

# HM Treasury Accounts Direction

## ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH THE AGREED REPORTING FRAMEWORK FOR ACADEMY TRUST SCHOOLS

1. This Direction applies to the Department for Education in respect of the preparation of a set of consolidated academy accounts (known as the “Sector Annual Report and Accounts” or “SARA”) for academy trust schools<sup>1</sup>.
2. The SARA must be produced in accordance with the Chief Secretary to the Treasury’s letter to the Secretary of State for Education dated 10 March 2015.
3. The Department for Education shall prepare the SARA for the academic years ending 31 August 2018, 31 August 2019 and 31 August 2020 consolidating all academy trusts which were open during each of those years. The SARA shall be prepared in accordance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury (“the FReM”) which is in force for the relevant financial year. Specific disclosure requirements need not be satisfied if the information is not material.
4. The SARA shall be prepared so as to:
  - (a) give a true and fair view of the state of affairs as at 31 August, of the income and expenditure, changes in taxpayers’ equity and cash flows of the sector of academy trust schools taken as a whole; and
  - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them
5. The Performance Report, the Accountability Report and the Statement of Financial Position<sup>2</sup> shall be signed and dated by the Principal Accounting Officer of the Department for Education.

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<sup>1</sup> In this direction, “academy trust school” means, “*an independent educational institution that is publicly funded by central government directly (rather than through a local authority) and run by a charitable company, subject to a funding agreement with the Secretary of State for Education.*”

<sup>2</sup> In accordance with the FReM requirement to produce a Performance Report, Accountability Report and Statement of Financial Position.

6. The Statement of Accounting Officer's responsibilities<sup>3</sup> shall be signed and dated by the Principal Accounting Officer for the Department for Education.
7. The Accountability Report will include additional information in the form of a "grant tracker" (as set out below), which reconciles the grant income reported by academy trust schools in the academic year to grant paid by the Department for Education in the respective financial years to 31 March. A grant tracker will be prepared for capital grants and another for revenue grants. Amendments to the format of the grant tracker should be agreed with the National Audit Office.
8. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.



**Vicky Rock, Interim Director  
Public Spending Group  
6<sup>th</sup> June 2019**

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<sup>3</sup> In accordance with the FReM requirement to produce a Statement of Accounting Officer's responsibilities.

## Derogations from Annual Report & Accounts requirements, agreed with HM Treasury

Issue	Rationale	Reference <sup>4</sup>	Analogous Disclosure
<b>Director's Report</b>			
Identity of chair and chief executive	The sector does not have a single chair or chief executive, unlike departments, NDPBs, etc.	FReM 5.3.9 c)	SARA discloses the name of the minister with responsibility for the school system and the name of the department's Permanent Secretary.
Composition of management board	The sector does not have a unified management board, unlike departments, NDPB, etc.	FReM 5.3.9 d)	
Details of significant management board directorships and interests	Not applicable to sector as no unified board structure	FReM 5.3.9 e)	As the sector does not have a unified management board there are no management board directorships and interests. SARA discloses the number and value of related party transactions between academy trusts and their related parties, including academy trust's own board members.
<b>Governance Statement</b>			
Compliance with Corporate Governance Code of Conduct	Individual academy trusts set local corporate governance policies – no over-arching assessment of compliance with Corporate Governance Code possible for sector.	FReM 5.3.13-14, MPM A3.1A	SARA includes a governance report that provides a detailed overview of governance arrangements in the sector.

<sup>4</sup> References have been updated for the 2018/19 year to reference the relevant sections of the 2018/19 FReM/PES paper.

Issue	Rationale	Reference <sup>4</sup>	Analogous Disclosure
<b>Accountability Statement</b>			
Statement of Parliamentary Supply plus related notes	As the sector is not a department, the requirement for SoPS is not applicable.	FReM 3.2.1 – 3.2.9 & 5.3.4	Grant tracker in place to disclose and reconcile grants received from Department for Education (DfE). Both revenue and capital grant trackers are published in the SARA.
Policy responsibility for public sector bodies outside the boundary	Not applicable to sector, which is not a department <i>per se</i> .	FReM 3.2.12; a)	An annex to the SARA details all academy trusts consolidated into the SARA in that financial year.
Remote contingent liabilities	Impractical for the sector to prepare. Academy trusts are not required to collect, calculate or publish his information.	FReM 3.2.12; b)	Whilst information on remote contingent liabilities isn't collected form individual academy trusts we will disclose details of remote contingent liabilities that are pervasive across the sector.
Public Sector Information Holder disclosures (fees and charges)	Impractical for the sector to prepare. Academy trusts are not required to collect, calculate or publish his information.	FReM 3.2.12; c)	N/A
Fees and charges	Not considered applicable to non-fees-and-charges-based organisations such as academy trusts. Impractical for the sector to prepare. Academy trusts are not required to collect, calculate or publish his information.	FReM 3.2.12; f)	SARA accounts will show total income & expenditure for the sector.  The individual trust accounts will show an allocation of total income and expenditure by activity type as

Issue	Rationale	Reference <sup>4</sup>	Analogous Disclosure
			prescribed by FRS 102.
<b>Remuneration/Staff Report</b>			
Single total figure remuneration for each minister and director and each component of this total figure	Not disclosed as no unified board of directors or ministers specifically allocated to the sector.	FReM 5.3.21	<p>Ministers' details disclosed in DfE's Annual Report and Accounts. Academy trust directors' remuneration disclosed in aggregate.</p> <p>SARA discloses number of staff trustees paid in £10k bands above £60k.</p> <p>SARA will also identify academy trusts with employees receiving more than £150k in an annex – individual directors are identifiable via academy trust's Annual Report and Accounts.</p>
Pension entitlements for each minister and director (including all breakdowns required by FReM)	Not disclosed as no unified board of directors or ministers specifically allocated to the sector (ministers' details disclosed in DfE's Annual Report and Accounts).	FReM 5.3.22	<p>Ministers' details disclosed in DfE's Annual Report and Accounts.</p> <p>In an academy trust the directors are the trustees. Academy trust trustee's remuneration disclosed in underlying academy trust's Annual Report and Accounts. Trustee remuneration (excluding employer's pension contributions) are disclosed in aggregate in SARA.</p>
Payments for loss of office	Disclosed on an aggregate level: disclosures not made for individual academy trust directors due to scale.	FReM 5.3.23	<p>Any payments made to ministers for loss of office during the year will be disclosed in DfE's Annual Report and Accounts.</p> <p>SARA discloses any payments made to academy</p>

Issue	Rationale	Reference <sup>4</sup>	Analogous Disclosure
			trust directors for loss of office on an aggregate basis.
Payments to past directors	Disclosures not made for individual academy trust directors due to scale of data.	FReM 5.3.24	N/A.
Fair pay disclosures (pay multiples)	Not disclosed as median pay data for sector not collected.	FReM 5.3.25, 26	N/A.
Remuneration policy	Individual academy trusts set local remuneration policies – few over-arching policies for sector.	FReM 5.3.20	Broad sector-level policies & principles disclosed where applicable.
Staff policies	Individual academy trusts set local staff policies – no over-arching policies for sector.	FReM 5.3.28 e)	Broad sector-level policies & principles disclosed where applicable.
Details of off-payroll engagements	Impractical for the sector to prepare. Academy trusts are not required to collect, calculate or publish this information. Any attempt to request them to do so for the purposes of the SARA will likely lead to low quality information that isn't audited at the local or sector level.	FReM 5.3.28 i) PES (2018) 11 para's 19.1-19.8	The number of off-payroll engagements is disclosed (split between trustees and non-trustees) albeit to different thresholds. The total value of off-payroll and consultancy arrangements is also published. Details of off-payroll engagements with trustees can be found in the accounts of the underlying academy trusts.

<b>Annexes</b>			
Core Table – Public Spending	Not applicable to sector, which is not a department <i>per se</i> .	PES (2018) 11, 11	N/A
Core Table –	Not applicable to sector, which is not a	PES (2018)	N/A

Issue	Rationale	Reference <sup>4</sup>	Analogous Disclosure
Administration Budgets	department <i>per se</i> .	11, 11	
Environmental and sustainability disclosures	<p>PES requires departments to report on how they have incorporated sustainable development, climate change adaptation and rural proofing considerations into policy. The sector is not a department <i>per se</i> and is not responsible for setting over-arching policy for academy trusts.</p> <p>Individual academy trusts are not required to follow the requirements set out in PES papers and therefore are not required to make environmental and sustainability disclosures over and above those required by the Companies Act. Any attempt to request them to make such disclosures for the purposes of the SARA would place a significant additional burden on the sector.</p>	PES (2018) 11, 21-25	<p>DfE's Annual Report and Accounts detail how sustainable development, climate change adaptation and rural proofing considerations have been incorporated into policy decisions that impact the academy trust sector.</p> <p>Where academy trusts hold material financial investments, the extent (if any) to which it takes social, environmental or ethical considerations into account in its investment policy will be published in the trust's own Annual Report and Accounts.</p>
Parliamentary Ombudsman complaint disclosures	Academy trust sector is not subject to Parliamentary Ombudsman oversight.	PES (2018) 11, 26	As an analogy, the governance statement refers to the ESFA complaints procedure and details the number of allegations reported to ESFA during the reporting period.
<b>Accounts</b>			

Issue	Rationale	Reference <sup>4</sup>	Analogous Disclosure
Information of what PFI commitments relate to	Not applicable as PFI commitments are legally held by contracting local authorities; academy trusts are liable to LAs for servicing costs of PFI commitments.	FReM 5.4.26	The PPE accounting policy note and the PFI commitments note both explain that whilst the sites are managed through PFI arrangements the academy trusts are not direct counterparties to the PFI agreements, which remain with their local authorities or the ESFA.
Related parties	Disclosures are in the spirit of the standard, rather than completely adherent. As there is no parent entity, it is not possible to apply the standard in full.	FReM 10.2.7, FReM Annex 2	DfE Annual Report and Accounts and the Grant Tracker disclose DfE Group payments to academy trusts and provide links to ESFA's investigations of academies' governance and financial management, including treatment of related parties. From April 2019 academy trusts will need to report all related party transactions > £20k to ESFA as they occur and we will look at using this information to further strengthen the related party disclosures in the SARA from 2019/20.
Events after the reporting period	In line with Whole of Government Accounts, adjusting events will be disclosed but the accounts will not be adjusted accordingly.	FReM 10.2.4	Whilst information on events after the reporting period aren't collected from individual academy trusts the SARA discloses details of any events that are pervasive across the sector.

The following derogations were time-limited derogations that applied to the 2017/18 year only.

Issue	Rationale	Reference	Analogous Disclosure
<b>Director's Report</b>			
Personal data-related incidents	Data not collected from academy trusts for 2017/18	FReM 5.3.9 f)	N/A
<b>Annexes</b>			
Inclusion of non-current asset capitalisation thresholds used by academy trusts	Information on individual academy trust capitalisation thresholds not collected in 2017/18.	FReM 5.4.21	N/A
Pension disclosures	Analysis of gains and losses relating to the change in pension liability between financial assumptions, demographic assumptions and experience gains/ losses, as required by IAS 19, has not been disclosed within Note 14.	FReM 6.2.1	Total gain/losses are disclosed.