



Academy Advisor Newsletter

Winter 2020/21

Now, for tomorrow

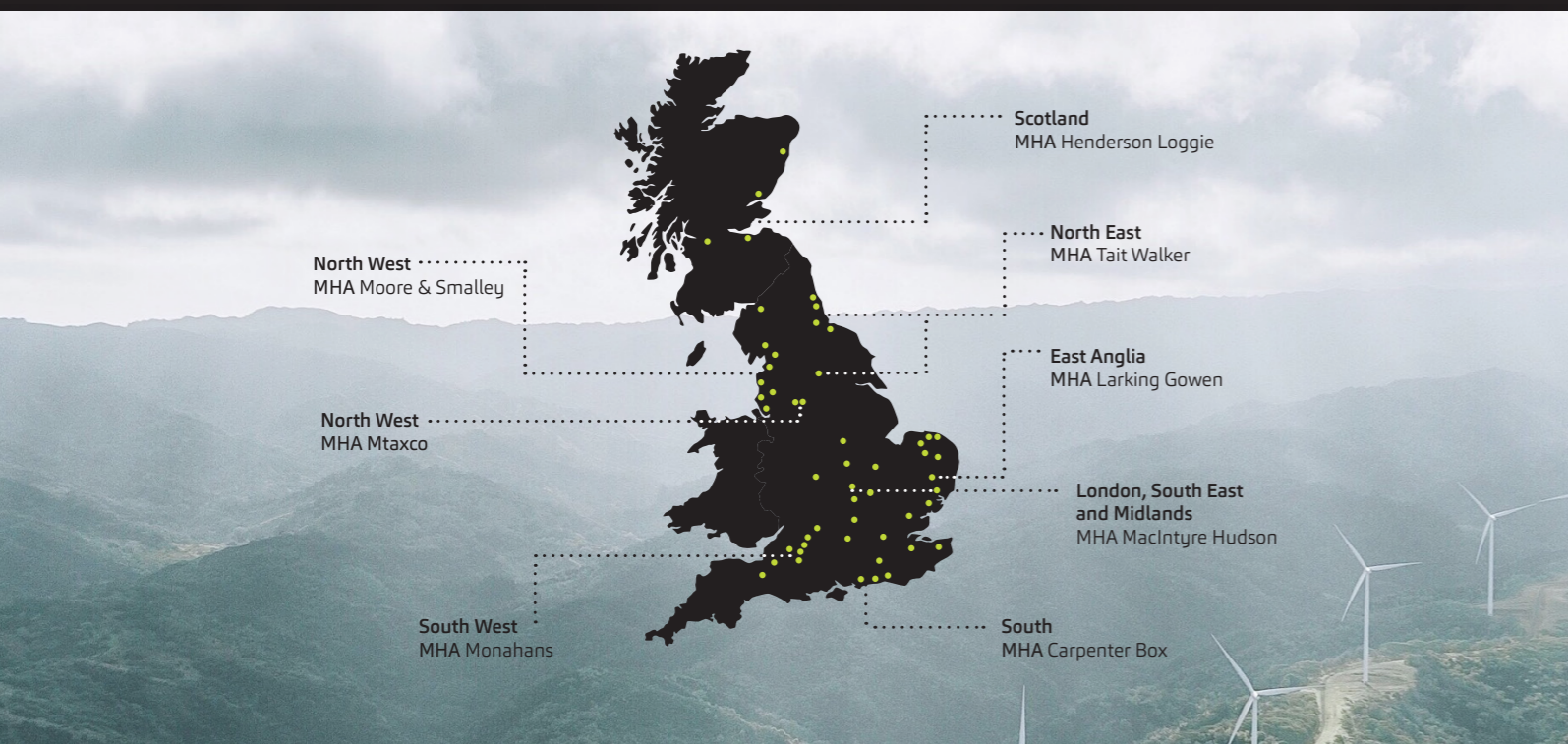


About MHA

MHA is an association of progressive and respected accountancy and business advisory firms with members across England, Scotland and Wales. Our member firms provide both national expertise and local insight to their clients. MHA members assist clients with their needs wherever they are in the UK, as well as globally through our membership of Baker Tilly International, which has a network of trusted advisors covering 145 territories worldwide.

Our Sector Approach:

MHA allows clients to benefit from our in depth sector knowledge, which adds value to the specialist services that we can provide in accountancy, audit, tax, regulatory and expert business advice. Education is a key sector for MHA, where member firms provide a comprehensive range of specialist services including external audit, internal audit and internal scrutiny advice.



National Reach

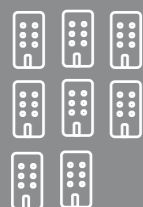
50+
Offices nationwide

International Reach

125
Member firms in 145 territories

8

Independent accountancy firms



Combined turnover of

£143m



10th

Largest network in the world by combined revenue



US\$3.6bn

Combined member firm revenues



Welcome to our regular newsletter for Academies and Free Schools

As 2020 draws to a close, it is worth reflecting on a particularly challenging year. COVID-19 has provided significant challenges for academies, whose main priorities have been the safety of pupils and staff and on keeping their school open; whilst continuing to fulfil statutory financial obligations.

While most 'in-person' audit visits have largely been inappropriate this year, we have been able to support schools to meet their financial obligations with the use of technology and through limited onsite visits. Remote access to finance and accounting systems, virtual meetings and the support of key personnel, who have worked tirelessly to provide us with requested documents has ensured we have been able to obtain sufficient and appropriate audit evidence. We do recognise the increase in workload this approach has caused and would like to extend our sincere thanks to all of our clients in addressing these challenges.

As we head into 2021, schools are facing an unprecedented pressure on budgets, not least because of increased costs associated with Covid-19, but also a reduction in income generation opportunities from lettings and fundraising events.

Strong governance and financial management is essential in dealing with challenging circumstances. We would urge you to consider all of the identified efficiencies or improvements highlighted in the management letter and put into place a plan to address the audit findings over the coming year.

Further support is also available via our new [MHA Trustee Hub](#), where you will be able to find a wealth of free information and online resources for trustees, with downloadable templates and guides.

Our clients are at the heart of everything we do and we would like to thank you for your continued support and wish you all a happy and healthy Christmas and New Year.

If you need further advice and support regarding any of the articles we have featured in this edition, please do not hesitate to get in touch with one of our team.



Robin Evans
Head of Academies
MHA Carpenter Box

E: robin.evans@carpenterbox.com
T: 01903 234094

What's inside

- | | | | |
|----|---|----|--|
| 4 | Academies Accounts Return updates | 13 | Better Financial Reporting programme |
| 9 | Covid-19 workforce fund & other support | 14 | Submission dates and deadline extensions |
| 10 | Internal Scrutiny | | |
| 12 | Reserves Policy | | |

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Academies Accounts Return Updates

The Academies Accounts Return (AAR) was issued by the ESFA in August and updated again in October! So, what’s changed?

The AAR requires some additional information to that required in the financial statements. Specifically, there are two new sections that have been added since it was initially published in August 2020. They relate to high pay and the selection of job roles for employees earning over £100k. Both of the changes have also been reflected in the ‘Comparison to financial statements – Statement of financial activities table’.

In summary, the main changes this year are:

- counterparty reporting now limited to transactions with the academy sector
- new SOFA and benchmarking fields to report Coronavirus grant income
- updated SOFA and benchmarking fields due to benchmarking categorisation updates to reflect new requirements to report rental and lettings income separately from ‘Income from facilities and services’
- new SOFA expenditure field to report revenue expenditure from capital funding

Further changes added in October 2020:

- expanded reporting requirements for ‘Employees whose emoluments exceed £100k’
- expanded reporting requirements for ‘Related party transaction: trustee remuneration’ table
- a new table, ‘Prior year (2018/19) data: Number of employees whose emoluments exceed £60k and all paid trustees’ has been added

Full details from the AAR update are as follows:

Academy trust information:

- data breaches reported by third parties should now be included
- the following questions have been removed: ‘How have you accounted for the McCloud judgment and GMP equalisation judgment in your audited financial statements?’ ‘During this financial year, have you received any gifts per the description in Managing Public Money?’

Academy Information:

- if an Academy has transferred in or out of the trust, the trust will be asked to confirm that both trusts agreed the transfer balance; if not an explanation will be required

Questionnaire:

- a new question has been added, to provide a choice of whether to include the ‘preparer declaration’ table in the ‘Approvals and Submission’ tables
- a new question has been added which asks the trust if they have any transactions with other academies or academy trusts, the counterparty table will then be available depending on the response

SOFA – income:

- Revenue grants – 3 new fields have been created:
 - RGR151 ‘Coronavirus funding support’ (DfE/ESFA)
 - ORG041 ‘Coronavirus Job Retention Scheme Grant’
 - ORG042 ‘Coronavirus Government funding – other’
- Due to changes in the benchmarking income classifications, updates have been made to the following fields:
 - OTA010, previously ‘Income from facilities and services’, amended to ‘Rentals and lettings income’ and therefore lettings income should now be reported along with rental income
 - OTA030, previously ‘Rental Income’, amended to other ‘Income from facilities and services’, which will now exclude lettings income

SOFA – expenditure:

- updated guidance for both CAD110 ‘Technology costs’ and CAD120 ‘Education consultancy’, to clarify that costs relating to consultation of contracts, equipment and software should be allocated to CAD120 ‘Education consultancy’
- new field added CAS390 ‘Revenue expenditure from capital funding’ so trusts have a specific field to allocate revenue expenditure from capital funding and this is not included within the benchmarking tables

SOFA – Staff and Trustees:

- a new validation has been added to the ‘Number of employees whose emoluments exceeds £60k’ table, if an FTE is entered, the trust will be asked to confirm that the annualised emolument includes employer pension contribution
- the ‘Employees whose emoluments exceed £100k’ now requires separate reporting by bands for salary

- employer pension contributions and other benefits for each employee
- each row in ‘Employees whose emoluments exceed £100k’ will now include a drop-down menu to select a job role, rather than entering free text, and specify if ‘Other’ is selected. Specific job roles are: Chief Executive Officer or equivalent, Headteacher/Principal, Deputy/Assistant Headteacher – business lead, Deputy/Assistant Headteacher – predominantly teaching, Chief Financial Officer or equivalent & Other.
 - the ‘Related party transaction: trustee remuneration’ table now has additional columns for trusts to confirm, for each band selected, whether or not it includes salary, employer pension contributions and other benefits
 - a new table, ‘Prior year (2018/19) data: Number of employees whose emoluments exceed £60k and all paid trustees’ has been added. Trusts must provide, by bands, the full-time equivalent number of staff (above £60k), number of trustees paid as trustees and number of trustees paid as staff. Note that this data relates to the accounting period 1/9/18 to 31/8/19 and is a resubmission of the data provided in last year’s AR.
 - in the ‘Related party transactions’ table, the guidance for what should be included in field NUT010 ‘Number of Unpaid non-staff trustees’ has been amended from ‘full time equivalent number of unpaid non-staff trustees’ to ‘number of unpaid non-staff trustees’

Balance sheet – assets:

- trusts will now be requested to also provide their capitalisation policy and depreciation policy for fixed assets that have net book value of zero

Benchmarking – Income:

- new field – BAI020-B ‘Other DfE Group grants (revenue)’ allows trusts to key data against this category for teaching schools.
- new field – BAI061 ‘Coronavirus Government funding’, captures funding allocated to the three new associated fields in the SOFA. Data will be collected at academy level, and the total must be equal to the total of RGR151 plus ORG041 plus ORG042 in the SOFA tables
- due to changes in the benchmarking income classifications, updates have been made to the following fields:
 - BT1100/BAI100 - previously ‘Income from facilities and services’, amended to ‘Rentals and lettings income’, this field now reports rental and lettings income separately which must be equal to OTA010 in the SOFA tables
 - BT1101/BAI101 - new field ‘Other income from facilities and services’, previously BT1101/BAI101, will no longer include rental and lettings income and must be equal OTA030 in the SOFA tables

Counterparty tables

Trusts will now only be required to collect transactions and balances with other academy trusts under a single counterparty. Detailed updates are:

- ‘Income’, ‘Expenditure’, ‘Debtors’, ‘Liabilities’ and ‘Other’ sections will now be one page as opposed to five

individual pages

- there is an additional question ‘Counterparty Data - Did the trust have any transactions with other academies or academy trusts?’ with Yes/No options. If the user selects ‘No’ the counterparty section will be unavailable
- the form fields in the following table have been removed as they are no longer applicable

Area	Removed forms
Income	CPI020 - Capital Grants - DfE (ESFA) CPI030 - Capital Grants - DfE Group CPI070 - Revenue Grants - DfE (ESFA) CPI080 - Revenue Grants DfE Group
Expenditure	CPE020 - Employer’s pension contributions CPE060 - Rates
Debtors (under one year)	CPD030 - Accrued Government grants CPD040 - VAT recoverable
Debtors (over one year)	CPD080 - Accrued Government grants CPD090 - VAT recoverable
Liabilities (less than one year)	CPL030 - Other taxation and social security CPL040 - Finance lease creditors within one year CPL060 - VAT payable CPL080 - Deferred Government grants
Liabilities (greater than one year)	CPL130 - Deferred Government grants

Navigation and functionality changes to the AR form

The main changes are:

- the ‘Benchmarking overview’ table name has been amended to ‘Benchmarking central services’ table
- an error message to appear at the bottom of the page once “mark as complete” is clicked and a validation has been triggered
- a new benchmarking report has been added which displays central services and academies information side by side in one table

Chart of accounts mapping: Coronavirus income

For those trusts which are using the DfE’s chart of accounts (CoA) or mapping their FMS to the DfE’s CoA via supplier software, no chart of accounts codes exist for coronavirus funding, therefore please take the following action:

RGR151 ‘Coronavirus funding support’ (DfE/ESFA):

allocate to account 510950 which will map to RGR150 on the AR, values will then have to be manually updated to split coronavirus funding to RGR151

ORG041 ‘Coronavirus Job Retention Scheme Grant’:

allocate to account 520300 which will map to ORG040 on the AR, values will then have to be manually updated to split coronavirus funding to ORG041

ORG042 ‘Coronavirus Government funding – other’:

allocate to account 520300 which will map to ORG040 on the AR, values will then have to be manually updated to split coronavirus funding to ORG042

Trusts may wish to keep this information separate on their chart of accounts by either allocating to a separate cost centre or by using the flexible 6th digit of the existing account codes stated above to set up additional income codes. Ultimately these amounts need to be shown in RGR151/ORG041 & ORG042 within the AR.

Breakdown required at individual academy level:

Land and buildings:

In this section, trusts should provide details of trust owned and academy owned land and buildings. Details of academy owned land and buildings must be on an individual academy basis. The data required must be broken down into freehold land and buildings, leasehold land and buildings, leasehold improvements and assets under constructions. Details required are: cost, depreciation, impairment.

Assets under construction:

In this section, trusts should provide details of any ESFA funded assets under construction. Details required are:

- capital grants (listed in excel workbook)
- donations
- transfers – transferred in on conversion – local authority, transferred in on existing academies joining the trust, transferred out on existing academies leaving the trust
- tangible fixed assets (cost, depreciation and impairment) – broken down into freehold land and buildings, leasehold land and buildings, leasehold improvements, plant and machinery, computer equipment and assets under construction
- debtors
- other (commentary)

Transfers and Conversions:

Transfers in (Existing academies joining the trust) - For each academy that has transferred into the trust during the period, trusts must provide the value received, adjustments and value per accounts for the following:

- tangible fixed assets – land, buildings, other assets
- intangible fixed assets
- investments – non-current investment, current investment
- stock
- debtors less than one year – trade debtors before bad debt, prepayments
- accrued income, VAT, other debtors
- debtors after more than one year
- cash at bank and in hand
- creditors less than one year – bank overdrafts, loans, trade creditors, other taxation and social security, finance leases, VAT, other creditors, accruals and deferred income
- creditors more than one year – loans, finance leases, other creditors
- provisions for liabilities and charges
- pension scheme surplus/deficit

Transfers out (Existing academies leaving the trust) - For each academy that has transferred out of the trust during the period, trusts must provide the value per accounts according to the detail given in the transfers in section.

Newly converted academies - For each school that has converted to an academy during the period, trusts must provide the value per accounts according to the detailed given in the transfers in section.

Benchmarking:

In this section, trusts should provide the following values for each individual academy, an additional column is provided for academies who have a teaching school. There is a separate table for MAT central services.

Revenue income


- grant funding – DfE/ESFA revenue grants, other DfE/ ESFA revenue grants, SEN, other income, start-up grants, coronavirus funding, other grants
- other revenue income – government source (non-grant), academies, non government
- self-generated income – income from rentals and lettings, income from facilities and services, income from catering, receipts from supply teacher insurance claims, other income - revenue
- donations – donations and/or voluntary funds – revenue
- investment income
- funds inherited on conversions/transfers
- contribution from academies to trust

Revenue expenditure

- staff costs – teaching staff, supply teaching staff, education support staff, administration and clerical staff, premises staff, catering staff, other staff, indirect employee expenses, staff development and training, supply-teacher insurance, staff related insurance
- maintenance of premises
- other occupancy costs – cleaning and caretaking, water and sewerage, energy, rent and rates, grounds maintenance, other occupation costs
- special facilities
- educational supplies and services – learning resources (not ICT equipment), ICT learning resources, examination fees, educational consultancy, agency supply teaching staff
- other supplies and services – catering supplies, auditor costs, other insurance premiums, administrative supplies (non-educational), direct revenue financing (revenue contributions to capital), professional services (non-curriculum)
- funding costs – interest charges for loan and bank, PFI charges

Counterparty data

Counterparty information will no longer need to be provided at organisation level.



A table detailing the comparison to financial statements is provided on the following pages.

If you have any questions or need further advice on the AAR, please get in touch with your local office.

Comparison to financial statements

Area	Details of further information required for the accounts return	Comparator
Grants – revenue and capital	Revenue and capital grants are broken down into DfE and ESFA, DfE Group and Other. Within these categories, they are then split into detailed rows. Please refer to AR guidance as to how these are further broken down.	Detailed breakdown
Charitable activities – direct and support costs	These are split into detailed categories. Please refer to the AR guidance as to how these are broken down.	Detailed breakdown
Staff costs	Wages and salaries are split into three categories: teachers, leadership, and administration and support.	Detailed breakdown
Average staff numbers	Teachers, leadership and administration and support staff must be categorised into permanently employed or temporary/interim staff on a full-time equivalent basis.	Additional information
Gender analysis	Permanent employees (accounting officer, staff who serve as trustees, teachers, leadership and administration and support staff) must be categorised by gender on an average full time equivalent: male or female.	Additional information
Number of employees whose emoluments exceed £60k and £100k (in £10k bandings)	Trusts should disclose further details for employees whose full time equivalent annualised emoluments exceed £60k. Employer pension contributions and benefits must be included when calculating the annualised emoluments. Trusts must supply the number of trustees and employee remuneration as well as the value of salary, pension and other benefits in £10k bandings.	Additional information
Number of employees whose emoluments exceed £100k (in £10k bandings)	Further details required to define the job role as: <ul style="list-style-type: none">• Chief Executive Officer or equivalent• Headteacher/Principal• Deputy/Assistant Headteacher – business lead• Deputy/Assistant Headteacher – predominantly teaching• Chief Financial Officer or equivalent• Other (please specify) The full time equivalent and the value of salary, pension and other benefits in £10k bandings is also required for each employee.	Additional information
Staff sickness	Trusts should disclose days lost to sickness.	Additional information
Related party transactions - trustee's remuneration	In addition to the related party transactions disclosures, trusts must indicate the number of unpaid trustees. Trusts must confirm that salary, pension and other benefits have been included in this band.	Additional information
Exit packages – non-civil service schemes	Trusts should identify exit packages on a value scale and categorise into the following: <ul style="list-style-type: none">• number of compulsory redundancies• value of compulsory redundancies (contractual)• value of compulsory redundancies (non-contractual)• number of other agreed departures• value of other agreed departures (contractual)• value of other agreed departures (non-contractual) Any non-contractual redundancy payments should also be disclosed in the losses and special payments table in balance sheet funds and other disclosures.	Detailed breakdown
Loss of office payments	The value of loss of office payments for accounting officers and other trustees should be disclosed.	Detailed breakdown
Provision of boarding activities – income and expenditure	Trusts should break these down into detailed categories. Please refer to the AR guidance as to how these are broken down.	Detailed breakdown
Teaching Schools – income and expenditure	Trusts should break these down into detailed categories. Please refer to the AR guidance as to how these are broken down.	Detailed breakdown
Prior year (2018/19) data	Number of employees whose emoluments exceed £60k and all paid trustees.	
For the 2019/20 AR collection only	trusts must provide, by bands, the full-time equivalent number of staff (above £60k), number of trustees paid as trustees and number of trustees paid as staff. Note that this data relates to the accounting period 1 September 2018 to 31 August 2019 and is a resubmission of the data provided in last year's AR.	Detailed breakdown

Comparison to financial statements continued

Balance sheet assets

Area	Details of further information required for the accounts return	Comparator
Tangible and intangible assets	Trusts should indicate whether their assets are owned, finance leased, other, or on-balance sheet PFI contracts.	Detailed breakdown
Debtors	Debtors, particularly prepayments and accrued Income, are further broken down into categories contained within the guidance.	Detailed breakdown

Balance sheet liabilities

Area	Details of further information required for the accounts return	Comparator
Creditors	Creditors are further broken down into categories contained within the AR guidance.	Detailed breakdown
Loan movement table	Trusts should categorise loans into DfE group, other government and other. They then must be broken down into categories contained within the AR guidance.	Detailed breakdown
Loan analysis	Trusts should break down their loans into due within one year, between two and five years and after more than five years.	Detailed breakdown
Provisions (ageing)	Trusts must break down their provisions into due within one year, between two and five years and after more than five years.	Detailed breakdown
Contingent liabilities	Contingent liabilities must be broken down into the following categories: premises issues, potential repayment of grants, disputed invoices, contract termination costs, unrecovered fees and other. Trusts should provide a numerical indication rather than a narrative.	Detailed breakdown
Commitments under PFI contracts	Trusts must break down their commitments under PFI contracts into due within one year, between two and five years and after more than five years. Trusts must indicate whether these are off or on balance sheet. Please note a PFI commitment is one where the academy has a PFI contract, not where an academy makes payments to a local authority to lease/use an asset.	Detailed breakdown

Balance sheet funds and other disclosures

Area	Details of further information required for the accounts return	Comparator
Capital commitments	These are broken down into property, plant and equipment (PPE) and intangible assets.	Detailed breakdown
Operating leases	Alongside the ageing details, operating leases are broken down into land, buildings and other. They are then further broken down into DfE/ESFA, other government and other.	Detailed breakdown
Commitments under finance leases	Trusts must split finance leases into buildings and other. They are then further broken down into DfE/ESFA, other government and other. Trusts must indicate whether their commitments under finance leases are pre-discounted or discounted values, give ageing details and subtract the interest element.	Additional information
Non-cancellable contracts	These are broken down into DfE group, other government and other. Trusts must also provide ageing details.	Additional information
Breakdown of SOFA pension charge	Trusts must provide the number of paid trustees who were not part of a main pension scheme.	Additional information
Losses and special payments	Trusts must provide the amount, recognition date, payment date and type of any losses or special payments.	Detailed breakdown
Analysis of net assets between funds	Trusts must also split out provisions between unrestricted funds, restricted general funds, restricted asset funds and endowment funds.	Detailed breakdown



Covid-19: Workforce Funding & other support

Covid-19 Workforce Fund & funding for Exceptional Costs

Covid-19 Workforce Fund

The DfE announced in November the introduction of a Covid-19 Workforce fund to support schools facing staffing and funding pressures as a result of the pandemic. The fund will be backdated to 01 November and will cover the current half term to help cover the costs of high levels of staff absences over a minimum threshold to help schools to remain open.

Schools will be able to reclaim costs if they meet the following conditions:

- **Financial:** Schools will first need to use any existing financial reserves, as would typically be expected when facing unforeseen costs. They will be eligible for this additional funding once they have used these down to a level at 4% of the annual income.
- **Absence rates: Mainstream schools** must be experiencing a short-term teacher absence rate at or above 20%, and/or a lower long-term teacher absence rate at or above 10% - costs can only be claimed when incurred above this rate.
- **Absence rates: Special schools and Alternative Provision schools** must be experiencing a short-term teacher absence rate at or above 15%, and/or a lower long-term teacher absence rate at or above 10%, to be eligible - costs can only be claimed when incurred above this rate.

Schools are already taking a number of steps to manage staff absences using existing staff and resources. For all teacher absences claimed, schools will need to certify that they have first tried appropriate staffing mitigations as set out in [Guidance for full opening: schools](#), and that claims are necessary in keeping their school open.

Claims can include the cost of bringing in supply teachers and for paying additional hours for teachers who are part time, however claims for support staff absences will be on an exceptional basis only, where necessary to keep schools open. In special/AP schools, there will be greater flexibility for claims for these staff.

Eligible academies will be able to claim for eligible costs backdated to 01 November until the Christmas holidays.

Funding for Exceptional Costs

Funding for exceptional costs associated with Covid-19 incurred from March to July 2020 (or during the 2020 summer holiday period to cover the costs of additional free school meals) must be claimed by 22 December 2020.

Eligible categories of costs covered by this fund include:

- **Increased premises related costs**, such as for utilities and resources needed to keep the school open, hygiene services and costs associated with keeping schools open for children of critical workers and vulnerable children outside of term time, over and above that which schools would normally face
- **Support for free school meals (FSM) for eligible children who are not attending school**, where those costs are not covered by the FSM national voucher scheme
- **Additional cleaning costs** over and above the cost of existing cleaning arrangements, such as a deep clean in response to suspected coronavirus (COVID-19) cases, or in line with Covid-19 guidance on the cleaning of non-healthcare settings

Schools will need to provide assurance that they are legitimate additional costs incurred due to Covid-19 and schools are expected to be able to identify this income and the related expenditure, when reporting their accounts.

Please be aware that there will be no opportunity to request extensions to this claim window, or to resubmit a claim after the deadline.

The government have said they will continue to review the pressures schools are facing next term and set out support measures accordingly. Should any academy need additional support above and beyond the range of funding already made available, they should make contact with the Department's regional school commissioner or ESFA territorial teams.

Internal Scrutiny - beyond system checks

Maximising the benefits of your Internal Scrutiny Function

The 2020 Academies Financial Handbook places greater requirements on Trusts to have in place an effective internal scrutiny (IS) function which provides assurance to the board over the effectiveness of its risk management, governance and internal control arrangements and one that is driven by risk.

This change in emphasis therefore provides Trusts, via their audit committees, with a greater degree of freedom in relation to how their internal scrutiny resources can be utilised, and if used correctly, can help to provide assurance to the board as to whether key areas of risk are being managed effectively. This new approach however, may require a significant change in the way that Trusts and Audit Committees approach the IS function, and in particular the development of the audit plan each year. With this in mind, we have set out some of the ways in which you can gain maximum benefit from the new approach to internal scrutiny.

What type of provider?

Whilst the Academies Financial Handbook provides a range of options as to how the IS function can be delivered, in order to have a function in place that can provide a comprehensive range of assurances across your risk environment, selecting an external audit provider is likely to be the approach favoured by most trusts. In selecting such a provider it is important to consider not only the approach that they will take to providing the IS function, but also the range of assurances that can be provided and the skills in place to deliver them. For example, given the increased level of cyber security threats within the sector, having a provider with access to IT and cyber risk specialists who can provide assurance over this area should be a key element in your decision to appoint. Equally, schools who have embarked upon

any capital projects will need to assure themselves that any VAT implications have been fully considered, so an IS provider with the necessary VAT experience would be desirable. There may be other areas, such as Health and Safety, where there is benefit from sourcing a dedicated specialist rather than a more generalist IS approach.

What should be the size of my plan?

The size and scope of your IS plan will ultimately be determined by the budget you have available, however it is worth considering that using the IS function effectively now could help in identifying potential issues which could cost significantly more time and money to fix in the future. It should also be worth noting that allocating your budget across a small number of areas each year may provide greater benefit than trying to cover everything in one go, as it will allow the audits to provide an appropriate depth of coverage which is more likely to identify potential control and system weaknesses. A plan which is too small or light in individual coverage is also likely to result in the provision of assurances which do not consider the effectiveness of controls within a system in sufficient depth to add any value.

How do I develop the plan?

For a risk based approach to IS the risk register is a good starting point as this represents the risks that the Trust has already identified, and therefore should be areas that the Trust requires assurance over as to whether they are managing effectively. It is important to note though that just because something is on the risk register it does not automatically follow that this should be subject to audit, as there could be some risks that are outside of the control of the Trust, or where the reason for the risk is already known and an audit will not add any more insight.

It is also worth considering;

- The views of your Senior Management Team
- Whether there are any key upcoming projects / developments that present a risk to the organisation
- The views of the IS providers
- The view of the Audit Committee
- Whether there are any wider sector issues that may be worth considering for inclusion.

What should be in the plan?

The content of the plan is ultimately for the Audit Committee to agree, but in its development it should consider the whole range of the Trust's risk management, governance and internal control environment and focus on those areas which present the greatest risk to the Trust and where the IS function is the most appropriate assurance provider.

Some examples of potential coverage could include:

- IT / Cyber Security Risks
- Risk Management
- Safeguarding
- Financial Planning and Budgetary Control
- Student recruitment and marketing
- Student support and achievement
- Staff recruitment and talent management
- GDPR
- Governance
- Payroll
- Use of the Pupil Premium
- Quality Assurance

What should the Audit Committee's role be?

Whilst internal scrutiny work will be delivered by an independent provider, the Audit Committee still retains responsibility for ensuring the quality of the

work undertaken and the overall assurance provided, and therefore should be involved in the process for the procurement of the provider(s) including the final approval.

The Audit Committee has the ultimate responsibility in setting and approving the plan, and acting upon the assurances that it receives. Whilst the development of the plan can be steered by management, the committee does need to ensure that it is they who are approving the plan itself and is satisfied with its content. In considering the plan, the committee should focus on what assurances will be provided across a 3-5 year period (although these could change), the timing of individual assignments and the number of days allocated to each.

How should I be treating the audit reports I receive?

For each report received the Trust should consider what the level of assurance provided is informing the Trust on how well the risk(s) it has considered are being managed by the controls in place and what additional actions (in addition to any recommended in the audit) may be required to manage the risk. The Trust should also consider whether there may be a need for the risk register to be updated as a result of the assurance received. Finally, it is important that Audit Committees ensure that an effective process of recommendations tracking is established to ensure audit recommendations are being implemented on time.



Please get in touch with your local office if you would like to discuss your options for internal scrutiny in more detail.



Reserves Policy

As an exempt charity Academy Trusts are required to have an effective reserves policy. Reserves can be built up in order to fund longer-term plans such as capital investment, undertake maintenance and expand as well as to manage risk and uncertainty of future funding.

As public sector bodies, academies and free schools are required to apply effective treasury management policies and ensure that cash is properly controlled.

Academies should follow the Academies Financial Handbook and Charity Commission guidance when setting a reserves policy, which is based on the requirements of charity law, the Charities SORP and good practice.

There is no set formula as to what the appropriate level of reserves should be for each Academy Trust as each will have different priorities and pressures on their budgets. Having a policy where the level of free reserves is set too high could limit the amount available to spend on educational activities, but set too low could increase the risk of not being able to meet all of its financial obligations in the event of unexpected costs arising.

Trusts should consider:

- Future capital projects or renovation work
- Unforeseen emergencies, or disaster planning
- Reliance on temporary staffing
- Existing financial position and any expected deficit
- Other planned projects, such as IT investment to support remote lessons
- Potential acquisitions for growing MATs

Other considerations include:

Cash v Reserves

It is important to note that cash balances are not the same as reserve balances. There are many reasons why the cash figure does not reflect the reserves position of the Trust. Income is often received in advance and required to pay creditors in the subsequent months. Identifying the level of free reserves will give a more accurate indication of the position of the Trust.

Staff costs

Academy Trusts that have a more senior teaching staff will inevitably have a higher ratio of staff costs to GAG funding. Trustees will need to identify where this may eat into any surpluses and plan accordingly.

Fixed Assets


Fixed assets are included on the balance sheet, so can be a useful starting point to monitor depreciation and consider how soon assets may need replacing or where future maintenance costs may increase. Even if successful with CIF bid funding, there may be a requirement to make a contribution to the project from Trust reserves

The School Fund

The school fund should be monitored by Trustees to help identify any unrestricted funds that could be allocated to fund specific projects and also identify where the Trust may be subsidising school trips or other activities.

Regardless of the regulatory requirement, establishing reserves that protect the operation of the Trust and contribute to its smooth running is good practice and forms part of the overall financial control and governance framework; and should be monitored and revisited regularly.

Our [MHA Trustees Hub](#) has a wealth of free information to support charity trustees, with downloadable templates and guides, including a [Pro-forma Reserves Policy](#) which you may find useful.



We can work with you to ensure you are meeting all of your financial obligations and addressing future challenges. Please get in touch if you have any concerns you would like to discuss or visit our [MHA Trustee Hub](#)

Better Financial Reporting programme

The ESFA, along with academies, auditors and software providers have developed the Better Financial Reporting programme (BFRP), which was launched in May 2019 alongside the Standardised Chart of Accounts (SCoA). The aim of the Programme was to create a consistent financial reporting structure that all Trusts can use and understand, leading to greater depth of understanding and improve the end-to-end process for financial reporting, through automated systems for data collection.

Previously, there was no consistent approach to data collection and completing all of the different forms and documents was time consuming and often meant duplicating a significant amount of work.


The new Standardised Chart of Accounts is detailed enough for trusts to use for their own internal reporting requirements and aims to reconcile the multitude of reporting requirements by explaining exactly how each ledger code should be mapped. It is essentially a prebuilt, defined set of ledger codes that can be easily adopted and applied to a financial system.

This data collection solution will also allow trusts to upload trial balance data directly from their financial management systems in future, which will pre-populate financial returns wherever possible and there are several software providers who have already adopted the SCoA.

- Other benefits of the programme include:
- Greater accuracy of financial reporting
 - Greater interrogation of data at SLT / Trust level
 - Less time involvement from staff
 - Electronic transfer of data in the future

Whilst there will be a financial cost and investment of time required to implement the Standard Chart of Accounts (either with your existing financial system, or through adopting a new one, as well as transferring existing data into the new format and training staff), the BFRP is likely to lead to efficiencies and enable trusts to access enhanced benchmarking and efficiency metrics.

Adopting the new SCoA and BFRP is voluntary, but if trusts are thinking about changing accounting systems, we would highly recommend using the new chart of accounts and we would be happy to advise you accordingly.



If you would like further advice on the Better Financial Reporting programme, please get in touch with us.



Submission dates & deadline extensions

The ESFA have extended a number of deadlines for academy submissions amid the 'challenges' posed by Covid-19. Eileen Milner, chief executive and accounting officer of the Education and Skills Funding Agency (ESFA), wrote to accounting officers of academy trusts to advise that, due to Covid-19, the deadline for academy trusts to submit their financial statements to ESFA for the year ending 31 August 2020 has been extended by one month to 31 January 2021. It also confirms that the deadline for the land and buildings collection tool (LBCT) has been extended until 17 December 2020 and the accounts return until 23 February 2021.

Academies will also need to submit their auditor's management letter, accounts submission coversheet and internal scrutiny annual report at the same time. The deadline for the AAR has also been extended from 19th January 2021 to 23rd February 2021, and you will also need to publish a copy of the audited financial statements on your academy website by 28th February 2021.

This extension is for this year only and trusts should work on the basis that the timetable will revert to its usual pattern the following year.

A full list of submissions is provided below:

Description	Deadline
Land and buildings collection tool	17 December 2020
Audited financial statements, auditor's management letter, accounts submission coversheet online	31 January 2021
Internal Scrutiny summary report	31 January 2021
2019 - 2020 Academies Accounts Return (AAR)	23 February 2021
Publish audited financial statements on website	28 February 2021
School Resource Management Self Assessment Tool (SRMSAT) checklist	15 March 2021
Budget forecast return outturn (BFRO)	18 May 2021
Budget forecast return three year (BFR3Y)	27 July 2021
CT600 Corporation tax return filing	31 August 2021 (if required)
Budget forecast return 2020	29 September 2021
Audited End of Year Certificate (EOYC) for Teachers Pensions	30 September 2021

The ESFA will publish the list of Trusts who do not submit two or more returns on time on GOV.UK. Throughout the year ESFA are likely to issue further updates on guidance or submission dates, so do refer to their website, and check the Academy Annual Calendar which is published on the ESFA website.

Contact Your Local MHA Office

MHA MacIntyre Hudson macintyrehudson.co.uk

London
2 London Wall Place,
London, EC2Y 5AU

T: 020 7429 4100

Additional Offices:

Birmingham, Canterbury,
Chelmsford, High Wycombe,
Leicester, Maidstone, Milton Keynes,
Northampton, Peterborough & Reading

MHA Carpenter Box carpenterbox.com

Worthing (Head office)
Amelia House
Crescent Road
Worthing, BN11 1QR

T: 01903 234 094

Additional Offices: Brighton,
Gatwick & Chichester

MHA Henderson Loggie hlca.co.uk

Dundee (Head office)
The Vision Building
20 Greenmarket
Dundee, DD1 4QB

T: 01382 200 055

Additional Offices: Aberdeen,
Edinburgh & Glasgow

MHA Larking Gowen larking-gowen.co.uk

Norwich (Head office)
King Street House
15 Upper King Street
Norwich, NR3 1RB

T: 01603 624 181

Additional Offices: Colchester, Cromer,
Dereham, Diss, Fakenham, Holt
& Ipswich

MHA Monahans monahans.co.uk

Swindon (Head office)
38-42 Newport Street
Swindon
Wilts, SN1 3DR

T: 01793 818 300

Additional Offices: Bath,
Chippenham, Frome, Glastonbury,
Melksham, Taunton & Trowbridge

MHA Moore & Smalley mooreandsmalley.co.uk

Preston (Head Office)
Richard House
9 Winckley Square
Preston
Lancashire
PR1 3HP

T: 01772 821 021

Additional Offices: Blackpool,
East Midlands, Kendal, Kirkby
Lonsdale, Lancaster, Liverpool,
Manchester & Southport

MHA Mtaxco mtaxco.com

Manchester (Head Office)
Peter House
Oxford Street
Manchester, M1 5AN

T: + 44 (0) 7760 166 802

MHA Tait Walker taitwalker.co.uk

Newcastle (Head office)
Bulman House
Regent Centre
Gosforth
Newcastle Upon Tyne, NE3 3LS

T: 0191 285 0321

Additional Offices: Durham, Leeds,
Northumberland & Teesside



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