants
Registered Auditors



ACADEMIES NEWSLETTER- March 2015

Deadlines, deadlines……..

31 December 2014 and 31 January 2015 marked the deadlines for submission to EFA of accounts and accounts returns, respectively. 31 March 2015 is not a deadline in itself but it is an important date on the financial calendar:

- The budget forecast return treats 31 March as a break in the academy's financial year. Year to date actuals to 31 March 2015 must be included on **an accruals basis**, along with a forecast to the end of the year, 31 August 2015. The forecast for 2015/2016 also has a break at 31 March 2016.

  This is a good time to consider compliance with the requirement in the current Academies Financial Handbook (AFH) that "the internal control framework must include……………. Preparation of timely monthly management accounts on an accruals basis……." (2.3.3).

- If you did not have accounts to 31 August 2014 (because the trust was recently incorporated), you will have to prepare an accounts return to 31 March 2015. An accounts return will also be required for any academies who joined a MAT between 1 September 2014 and 31 March 2015.

- The annual TP EOYC return for the year ended 31 March 2015 is due for submission by 31 May 2015. If this is audited, no further action is needed, otherwise a further audited return must be submitted by 30 September 2015. If you are a Baxter & Co payroll client, our payroll and audit teams will get the audited form to you by 31 May.

- TPS reform (including the calculation of retirement benefits) commences on 1 April 2015. New tiers apply for employee contributions. Employer contributions remain at 14.1% until 1 September 2015 when they increase to 16.48%.

- Although a year away, the changes to applicable employer's NI rates will have a significant impact on the budget for 2015/16. The current employer's rate applicable to members of TP or LGPS is 10.4%. From April 2016, it will be 13.4%.

Website

Does your trust's website content comply with the Academies Financial Handbook (AFH) and/or Academies Accounts Direction (AAD) requirements?

- The two most recent years' accounts **must** be published in full (1.6.10 & 1.6.11 of AAD 2014).
- The value for money statement for the most recent year **must** be published (1.5.22 of AFH).
- Relevant Business Interest **must** be published (see below) (3.1.19 of AFH).

Relevant Business Interests

The trust's register of interests **must** include in its scope the business and pecuniary interests of;

a) trust members;*
b) trustees (for a single academy trust this will normally be governors);*
c) governors (of academies within a MAT);

It is best practice to also include;

d) relevant employees (eg SLT and those involved in placing business with suppliers);
e) close family members of those in a) to d), above.

*The interests of a) and b) **must** be published on the website; publishing other interests is at trustees' discretion.

SORP 2015 and the Academies Accounts Direction (AAD)

A new SORP, "SORP 2015" has recently been released. The EFA issue their AAD annually, bearing in mind the requirements of the SORP and how they apply to academy trusts.

Twice the Fun…….. …….

For 2014/2015 the EFA will publish **two** AAD's, one for those trusts incorporated prior to 1 January 2015, to whom the new requirements will not apply until their 2015/2016 accounts; the other will apply the new rules to academy trusts incorporated between 1 January 2015 and 1 March 2015 (who will have to apply the new rules for their first accounts to 31 August 2015). The EFA publication "A brief guide to the charities SORP 2015" can be found on the gov.uk website and gives a useful overview.

Trading Companies and Gift Aid

Those with trading companies which gift aid their profits to the trust may see some changes to how the gift is reported in the accounts of the subsidiary. The principle of tax relief on gifts to charities remains unchanged but some of the detailed rules may have an impact on how much is donated and when.

EFA Review of 2014 Accounts

The EFA have started their reviews of audited accounts for the year ended 31 August 2014 (not to be confused with Deloitte's reviews of accounts returns). Although these reviews remain at an early stage, common areas of particular interest are emerging. They are set out below, along with relevant regulations.

- **Related/Connected Party Transactions**

  Where a trust trades with a connected party (defined in 3.2.1 and 3.2.2 of the AFH), it **must** pay no more than cost. This applies to all expenditure exceeding £2,500 pa incurred under a contract agreed after 7 November 2013 (AFH 3.2.3 and 3.2.4).

  Even where a connected party is offering best value they cannot be awarded the contract unless the goods/services are being supplied **at cost**. Moreover, the trust **must** obtain a statement of assurance from the connected party confirming that their charges do not exceed cost; they must also agree to an open book arrangement under which they can be asked to demonstrate this fact (AFH 3.2.7).

- **Severance Payments, Ex-Gratia Payments and Gifts**

  \- The **prior** approval of the EFA **must** be obtained where the non-contractual element of a staff severance payment is over £50,000 (AFH 3.7.2)

  \- Ex-Gratia payments **must** always be referred to EFA for **prior** approval (irrespective of amount) (AFH 3.7.15).

  \- Gifts made by the Trust must be separately disclosed in the accounts, irrespective of amount. This includes such items as flowers to staff who are ill, leaving gifts for long-serving members of staff or governors, staff parties etc. You should ensure you have a gifts and hospitality policy that covers such items, specifying what is and what is not acceptable and what items should be referred to trustees for approval.

Specific professional advice should always be sought prior to entering into any transaction as a result of the above

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