

Finance update – June 2022

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What we will cover

- Benchmarking report
- Academies Accounts Direction 2022
- Academies Trust Handbook 2021
- Academies Trust Handbook 2022
- Covid catchup funding
- Leases
- Other

The Kreston Academy Benchmarking Report

- A review of the financial health of the academy sector
- 300+ trusts, nearly 1,500 schools out of
- 2,500 trusts, 9,600 schools (12%, 15%)

Increasing Reserves



Average free reserves

Average free reserves (£'000)



Reasons for the reserves

Late notification of Covid monies

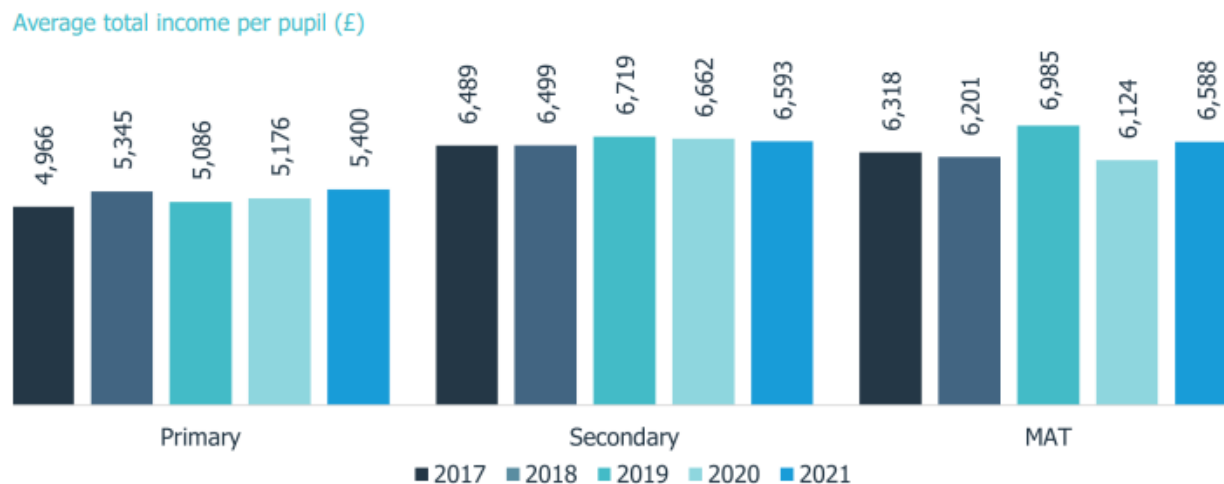
Cost savings:

- Supply staff
- Education resources
- Exam fees
- Utilities
- Maintenance costs

Other income



Average total income per pupil



Average teaching staff costs per pupil

Average across all schools : 75.3% (0.1% change)

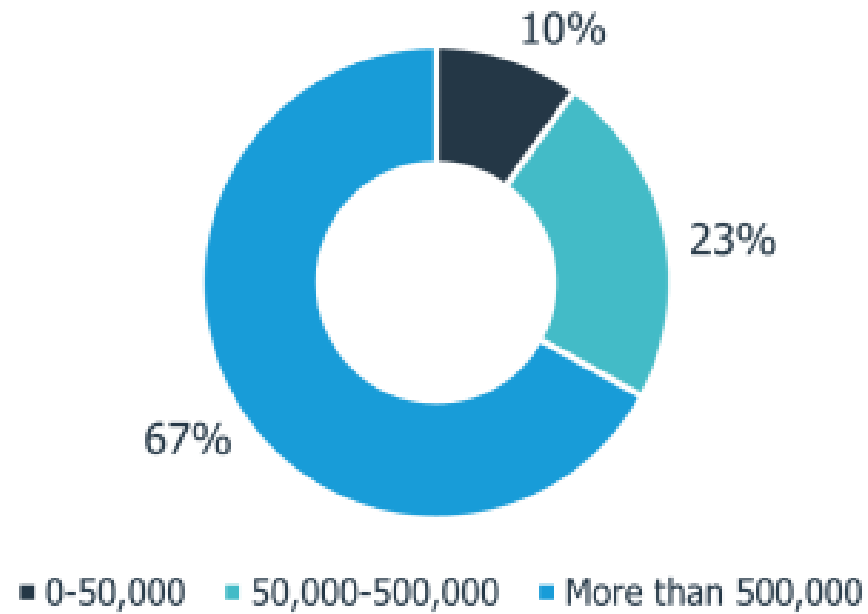
Median capital expenditure per pupil

Median capital expenditure per pupil (£)



Estate repair costs – Future estimate

Estate repair costs (£)



Issues to consider when budgeting

- Inflation
- Energy costs
- Health and social care levy – 1.25%
- Increase in teachers pay – introduction of £30,000 start salary
- Increase in employer pension contributions
- Replacement of ‘free’ ICT devices
- Catchup on maintenance work
- Change to pupil premium census date
- Spending review – funding to increase by 5% in real terms – is this enough?



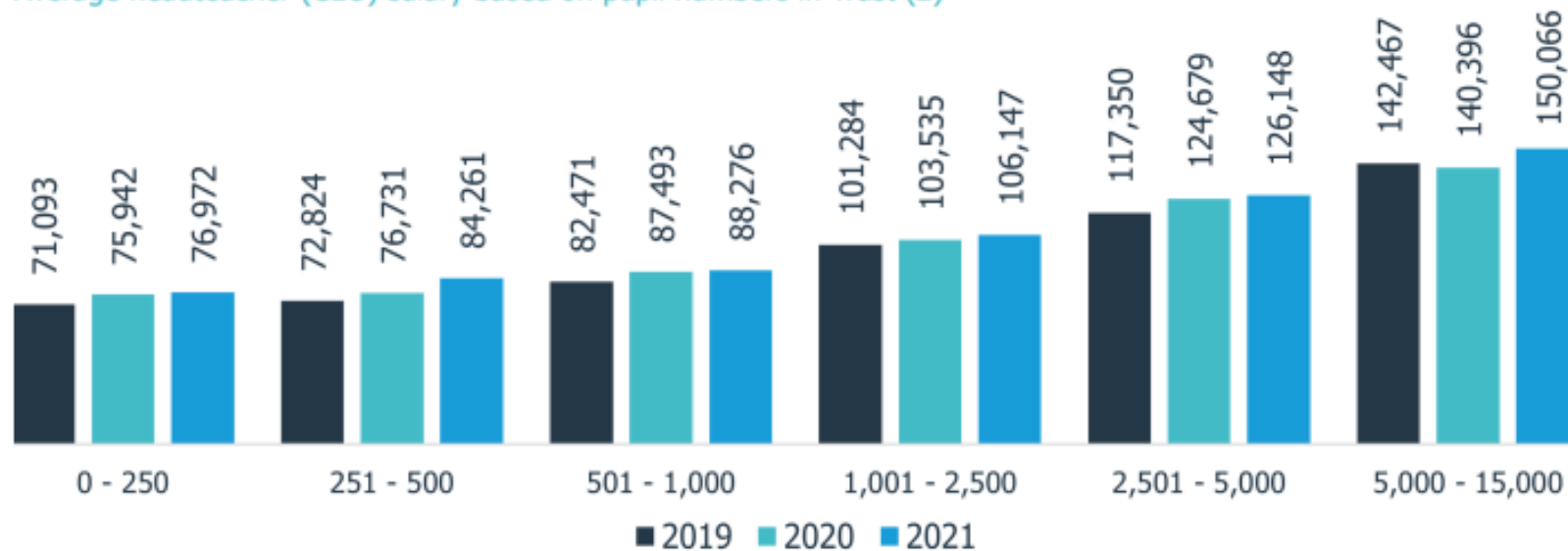
Carbon Intensity Ratio – Year to 31 August 2021

Carbon Intensity Ratio based on 95 MATs (tonnes per pupil)

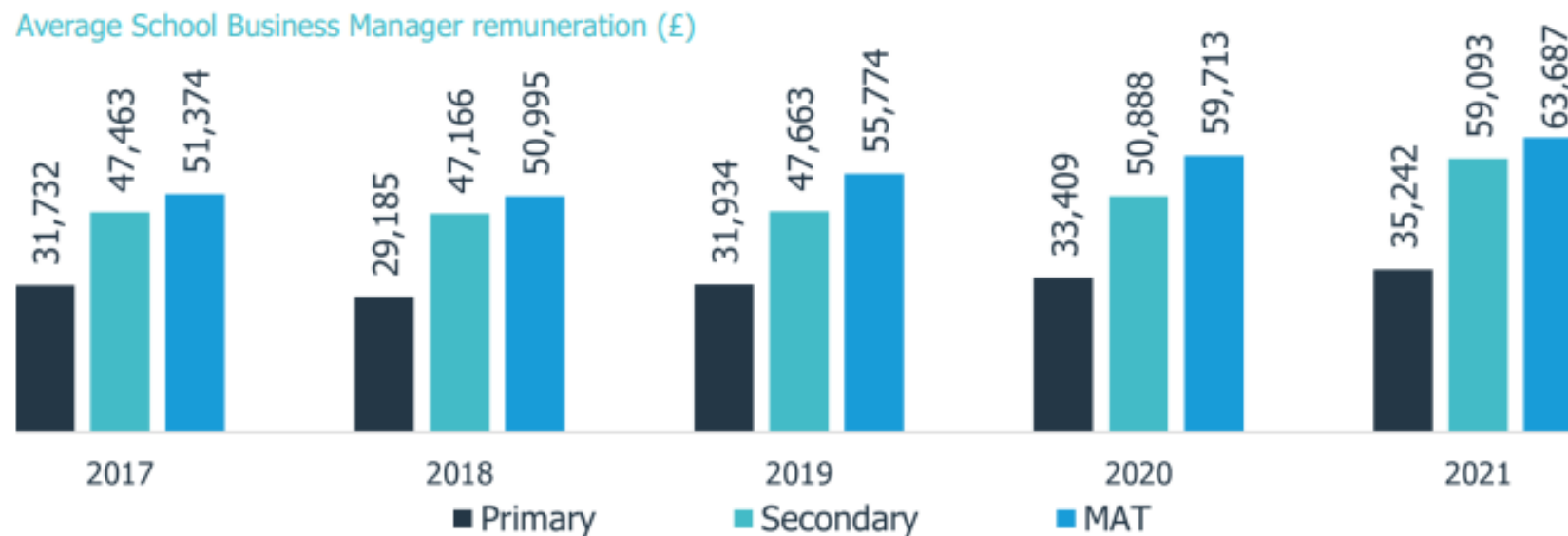
Average	0.256
Highest	1.486
Lowest	0.033

Average headteachers salaries

Average headteacher (CEO) salary based on pupil numbers in Trust (£)



Average school business manager salaries



Get your copy of the Kreston Academies Benchmarking Report 2022

Visit - www.cliveowen.com/sectors/education-accountancy/ to download your digital copy.

Or

Email us – marketing@cliveowen.com to request a hard copy in the post.

Academies Accounts Direction

For the second year this has been split into;

- Academies accounts direction (AAD)
- Model set of accounts for academy trusts
- Framework and guide for external auditors

What has changed in the AAD?

- Trustees report / governance statement
 - Description of organisational structure to include any subsidiaries, joint ventures, or associates
 - Explain how conflicts of interest are managed – Charity Commission guidance
- Notes to the accounts
 - New disclosure requirement on severance payments to reflect changes in guidance published by HM Treasury – in bandings like AAR (previous disclosures still required)
 - Updated the guidance on service concession arrangements, such as PFI – example disclosure shown
 - Accounting for hubs (eg teaching school)
 - No trading account anymore
 - If material consider disclosure on face of SOFA

What has changed in the AAD?

- Accounting requirements
 - Buildings being constructed by the DfE or the local authority (Free Schools / Priority Schools Building Programme) – bring onto balance sheet at when control passes
 - Business rates changes from 1 April 2022 – gross up
- Other
 - Removed the previous requirement to submit dormant accounts to ESFA

What has changed in the framework and guide for external auditors

- No change to scope of regularity review despite change in name
- Regularity applies to whole group ie includes transactions with subsidiaries
- BUT academy specific frameworks do not apply eg academies trust handbook and the funding agreement do NOT apply to the subsidiary
- **No** supplementary bulletin will be released this year (as of 23 June)!

S172 statements/Carbon Reporting

Applies to large entities

- Turnover - £36m
- Assets - £18m
- Employees – 250 plus

Academy Trust Handbook 2021

- Trust not Academies
- Effective from 1 September 2021

Roles and Responsibilities

- Suitability of members - section 128 direction
- Trusts should have reserved places for parent/carer trustees
 - **SAT**- At least 2 places on the board
 - **MAT**- At least 2 places on the board or at least 2 places on the LGB's where they exist
- Highlights trusts obligations in respect of:
 - Safeguarding
 - Health & Safety
 - Estate management

Roles and Responsibilities (continued)

- From March 2022 any newly appointed senior executive leader can only be a trustee if:
 - Articles permit it
 - Members decide to appoint them
 - Senior executive leader agrees
- Suggesting external reviews of governance more effective than self evaluation.

Roles and Responsibilities (continued)

- Accounting officer announces planning to leave e.g., retirement, resignation the board should approach the RSC in advance to discuss structure and options including plans for recruitment.
- **Must** appoint a governance professional to support the board.
- DBS checks:

Must obtain enhanced Disclosure and Barring services for staff & supply staff.

Members, trustees, LGB members **must** have enhanced DBS (not including barred list check).

Main financial requirements

- **Must** review scheme of delegation annually.
- Publish details of executive pay (on and off payroll) where salary & benefits exceed £100K (including employers pension contribution, taxable benefits and termination payments).

Main financial requirements

- Lists out those records which **must** be available for public inspection:
 - Agendas for all trustee and LGB committee meetings
 - Approved minutes of those meetings
 - Any reports etc considered at those meetings

(Exclusions: named employee or proposed employee, named pupil or any matter trustees are satisfied should remain confidential)

Internal Scrutiny

- Where there is an audit committee that is separate to the finance committee the chair can not be the same person
- Sets out the options that can be used. Specifically, now excludes a review by the SLT

Year end auditors

- Trusts now **should** retender their external audit every 5 years
- Sets out the points that **must** be considered when evaluating the tenders

Other

- Delegated Authority on severance payments
- Severance payments of £100k or more – **must** get prior approval and/or where employee earns over £150k

Regulator and intervention

- Academy trusts **must** provide authority for a 3rd party to release information about:
 - Financial management; and/or
 - Governance
- Cybercrime
 - Awareness of and have proportionate controls
 - Obtain ESFA approval to pay ransom demands
- FNtl now Ntl

ATH 2022??

Covid Catchup Funding

Form to be released this month

- How many students helped
- How many hours of support
- Total cost (note the trust must pay at least 25% of the tutoring cost)

Potential claw back

Leases

New accounting standard – IFRS16

When will it impact?

- NAO – 22/23
- CIPFA – 23/24

Impact on trusts:

- Year end accounts
- AAR
- Land & Buildings collection tool (LBCT)

Operating lease or finance lease?

Historically an issue.

Changes coming on 1 September 2022

Changes Include:

- all existing leases already in place by 1 April 2022 (maintained schools) and 1 September 2022 (academies)
- IT equipment
- telephony
- catering equipment
- furniture
- bathroom/sanitary equipment
- gym equipment
- grounds keeping equipment
- minibuses and other vehicles for the use of the school
- temporary classrooms and equivalent structures

Operating leases for items NOT on the above list will not be able to be entered into after 1 September 2022 without the Secretary of State.

Full list due. When?

Had clarification that both Photocopiers and Franking machines are covered by IT equipment

Energy efficient lighting etc

- Salix
- Salix type scheme – under consideration?

ESFA suggesting contact:

[Request](#) advice and guidance for your procurement (get-help-buying-for-schools.service.gov.uk)

GAG Pooling

Q to ESFA:

With GAG pooling becoming more popular do trusts need to keep a note of the underlying individual school balances?

To do so seems to go against the very reason for GAG pooling, i.e. sharing resources based on need rather a formulaic approach.

The problem that arises is when a school leaves a trust, there have been occasions when there has been an expectation that an individual schools balance is known so it can be transferred to another trust, even when all parties know the trust is GAG pooling.

Surely, when a school is part of trust that GAG pools, the balance to be transferred to another trust when a school leaves should be arrived at through commercial discussion and agreement between the two trusts involved, with the ESFA/RSC stepping in if an agreement can not be reached, rather than trying to keep a note of each schools underlying school balance?

R from ESFA:

The AAD contains a requirement to state the fund balances by academy at 31 August, or to declare that Fund balances for each academy 31 August 2022 and 31 August 2021 were zero, hence a breakdown by academy is not included in these accounts.

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