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Academy accounts workshop – part one

Wednesday 30 June 2021

11:00 – 12:00

Agenda

- Introductions and virtual housekeeping
- Introduction to the reporting framework and the annual report
 - Katharine Patel
- Financial statements
 - Matthew King
- Q&A and close

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Introduction to the reporting framework

Katharine Patel

Reporting framework

- Academy Trusts are:
 - UK companies limited by guarantee
 - Exempt charities
- As a result, the annual report & accounts must comply with:
 - Companies Act 2006
 - UK Accounting Standards - FRS 102
 - Charity Statement of Recommended Practice - FRS 102 SORP
 - ESFA's additional reporting requirements
- All covered by the ESFA's Accounts Direction (and 'Coketown Academy' model accounts)

Accounts Direction (AAD) 2020 to 2021

- Issued by the ESFA on 31 March 2021
- For accounting periods ending 31 August 2021
- Incorporates FRS 102 and Charity SORP, plus ESFA additional requirements
- Change in presentation for 2020/21 – now three distinct parts
 - Core Accounts Direction
 - Model accounts ‘Coketown Academy’
 - Auditor framework and guide
- Only minor AAD updates this year
- Covid-19 Bulletin due from the ESFA
- Reference to ESFA good practice guides

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The annual report

Key elements of the annual report

- Trustees' report
- Governance statement
- Statement on regularity, propriety and compliance
- Statement of trustees' responsibilities
- Auditor's reports (financial statements and regularity)

Trustees' Report

- Reference and administrative details
- Structure, governance and management
 - Remuneration of Key Management Personnel
 - Trade Union Facility time
 - Engagement with employees
 - Engagement with suppliers, customers and others in a business relationship with the trust
- Objectives and activities
- Strategic Report
 - Achievements and performance
 - Going concern assessment
 - Statement on how trustees have promoted the success of the company
 - Financial review (reserves policy, risks and uncertainties, fundraising practices)
 - Future plans
 - Streamlined energy and carbon reporting

Trustees' report updates for 2020/21 – Financial review

- Clarity and guidance on the contents of the financial review section - using terminology a non-accountant would understand
- The following must be disclosed:
 - Financial effect of significant events on the financial performance and position of the trust
 - Principal risks and uncertainties to which the trust is exposed and mitigating actions which are performed
 - Key factors likely to affect the trust's financial performance or position going forward
 - Explanation of the financial position of the trust at the reporting date with context and insight in to material or significant figures and balances
- In addition, the following should be disclosed:
 - Explanation of the main causes and key factors underlying the trust's operational result for the year
 - Key sources of funding of the trust and how resources support the key objectives of the trust
 - A description of the trust's fundraising practices

Trustees' report updates for 2020/21 – Financial review

- Further requirement relevant only to trusts who have received a **Financial Notice to Improve (FNtI)** which has been in place for a proportion of the accounting period
- The financial review **must**:
 - State that a FNtI has been in place during the year, including which periods it was in place for
 - Provide a link to the FNtI on ESFA's website
 - Explain the key actions the trust is taking to ensure the FNtI is lifted
 - Where still open at the reporting date, to state when the trust expects to satisfy all the FNtI conditions

Trustees' Report – COVID-19 considerations

- Impact on main achievements – educational, strategic and operational
- Impact on the trust's financial results, with reference to specific income streams and expenditure
- Financial risks, financial sustainability and going concern
- How the pandemic has affected staff, volunteers and pupils
- Impact on principal risks and uncertainties
- Any impact on the reserves policy and level of reserves
- Impact of the pandemic on governance and internal control measures

Governance statement

- Governance arrangements and governance reviews, reference to DfE Governance Handbook
- Board members and meeting attendance statistics
- Annual review of governance arrangements
- Sub-committees and meeting attendance statistics
- Review of Value for Money
- Review of effectiveness of internal financial controls for the year
- Internal scrutiny arrangements
- COVID-19 impact?

Statement on regularity, propriety and compliance

- Accounting Officer to provide confirmation re material irregularity
- For instances of irregularity, impropriety or non-compliance noted, the trust should state the monetary amounts if known
- Potential to cross refer to matters disclosed in the governance statement

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Financial statements

Matthew King

Statement of Financial Activities

Reminders

- New schools (joiners and converters)
 - Net assets acquired are reported on a single line
 - Budget surpluses are shown as unrestricted funds
 - LGPS liability at the date of transfer is shown as “negative income”
 - Supporting disclosure note provides further analysis
- **Three** key types of fund
- Restricted Fixed Assets Fund
 - Capital funding is shown under “donations and capital grants”
 - Fund balance and net book value of tangible fixed assets
 - Use of capital funding for repairs and revenue funds for capital acquisitions
 - Transfers between funds
- Reconciling the statutory accounts to the management accounts

Statement of Financial Activities for the year ended 31 August 2021 (including Income and Expenditure Account)

Discussed at paragraphs 2.81 to 2.104 of the Direction.]

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	2020/21 Total £000	2019/20 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
Other trading activities	5	10	-	-	10	9
Investments	6	6	-	-	6	5
Charitable activities:						
Funding for the academy trust's educational operations	4	-	4,585	-	4,585	4,349
Provision of boarding activities [if required]	35	-	-	-	-	-
Teaching schools [if required]		-	-	-	-	-
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]	35	-	-	-	-	-
Teaching schools [if required]	38	-	-	-	-	-
Other		-	-	-	-	-
Total		16	4,546	949	5,511	5,212
Net income / (expenditure)		123	336	(405)	54	9,852
Transfers between funds	20	-	(10)	10	-	-
Other recognised gains / (losses):						
Actuarial (losses) / gains on defined benefit pension schemes	32	-	(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

Balance sheet

Reminders

- **Operational reserves**
 - Restricted income fund and unrestricted income fund
- **Fixed assets**
 - Tangible and intangible assets
- **Pension liabilities**
 - LGPS actuarial valuation – desktop and triennial valuation

Coketown Academy Trust

Balance Sheet as at 31 August 2021

Company Number 01234567

Discussed at paragraphs 2.105 to 2.118 of the Direction.

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Intangible assets	14		6		-
Tangible assets	15		9,963		10,518
Current assets					
Stock	16	4		5	
Debtors	17	78		82	
Cash at bank and in hand		896		255	
			978		342
Liabilities					
Creditors: Amounts falling due within one year	18	(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	19		-		-
Net assets excluding pension liability			10,867		10,773
Defined benefit pension scheme liability	32	(1,413)		(1,054)	
Total net assets			9,454		9,719
Funds of the academy trust:					
Restricted funds					
Fixed asset fund	20	10,125		10,520	
Restricted income fund	20	464		98	
Pension reserve	20	(1,413)		(1,054)	
Total restricted funds			9,176		9,564
Unrestricted income funds	20		278		155
Total funds			9,454		9,719

The financial statements on pages [insert values] were approved by the trustees and authorised for issue on [date] 2021 and are signed on their behalf by

[Signed]

[Name to be typed]
Trustee

Accounting policies

Reminders

- Use the Coketown model accounts
- There must be a policy for all material items
- Critical accounting estimates and areas of judgement
- Going concern

Going Concern

This should include a brief explanation as to the factors that support the conclusion that the academy trust is a going concern. It should include a balanced, proportionate and clear disclosure of any uncertainties that make the going concern assumption doubtful, or if the accounts are not prepared on a going concern basis, this fact must be disclosed, together with the basis on which the trustees have prepared the accounts and the reason the academy trust is not a going concern.

Where there are no material uncertainties about the academy trust's ability to continue, this should be stated.

The assessment should be in respect of the foreseeable future which is at least 12 months from the date the financial statements are authorised for issue. An illustrative statement, which only applies where there are no material uncertainties, is set out below.

ESFA has also published a good practice factsheet on [Going Concern](#).

Notes to the accounts

Income and expenditure notes

- General Annual Grant disclosure
 - Inclusion is contingent on the trust’s funding agreement
- Funding received for the trust’s educational operations*
- Disclosure of losses and write-offs
 - Compensation payments
 - Gifts made by the trust
 - Losses on:
 - Fixed assets
 - Stocks
 - Bad debts

4 Funding for the academy trust’s educational operations

Discussed at paragraphs 2.97 - 2.99, 2.128 - 2.131 of the Direction

			2020/21	2019/20
	Unrestricted Funds	Restricted Funds	Total	Total
	£000	£000	£000	£000
DfE / ESFA grants				
General Annual Grant (GAG)	-	4,500	4,500	4,257
Other DfE / ESFA grants				
UIFSM	-	45	45	52
Pupil Premium	-	40	40	40
Others	-	-	-	-
Other DfE Group grants	-	-	-	-
	<u>-</u>	<u>4,585</u>	<u>4,585</u>	<u>4,349</u>
Other Government grants				
Local authority grants	-	-	-	-
Special educational projects	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other income from the academy trust’s educational operations				
	-	-	-	-
	<u>-</u>	<u>4,585</u>	<u>4,585</u>	<u>4,349</u>

Notes to the accounts

Staff costs note

- 'Off-payroll' arrangements*
- Items shown separately
 - Agency costs
 - Restructuring costs
- Non-contractual/ Non-statutory severance payments
- Higher paid staff (earning >£60k, bands of £10k)
- Key Management Personnel
- Trustees' remuneration for services as staff

10 Staff

Discussed at paragraphs 2.132 to 2.140 of the Direction.

a. Staff costs

Staff costs during the period were:

	2020/21 £000	2019/20 £000
Wages and salaries	2,696	2,608
Social security costs	270	267
Pension costs	550	519
	3,516	3,394
Agency staff costs	-	-
Staff restructuring costs	40	40
	3,556	3,434
Staff restructuring costs comprise:		
Redundancy payments	20	20
Severance payments	20	20
Other restructuring costs	-	-
	40	40

If severance payments include any non-statutory/non-contractual elements, these must be disclosed in note 10b below.

The figure for operating costs of defined benefit pension schemes will include employer contributions to the LGPS and the TPS but should exclude finance costs.

b. Non statutory/non-contractual staff severance payments

Disclose the individual value of all non-statutory/non-contractual severance payments made by the academy trust during the period, regardless of value, in accordance with the Academies Financial Handbook 2020 [section 5.3]. The names of the recipients do not need to be disclosed. Disclose as below, noting that the amounts are not rounded. A note is not required if no transactions arose.

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £15,000 (2019: £nil). Individually, the payments were: £1,000, £4,000, £4,000 and £6,000.

Notes to the accounts

Related party transactions

- Description of nature of relationship
- Description of goods / services received
- Total value of transactions undertaken in period
- Balance owed to/from related party at balance sheet date
- AFH requirements:
 - If > £2.5k in value, AFH ‘at-cost’ requirement may apply
 - For transactions > £20k in value, ESFA approval
 - The accounts disclosure must explicitly confirm that AFH requirements have been applied

Owing to the nature of the academy trust and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trustees have an interest. The following related party transactions took place in the financial period.

Expenditure Related Party Transactions

DEF Limited – a company in which Mr C J Goodyear (a trustee) has a majority interest:

- The academy trust purchased computer equipment from DEF Limited totalling £35,000 (2020: £nil) during the period. There were no amounts outstanding at 31 August 2021 (2020: £nil)
- The academy trust made the purchase at arms' length following a competitive tendering exercise in accordance with its financial regulations, which Mr Goodyear neither participated in, nor influenced
- In entering into the transaction, the academy trust has complied with the requirements of the Academies Financial Handbook
- The element above £2,500 has been provided 'at no more than cost' and DEF Limited has provided a statement of assurance confirming this

J Sheraton, spouse of T Sheraton, a trustee, is employed by the academy trust as a teacher. J Sheraton's appointment was made in open competition and T Sheraton was not involved in the decision-making process regarding appointment. J Sheraton is paid within the normal pay scale for her role and receives no special treatment as a result of her relationship to a trustee.

Consideration should be made whether to disclose the salary and whether further disclosure is required to fully reflect the circumstances of this related party transaction

Examples of some of the common types of related party in the academy sector are listed in the Direction in paragraphs 2.152 and 2.153.

All transactions involving such organisations are conducted in accordance with the requirements of the Academies Financial Handbook, including notifying ESFA of all transactions made on or after 1 April 2019 and obtaining their approval where required, and with the academy trust's financial regulations and normal procurement procedures relating to connected and related party transactions.

Notes to the accounts

Reminders – Other disclosures

- Multi-Academy Trust disclosures
 - Expenditure by school
 - Revenue reserves by school
 - Deficits on individuals schools **must** be explained
 - Central services
 - Description of services
 - Amounts charged by school
- Reserves disclosures
- Embedded leases*
- PFI and other commitments*

23 Long-term commitments, including operating leases

Discussed at paragraph 3.44 of the Direction.

Operating leases

At 31 August 2021 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	2021 £000	2020 £000
Amounts due within one year	18	18
Amounts due between one and five years	18	36
Amounts due after five years	-	-
	36	54

Other contractual commitments

At 31 August 2021 the total of the Academy Trust's future minimum payments under other contractual commitments was:

	2021 £000	2020 £000
Amounts due within one year	-	-
Amounts due between one and five years	-	-
Amounts due after five years	-	-
	-	-

Notes to the accounts

Covid Supplementary bulletin

- Due for release imminently
- Likely to cover:
 - Narrative disclosures for the trustees' report
 - Disclosure/ presentation for catch-up grant funding
 - Accounting treatment for gifts of laptops/ tablets etc.
 - Auditing requirements for the above

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Questions and answers

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Thank you for attending

We look forward to seeing you in part two