

Academies sector developments



What is happening in the academy sector and how this could affect you? Whether you are in a single academy trust (SAT) or a multi academy trust (MAT), you work in a complex statutory framework. This update covers some of the latest news on funding and finance, policy, financial reporting, and other key sector developments.

Compliance

Academies Financial Handbook 2018

The ESFA issued the latest update to the Academies Financial Handbook (“AFH 2018”) in June 2018. It applies to all academy trusts from 1 September 2018.

The key changes are as follows:

- From 1 April 2019 all transactions with related parties will need to be reported to ESFA in advance and approval must be obtained for any transactions which exceed £20,000, or for any transactions where the total contracts with that related party exceed £20,000 for the year.
- Academy trust boards are required to meet at least three times per year, and if the board meets less than six times in the year it must describe in its governance statement and in its financial statements how it has maintained effective oversight of funds with fewer meetings.

A full copy of the Handbook is available to download [here](#).

Gender pay reporting

New legislation on gender pay reporting came into effect in April 2017 and also affects academy trusts with over 250 employees. Trusts affected by this are required to publish a report by 31 March each year on their website. The figures

reported and published must include:

- Mean pay for men and women and the difference between the two;
- Median pay for men and women and the difference between the two;
- Mean and median bonus pay for men and women during the relevant pay period; and
- The proportions of the relevant male and female employees in the lower, lower middle, upper middle and upper quartile pay bands.

During the first reporting year, just over 10,000 organisations submitted their figures which revealed the median pay gap to be 9.7%. This new legislation brings an increased level of transparency and accountability for entities in setting remuneration for their staff.

Auto-enrolment

With effect from 6 April 2018 and 6 April 2019, the minimum level of contribution rates into a workplace pension scheme by an employee is set to rise to 5% and 8% respectively.

Further details on the changes can be found on the Pensions Regulator website and a link to the Insight prepared by the Buzzacott Financial Planning team can be found [here](#).

Funding and finance

Condition Improvement Fund 2018/19 outcome

The initial results of Condition Improvement Fund bids were announced in April 2018, with total funding of £514 million awarded to 1,556 projects. The appeals process is currently ongoing, with outcomes expected to be announced in July 2018.

The amounts awarded include £38 million from the Healthy Pupils Capital Fund, which is funded from revenue generated from the Softs Drink Industry Levy to fund projects intended to improve pupils’ physical and mental health.

Funding for SEND and additional spaces

In May 2018 the DfE announced additional funding of £50 million to improve facilities and create more school places for children with special educational needs and disabilities. At the same time, the Government also announced a further £680 million to create 40,000 new places in primary and secondary schools.

Academy finances

In March 2018 the Public Accounts Committee published a report on academy schools’ finances. It highlighted its main concerns about the governance of academy trusts. The report has recommended that

the DfE tightens the rules around related party transactions, and does more to challenge academy trusts paying salaries of over £150,000. The Committee has also recommended that the DfE does more to identify, and intervene with, academy trusts which are at risk of getting into financial difficulty at an early stage.

The ESFA has responded to this report by challenging 117 academy trusts which paid salaries in excess of £150,000 to provide evidence to justify those salaries, 18 of which no longer pay those salaries. From 2018/19 they will ask for further information in Academy Accounts Returns on the role and percentage of teaching time for all staff earning over £100,000.

GAG Pooling

In June 2018 Lord Agnew, Under-Secretary of State for the School System, wrote to auditors of academy trusts to encourage sharing understanding of best practice in governance and the freedoms available to academy trusts. One of the key freedoms highlighted in this letter is the freedom for MATs to pool GAG funds, particularly to allow the MAT to support weaker schools while they grow their pupil numbers.

Financial reporting

Accounts direction

The Academy Accounts Direction 2017/18 has now been published and as in recent iterations, several small changes and clarifications have been made along with a handful of additional disclosures now required.

Within the Trustees' report, there are two key changes. Firstly, for Trusts with more than 49 FTE employees (for any seven month period of the year), the Trade Union Regulations now require details to be provided on the time spent and related cost of employees undertaking facility time (i.e. trade union duties). Secondly, where a Trust undertakes fundraising activity, a statement must be made in line with the Charities Act 2016.

For the accounts, teaching schools disclosure has again increased, with a trading account note now required for related income and expenditure. This is to reflect the fact that Teaching School activity is separate from the regular educational operations. In line with SORP Information Sheet 1, the funds note has been expanded to require both a comparative

period funds note and (for trusts with current and prior periods of 12 months) a two year combined funds note.

The other significant change is the requirement that fundraising costs are now analysed between direct and support costs. Trusts with fundraising costs will need to consider how best to apportion their support costs between fundraising and educational operations.

Other changes include:

- Inclusion of the apprenticeship levy within social security costs, not its own line.
- Further detail required for related party transaction disclosure.
- A new charitable activities sub-heading for expenditure against grants that do not relate to the trust's educational operations (for example revenue expenditure against capital grants).

Change to academy trust compliance with financial returns

In December 2017, Eileen Milner, the newly appointed Chief Executive of the ESFA wrote to all academy trusts to warn them of the consequences of non-compliance with the financial returns processes. The ESFA will be publishing a list of trusts who are late, or do not submit, two or more of the annual financial returns.

Academies budget forecast return

The next financial return due for submission is the budget forecast return. The online form is now available and the deadline for submission is Monday 30 July. The ESFA has published guidance on completion of the form, which is available [here](#).

Policy and governance

Academy conversion

A recent report by the government spending watchdog, the National Audit Office, found that in 2016-17, the government spent £81 million on converting schools to academies and has spent an accumulated cost of £745 million since 2010-11 on the conversion of nearly 7,000 maintained schools. By 2018 approximately 72% of secondary schools had converted to academy status, compared to only 27% of primary schools.

The NAO has also found that there are stark geographic variances in the concentration of academies and it has taken longer than expected to convert some underperforming schools that would benefit most from the conversion.

This leaves a significant number of local authority funded schools which are yet to convert to academies, and the DfE has not yet set out its policy for converting these schools. The majority are primary schools, and many are small or remote schools which may not fit naturally within multi-academy trusts.

Fraud alert

The National Fraud Intelligence Bureau (NFIB) has recently seen an increase in academies being victims of fraud whereby fraudsters mimic the Principal's email address and contact a member of staff who have access to the banking system, requesting an urgent bank transfer. The advice of the NFIB is to ensure processes are in place to filter such requests and to make all employees aware of the procedures in place.

How we can help

Ask academies why they value us, and they will say it is our empathy with their work and understanding of the legal and accounting framework within which they must now operate.

For further guidance and advice tailored to your situation, please get in touch with your usual buzzacott contact or the Buzzacott academy team:

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