

Academies technical update: ESFA Financial Handbook and Accounts Direction

21 July 2020
2:30pm – 3:30pm

Agenda

- Introductions and virtual housekeeping
 - Katharine Patel - Buzzacott
- Academies Financial Handbook: The legalities
 - Stephen Ravenscroft - Stone King
- Academies Financial Handbook: The financials
 - Hugh Swainson – Buzzacott
- Academies Account Direction
 - Katharine Patel - Buzzacott
- Q&A
 - Chair: Stephen Ravenscroft – Stone King

Academies Financial Handbook: The legalities

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Legal Issues

- Changes in AFH 2020
 - Robust Governance:
 - Going concern
 - Role of members, including being informed about Trust business
 - No members of staff permitted as members post 1 March 2021
 - Role of Clerk – importance of role
 - Executives:
 - Enhanced publication requirements re pay
 - CEO and CFO to be employees

Academies Financial Handbook: The financials

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Financial management

- Management accounts including cash flow and balance sheet (no changes)
- Fixed asset register
- Pupil number projections
 - Termly
- Risk management
 - Related guidance

Financial management (continued)

- Integrated curriculum and financial planning
 - Encouraging board to take this approach
 - Online resources – both primary and secondary
 - Financial reporting including KPIs
- School resource management self-assessment tool
 - Introduced as compulsory in 2019, with a 14 November 2019 deadline
 - Now incorporated into AFH

Going concern

- ESFA guidance on going concern
 - Financial viability
 - Specifically related to year-end financial statements
- Responsibilities of Finance Committee
 - Support the board in maintaining the Trust as a going concern
- Responsibilities of the Board of Trustees
 - Preparation and monitoring of financial plans
 - Satisfying that going concern and financially sustainable
 - Longer term view
 - Reserves policy

Internal scrutiny

- Changes in AFH 2020
 - Clarification that it includes both financial and non-financial controls
 - Additional individuals or organisations can be used for specialist knowledge
 - Removal of option for external auditor to carry out work
- An opportunity to review the Trust's approach
 - Developments in the AFH in recent years: Risk based, committee input, Annual Summary Report
 - ESFA guidance on internal scrutiny

Role of Audit and Risk Committee

- Year-end financial statements
 - Review external auditor's plan each year
 - Review annual report and accounts
 - Review findings and actions taken by the Trust
- Other responsibilities
 - Review effectiveness of external auditor
 - Annual report to the board of trustees and members



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Academies Accounts Direction

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Academies Accounts Direction (AAD) 2019 to 2020

- Issued by the ESFA in June 2020
- <https://www.gov.uk/guidance/academies-accounts-direction#academies-accounts-direction-2019-to-2020>
- For accounting periods ending 31 August 2020
- Incorporates FRS 102 and Charity SORP, plus ESFA additional requirements
- Minor AAD updates this year, but also...
- Large company reporting
- Covid-19 Bulletin from the ESFA – yet to be issued

Trustees' Report

- New statutory requirements covering the success of the company, employee engagement and business relationships
- Statutory requirements arising from The Companies (Miscellaneous Reporting) Regulations 2018
- Trusts with > 250 employees only: summarise actions taken to introduce, maintain or develop employee engagement (see Coketown page 90)
- Large companies only: summarise how had regard to the need to foster the trust's business relationships with suppliers, customers and others (see Coketown page 90)
- Large companies only: describe how had regard to the matters contained in section 17(a) to (f) of the Companies Act 2006, relating to the requirement for the directors of a company to promote the success of the company (see Coketown page 92)

Memo: Large company thresholds - 2 of the following in 2 consecutive financial years:
Gross annual income over £36 million
Gross (total) assets over £18 million
More than 250 employees

Trustees' Report

- New statutory requirements for streamlined energy and carbon reporting
 - The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018
 - Requires large companies which consume (in the UK) > 40,000 kWhs of energy in a reporting period to include energy and carbon information in their annual reports (see Coketown page 96):
 - UK annual energy use (in kWh) related to gas, purchased electricity and transport fuel
 - Associated greenhouse gas emissions
 - An emissions intensity ratio (encouraged to use tonnes of CO₂ per pupil)
 - The methodologies used in the calculation of disclosures described
 - Narrative of measures taken to improve energy efficiency
 - Large companies who consume less than 40,000 kWh are exempt - include a statement in the trustees' report to that effect

ESFA has published separate guidance online as a good practice guide – useful and includes illustrative example calculations

Illustrative example of calculations

9.1 Illustrative example of calculations

| Energy Source | Consumption | Scope | Emissions calculation |
|---|---|---------|--|
| Gas – total kWh (kilowatt-hours) used for the year taken from gas bills for each academy within the trust | 170,345 kWh (gross CV (calorific value)) | Scope 1 | $170,345 \text{ kWh} * 0.18387$ (2020 fuels, natural gas conversion factor gross CV to kg Co2e)= 31,321 kgCO2e = 31.32 tCO2e |
| Electricity – total kWh used for the year, taken from the electricity bills for each academy within the trust | 46,589 kWh | Scope 2 | $46,589 \text{ kWh} * 0.23314$ (2020 electricity conversion factor to kgCO2e) = 10,862 kgCO2e = 10.86 tCO2e |
| Transport – Mini-bus 1 – 6,500 miles in the year Mini-bus 2 - 7,800 miles in the year | $14,300 \text{ miles} * 1.19466$ (2020 SECR kWh pass & delivery vehs, vans class 2 – used in lieu of passenger vehicles conversion)= 17,084 kWh | Scope 1 | $14,300 \text{ miles} = 23,014 \text{ km}$ $23,014 \text{ km} * 0.18900$ (2020 managed assets vehicles, vans class 2 – used in lieu of passenger vehicles conversion)= 4,350 kgCO2e = 4.35 tCO2e |
| Transport – total mileage for petrol reimbursed from staff claims = 1,300 miles | $1,300 \text{ miles} * 1.16319$ (2020 SECR kWh pass & delivery vehs, average car conversion factor to kWh) = 1,512 kWh | Scope 3 | $1,300 \text{ miles} * 0.28052$ (2020 managed assets vehicles, average car conversion factor to kgCO2e)= 365 kgCO2e = 0.36 tCO2e |
| Total | 235,530 kWh | | 46.89 tCO2e |
| Intensity ratio | Emissions data (tCO2e) compared with an appropriate business activity (pupil numbers as per Autumn census) | | $46.89 \text{ tCO2e} / 1,620 \text{ pupils} = \mathbf{0.03 \text{ tCO2e per pupil}}$ |

Disclosure of minimum information to be reported in the Trustee's Report based on prior example

UK Greenhouse gas emissions and energy use data for the period 1 September 2019 to 31 August 2020 **2019/20**

Energy consumption used to calculate emissions (kWh) 235,530

Energy consumption break down (kWh) (optional):

- gas
- electricity
- transport fuel

Scope 1 emissions in metric tonnes CO2e

Gas consumption
Owned transport – mini-buses
Total Scope 1

Scope 2 emissions in metric tonnes CO2e

Purchased electricity

Scope 3 emissions in metric tonnes CO2e

Business travel in employee owned vehicles

Total gross emissions in metric tonnes CO2e

Intensity ratio Tonnes CO2e per pupil 0.03

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per pupil, the recommended ratio for the sector.

Measures taken to improve energy efficiency

We have installed smart meters across all sites and increased video conferencing technology for staff meetings, to reduce the need for travel between sites.

Trustees' Report – COVID-19 considerations

- Charities SORP Committee: “Implications of COVID-19 control measures and charity financial reporting”
- Advisory, not mandatory
- Relevant to academy trusts as charitable companies
- Impact on main achievements
- Financial uncertainties, financial sustainability and going concern, steps being taken
- Impact on ability to fundraise
- How pandemic has affected staff, volunteers and beneficiaries (pupils) and implications for FY20-21
- Impact on principal risks and uncertainties
- Any impact on reserves policy and level of reserves
- Impact of pandemic control measures and potential duration of these on future plans

Governance Statement

- Requirement to explain how audit arrangements are affected by newly revised FRC Ethical Standard, where applicable
- Where trustees have reviewed and taken account of the DfE's Governance Handbook and competency framework for governance, encouraged to explicitly state this
- COVID-19 impact on Accounting Officer's review of Value for Money?

Statement on regularity, propriety and compliance

- Clarification that instances of irregularity, impropriety or non-compliance noted should state the monetary amounts if known
- Clarification that the requirement to have an Accounting Officer to sign off the regularity statement includes the period in the run-up to Trust closure

Accounting policies

- Consolidation – subsidiaries
- Critical accounting estimates and areas of judgement
- Going concern

Notes to the accounts

- Disclosure of legal costs
 - Reserves disclosure
- Zero balances for MATs
- Changes in net debt disclosure
- TPS disclosure

9 Charitable activities

[discussion at part 5.1.21]

| | 2019/20 £000 | 2018/19 £000 |
|--|-----------------|-----------------|
| Direct costs – educational operations | 4,160 | 3,866 |
| Direct costs – boarding [if relevant] | - | - |
| Support costs – educational operations | 1,338 | 1,332 |
| Support costs – boarding [if relevant] | - | - |
| | 5,498 | 5,198 |

Analysis of support costs

| | Boarding £000 | Educational operations £000 | 2019/20 Total £000 | 2018/19 Total £000 |
|----------------------------|------------------|-----------------------------------|--------------------------|--------------------------|
| Support staff costs | - | 415 | 415 | 409 |
| Depreciation | - | 312 | 312 | 304 |
| Technology costs | - | - | - | - |
| Premises costs | - | 407 | 407 | 401 |
| Legal costs – conversion | - | - | - | - |
| Legal costs – other | - | - | - | - |
| Other support costs | - | 109 | 109 | 118 |
| Governance costs | - | 95 | 95 | 100 |
| Total support costs | - | 1,338 | 1,338 | 1,332 |

27 Analysis of changes in net debt

| | At 1 September 2019 £000 | Cash flows £000 | Acquisition / disposal of subsidiaries £000 | New finance leases £000 | Other non- cash changes £000 | At 31 August 2020 £000 |
|--|-----------------------------------|-----------------------|--|----------------------------------|---------------------------------------|---------------------------------|
| Cash | 255 | 641 | - | - | - | 896 |
| Cash equivalents | - | (x) | - | - | - | x |
| Overdraft facility repayable on demand | (-) | (-) | - | - | - | (-) |
| | | (x) | | | | |
| Loans falling due within one year | (-) | (-) | (-) | - | - | (-) |
| Loans falling due after more than one year | (-) | (-) | (-) | - | (-) | (-) |
| Finance lease obligations | (-) | - | (-) | (-) | - | (-) |
| Total | (x) | (x) | (-) | (-) | - | (x) |

Questions and Answers

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