

Academies: Fund Accounting

Agenda

- Fund accounting principles
- Restricted revenue fund
- How to allocate costs to funds
- Unrestricted funds
- Restricted fixed asset fund
- Transfers between funds
- Revenue reserves
- Funds by school
- Important checks to perform

Statement of Financial Activities for the year ended 31 August 2020

(including Income and Expenditure Account)

[discussion at part 5.1]

Fund accounting principles

- Income ring-fenced in accordance with donor requirements
- Presented as restricted funds unless income can be expended on anything under the academy trusts objects (then unrestricted)
- Restricted funding for fixed assets and for revenue expenditure separated
- Pension reserve within restricted general fund
- Unspent balances carried forward

| | Note | Unrestricted Funds £000 | Restricted General Funds £000 | Restricted Fixed Asset Funds £000 | 2019/20 Total £000 | 2018/19 Total £000 |
|---|------|----------------------------|----------------------------------|--------------------------------------|--------------------------|--------------------------|
| Income and endowments from: | | | | | | |
| Donations and capital grants | 3 | 123 | 297 | 544 | 964 | 1,725 |
| Transfer from local authority on conversion | | - | - | - | - | 8,976 |
| Charitable activities: | | | | | | |
| Funding for the academy trust's educational operations | 4 | - | 4,585 | - | 4,585 | 4,349 |
| Provision of boarding activities [if required] | 34 | - | - | - | - | - |
| Teaching schools [if required] | | - | - | - | - | - |
| Other trading activities | 5 | 10 | - | - | 10 | 9 |
| Investments | 6 | 6 | - | - | 6 | 5 |
| Total | | 139 | 4,882 | 544 | 5,565 | 15,064 |
| Expenditure on: | | | | | | |
| Raising funds | 7 | 13 | - | - | 13 | 14 |
| Charitable activities: | | | | | | |
| Grants | 8 | - | - | - | - | - |
| Academy trust educational operations | 9 | 3 | 4,546 | 949 | 5,498 | 5,198 |
| Provision of boarding activities [if required] | 34 | - | - | - | - | - |
| Teaching schools [if required] | 37 | - | - | - | - | - |
| Other | | - | - | - | - | - |
| Total | | 16 | 4,546 | 949 | 5,511 | 5,212 |
| Net income / (expenditure) | | 123 | 336 | (405) | 54 | 9,852 |
| Transfers between funds | 19 | - | (10) | 10 | - | - |
| Other recognised gains / (losses): | | | | | | |
| Actuarial (losses) / gains on defined benefit pension schemes | 31 | - | (319) | - | (319) | (133) |
| Net movement in funds | | 123 | 7 | (395) | (265) | 9,719 |
| Reconciliation of funds | | | | | | |
| Total funds brought forward | | 155 | (956) | 10,520 | 9,719 | - |
| Total funds carried forward | | 278 | (949) | 10,125 | 9,454 | 9,719 |

Restricted revenue fund

- GAG, pupil premium, start-up, other government revenue grants
- Local authority funding such as high needs funding
- Restricted revenue donations?
- School trips?
- LGPS: Net interest cost, service cost and actuarial gains/losses
- Capital costs from GAG or revenue costs from capital funds (see later slide)

| | Balance at 1 September 2019 £000 | Income £000 | Expenditure £000 | Gains, losses and transfers £000 | Balance at 31 August 2020 £000 |
|---------------------------------|---|------------------------|-----------------------------|---|---|
| Restricted general funds | | | | | |
| General Annual Grant (GAG) | 98 | 4,500 | (4,175) | (10) | 413 |
| Start Up Grant | - | - | - | - | - |
| Pupil Premium | - | 85 | (85) | - | - |
| Provision for boarding | - | - | - | - | - |
| Other grants | - | 297 | (246) | - | 51 |
| Pension reserve | (1,054) | - | (40) | (319) | (1,413) |
| | (956) | 4,882 | (4,546) | (329) | (949) |

Practical issue – how to allocated costs to funds

- Fund accounting usually not fully within the accounting system
- E.g. Which staff get allocated to GAG, pupil premium, start-up, LA funds etc.?
- Methodology:
 - Identify which funds are fully recorded and accounted for (e.g. pupil premium, restricted donations etc.)
 - Check that the carried forward fund balance on these funds is reconciled and allocate expenditure against the fund
 - Check that any direct expenditure is allocated to the relevant funds (e.g. school trip costs)
 - Usually allocate remaining funds on narrowest restriction first (i.e. unrestricted funds last, then GAG etc.)
 - Don't let any funds go negative unless there is a valid reason

Unrestricted funds

- Donations
- Hire of facilities
- Invoiced income including nursery fees, after school clubs, school uniforms
- School meals income?
- School trips?

- Costs allocated to unrestricted funds
 - Direct costs
 - Allocation of overhead costs?

- **Key issue:** Don't mismatch fund accounting

- Capital purchases from unrestricted funds

Restricted fixed asset fund

- **Key principle:** Separate funds split by the source of the funding for the fixed assets
- Each fund is represented by the remaining net book value of all of the assets purchased by that funding source
- Depreciation is charged against each fund in line with the fixed asset register
- Fixed asset register should include details of the source of funding of each asset

Restricted fixed asset funds

| | | | | | |
|------------------------------------|---------------|------------|--------------|-----------|---------------|
| Transfer on conversion | 9,218 | - | (673) | - | 8,545 |
| DfE Group capital grants | 1,124 | 200 | (100) | - | 1,224 |
| Capital expenditure from GAG | 7 | - | (3) | 10 | 14 |
| Private sector capital sponsorship | 171 | 344 | (173) | - | 342 |
| | 10,520 | 544 | (949) | 10 | 10,125 |

Restricted fixed asset fund (continued)

- Transfer on conversion
- DfE Group capital grants
 - Including DFC and CIF (or SCA for larger MATs)
- Capital expenditure from GAG
- Private sector capital sponsorship
- Other?
- Treatment of salix loans

Restricted fixed asset funds

| | | | | | |
|------------------------------------|---------------|------------|--------------|-----------|---------------|
| Transfer on conversion | 9,218 | - | (673) | - | 8,545 |
| DfE Group capital grants | 1,124 | 200 | (100) | - | 1,224 |
| Capital expenditure from GAG | 7 | - | (3) | 10 | 14 |
| Private sector capital sponsorship | 171 | 344 | (173) | - | 342 |
| | 10,520 | 544 | (949) | 10 | 10,125 |

[discussion at [part 5.2](#)]

| | Note | 2020 £000 | 2020 £000 | 2019 £000 | 2019 £000 |
|---|------|--------------|---------------|--------------|---------------|
| Fixed assets | | | | | |
| Intangible assets | 13 | | 6 | | - |
| Tangible assets | 14 | | 9,963 | | 10,518 |
| Current assets | | | | | |
| Stock | 15 | 4 | | 5 | |
| Debtors | 16 | 78 | | 82 | |
| Cash at bank and in hand | | 896 | | 255 | |
| | | 978 | | 342 | |
| Liabilities | | | | | |
| Creditors: Amounts falling due within one year | 17 | (80) | | (87) | |
| Net current assets | | | 898 | | 255 |
| Total assets less current liabilities | | | 10,867 | | 10,773 |
| Creditors: Amounts falling due after more than one year | 18 | | - | | - |
| Net assets excluding pension liability | | | 10,867 | | 10,773 |
| Defined benefit pension scheme liability | 31 | | (1,413) | | (1,054) |
| Total net assets | | | 9,454 | | 9,719 |
| Funds of the academy trust: | | | | | |
| Restricted funds | | | | | |
| Fixed asset fund | 19 | 10,125 | | 10,520 | |
| Restricted income fund | 19 | 464 | | 98 | |
| Pension reserve | 19 | (1,413) | | (1,054) | |
| Total restricted funds | | | 9,176 | | 9,564 |
| Unrestricted income funds | 19 | | 278 | | 155 |
| Total funds | | | 9,454 | | 9,719 |

Transfers between funds

- Common fund transfers:
 - Fixed assets purchased from GAG funds (or other revenue funding pots)
 - Capital funds used for revenue expenditure (e.g. refurbishment)
- Can a revenue fund become negative? (other than LGPS)

Buzzacott

[discussion at [part 5.2](#)]

Revenue reserves:

£464k + £278k = £742k
of revenue reserves.

Increase of £489k from the
previous year

| | Note | 2020 £000 | 2020 £000 | 2019 £000 | 2019 £000 |
|---|------|----------------|----------------|----------------|----------------|
| Fixed assets | | | | | |
| Intangible assets | 13 | | 6 | | - |
| Tangible assets | 14 | | 9,963 | | 10,518 |
| Current assets | | | | | |
| Stock | 15 | 4 | | 5 | |
| Debtors | 16 | 78 | | 82 | |
| Cash at bank and in hand | | 896 | | 255 | |
| | | <u>978</u> | | <u>342</u> | |
| Liabilities | | | | | |
| Creditors: Amounts falling due within one year | 17 | <u>(80)</u> | | <u>(87)</u> | |
| Net current assets | | | <u>898</u> | | <u>255</u> |
| Total assets less current liabilities | | | <u>10,867</u> | | <u>10,773</u> |
| Creditors: Amounts falling due after more than one year | 18 | | <u>-</u> | | <u>-</u> |
| Net assets excluding pension liability | | | <u>10,867</u> | | <u>10,773</u> |
| Defined benefit pension scheme liability | 31 | | <u>(1,413)</u> | | <u>(1,054)</u> |
| Total net assets | | | <u>9,454</u> | | <u>9,719</u> |
| Funds of the academy trust: | | | | | |
| Restricted funds | | | | | |
| Fixed asset fund | 19 | 10,125 | | 10,520 | |
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| Pension reserve | 19 | <u>(1,413)</u> | | <u>(1,054)</u> | |
| Total restricted funds | | | <u>9,176</u> | | <u>9,564</u> |
| Unrestricted income funds | 19 | | <u>278</u> | | <u>155</u> |
| Total funds | | | <u>9,454</u> | | <u>9,719</u> |

Funds by school

- Funds by school include both unrestricted funds and restricted revenue funds
- Fund balance should be meaningful and should tie back to management accounts
- Funds in deficit
- Pooled reserves

Fund balances at 31 August 2020 were allocated as follows:

| | 2020 | 2019 |
|---|---------------------|---------------------|
| | £000 | £000 |
| Boomtown Academy | 492 | 300 |
| Hopetown Academy | 400 | 155 |
| Newtown Academy | (155) | (205) |
| Central services [if applicable] | 5 | 5 |
| Total before fixed assets and pension reserve | <u>742</u> | <u>255</u> |
| Restricted fixed asset fund | 10,125 | 10,518 |
| Pension reserve | <u>(1,413)</u> | <u>(1,054)</u> |
| Total | <u>9,454</u> | <u>9,719</u> |

Newtown Academy is carrying a net deficit of £155k on these funds because: **[give brief details]**

The academy trust is taking the following action to return the academy to surplus: **[give brief details]**

Or:

Fund balances for each academy 31 August 2020 and 31 August 2019 were zero, hence a breakdown by academy is not included in these accounts.

Important checks to perform

- Are there any unspent capital funds being held at the year end? Examples:
 - Unspent CIF/SCA
 - Carried forward DFC
- Check what the difference is between the fixed asset fund and the net book value of fixed assets. Does this equal the balance of unspent capital funds? Please note:
 - Fixed asset fund is only very rarely less than the net book value of tangible fixed assets (e.g. Loan funding sitting in the fixed asset fund)
- Check that balances carried forward on each fund is in line with expectations
- Confirm where each of the current year fixed assets have been funded from
- Check that transfers between funds are full explained
- Check that a logical amount of expenditure is allocated against each income fund (e.g. are trip costs in the same fund as trip income)
- Sense-check the overall balance on revenue reserves and how much it has moved since last year (i.e. the operational surplus or deficit in the year)

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