

CLIVE OWEN LLP **ACADEMY NEWSLETTER**

APRIL 2019

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Over the last few months there have been several announcements as expected from the ESFA – with the Academy Accounts Direction (AAD) and additional funding guidance being some of the most significant announcements.

We summarise these changes in this newsletter, together with other changes which we trust you will find useful.

Please feel free to share this with your Trustees, Directors and Governors.

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1. Budget Forecast Return Outturn 2019

The academies Budget Forecast Return Outturn (BFRO) form is now available.

The completion date for this is Tuesday 21 May 2019.

We would therefore recommend that trusts access the form as soon as possible. Where trusts submit this form late, and in the same academic year also submit another one of the financial returns late, the ESFA will publish details of which academies filed which returns late.

In the 2017/18 report which was published in November 2018, 88 academy trusts were listed.

2. Academies Accounts Direction (AAD)

We understand that the ESFA is considering releasing two AAD's during this calendar year.

The first which has just been released will cover the accounting period starting on or after 1 September 2018. (see page 5 for further details)

Later in the year another AAD will be released covering accounting periods starting on or after 1 September 2019.

If this occurs it will enable trusts to consider any new requirements from the start of the accounting period, so allowing trusts to collate the data throughout the year rather than retrospectively in a time pressured environment.



3. Risk protection arrangements (RPA) changes

From September 2019 the RPA deduction from the general annual grant (GAG) will reduce from £20 per pupil to £18 per pupil for the 2019/20 academic year. The cover offered will remain the same.

The ESFA have also guaranteed that the GAG deduction will not exceed £20 per pupil for the academic years 2020/21 and 2021/22.

4. Related parties transactions

There are new requirements in respect of related party transactions which were implemented from 1 April 2019.

For all transactions, irrespective of value, the ESFA must be advised in advance via their online portal.

Where the value of the transaction(s) exceeds the following the ESFA must give their approval before the transaction is undertaken:

1. Contract exceeds £20,000; or
2. Contracts that take the value of contracts with the related party above £20,000 in the same financial year; or
3. Any additional contracts issued after either 1 or 2 above have occurred.

Note – schemes and related employment costs are exempt from the above.



5. Pension grant

The ESFA have announced details of the grant that will be paid to trusts during the year to 31st August 2020 to cover the additional costs arising from the increase in the Teachers Pension Scheme (TPS) from 16.4% to 23.6% in September 2019.

This grant is being paid on a per pupil basis. For pupils aged between 5 and 16 years the department will be using data gathered from the October 2018 census in respect of the payment for the period 1st September 2019 to 31st March 2020, and then the October 2019 census data in respect of the payment for the period 1st April 2020 to 31st August 2020.

The department have set 4 different rates, depending upon whether the school is located in 'Inner', 'Outer' or 'Fringe' of London and the 'rest of the England'.

The rates (per pupil) for the period 1st September 2019 to 31st March 2020 for the 'rest of England' are as follows:

Primary	£77.50
Secondary	£114.08
Special	£282.89

To calculate the per pupil rate that will be paid for the period 1st April 2020 to 31st August 2020 these figures need to multiplied by 5 and divided by 7.

Therefore:

Primary	£55.35
Secondary	£81.48
Special	£202.06



In addition, for trusts that can show that this grant does not meet all of the increase in their teachers pension costs (subject to 0.05% cap) an additional grant will be available – supplementary grant.

More details are being made available in the Autumn. Although the guidance released so far does however give an example for how it would work for the 7 month period to 31st March 2020:

- Total TPS budget (12 mths) £860,000
- 7 months of budget £500,000
(£860,000 X 7/12)
- 0.05% of budget £250
(£500,000 X 0.0005)
- Actual increase in TPS (12 mths) £37,500
- Actual increase in TPS (7 mths) £22,000
(37,500 X 7/12)
- Pension grant allocation
£20,000
- Shortfall for 7 mths £2,000
(£22,000 - £20,000)
- Less 0.05% of budget (above) £250
(see above)
- Additional supplementary grant £1,750
(£2,000 - £250)

The grant for the 5 months to 31st August 2020 would then be £1,250 (£1,750 X 5/7)



6. Changes in the AAD 2019

The ESFA have recently released the 2018 to 2019 Academies Accounts Direction (AAD) for those trusts that were incorporated before 31st December 2018 (The 2019/20 AAD will provide guidance for those who incorporated after the 1st January 2019 due to changes in accounting standards). The model financial statements are now contained in annex A, rather than in the main body of the document.

It's probably not surprising given Lord Agnew's focus on governance that the ESFA have now produced a list of regularity tests that they 'suggest' external auditors undertake to 'support the conclusion on regularity'. We are reviewing this 4 page list to assess the impact on the work that we will be undertaking. These tests are detailed in annex B.

The document mentions that where consolidated financial statements are prepared the regularity work also applies to any other entities in the group. We will discuss the suggested work and the impact in more detail at our June seminars.

Whilst the document lists at the front the main changes and those are listed below (bullet points), having read the whole document there are some other points which we feel are worth noting.

1. It highlights that where assets are bought from GAG there should be a transfer from GAG to Restricted Fixed Assets. This is consistent with how Trusts have dealt with these transactions historically.



If however the assets are bought from unrestricted funds they state that this would not require a transfer. This would be a different approach to that commonly adopted by Trusts.

2. It defines related parties as including:

- Parties with control over, or controlled by, the entity eg parent and subsidiary companies
- Parties having significant influence over the entity
- Key management personnel of the entity, including any director, whether executive or otherwise
- Close family members of any of the above; and/or
- Others subject to control or significant influence by any individual referred to above

When determining whether someone is deemed to be a related party, the issue of significant influence has always had to be considered.

The definition set out above would seem to include relationships where we do not believe there would be any significant influence. It therefore seems to us that the definition is wider than most readers may expect.

The items that the ESFA highlight as changing from the previous year, include:

- Removing the requirement to include dates of payments made regarding non statutory/non-contractual staff severance payments.
- Removing the table in the funds note which shows the current and prior 12 months movements combined.
- Including the requirement that a copy of the annual report and financial statements be sent to every member of the company and to every person who is entitled to receive notice of general meetings.
- SORP Update Bulletin 2 section 3 which includes rules about when to recognise a donation from trading subsidiaries has been updated. Now donations can only be accrued where there is a legal obligation on the subsidiary to make the payment. We are recommending that trusts take advice on the implementation of a covenant.
- There are more fixed asset categories in the notes to the financial statements. Where fixed assets have two or more components Trusts need to consider if there are different economic lives e.g. The boilers or windows in a building compared to the structure. This potentially adds further complexity to valuations of buildings at conversion.
- Prior year comparatives will be required for agency arrangements, events after the reporting period, contingent liabilities and guarantees, letters of comfort and indemnities.



- Clarification that the guarantee from Parliament in respect of the LGPS liability relates to academy trusts not individual academies.
- Specifies that grants received for capital purposes must be spent on capital projects in line with the terms and conditions of the grant.
- The pension note has been updated, but it does not give the new rate, stating instead 'the employer contribution rate is expected to be reassessed and will be payable from 1st September 2019'. Given we will be signing the financial statements after this date it may be that this is updated.
- For those schools that use the premises rent free, there is the option of including a donation and related expenditure. The problem for most schools will be getting a relevant rental valuation that the trustees consider reliable.
- Clarification that irregular expenditure includes all alcohol and any excessive gifts including those purchased through unrestricted funds. This appears to include the buying of alcohol even when used at a fundraising event. As a result PTA's may become active in this type of fundraising.



- As previously noted, from 1 April 2019, all transactions with related parties need to be notified to the ESFA, and approval obtained for those cumulatively over £20,000. Confirmation of compliance with this will now be required in the related party note to the accounts.

For further information please contact our education specialists [Chris Beaumont](#) or [Kevin Shotton](#).

7. Education contacts



 **Chris Beaumont**
chris.beaumont@cliveowen.com



 **Kevin Shotton**
kevin.shotton@cliveowen.com

Dates for your diaries

Academy procurement event
3 June - 2pm – Darlington (Mowden Park RC)

Academy annual audit and accounts seminars
27 June - 9am – Durham office
27 June - 2pm – Darlington (Mowden Park RC)
28 June - 9am – York office

