



Academy Update

July 2024

Our team today



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Agenda

Learning outcomes

A new government

Accounts Direction

Handbook

Sector risks

Financial reporting

Key learning outcomes

- **To understand key sector and business risks facing the academy sector**
- **To understand the key areas of focus for the Education and Skills Funding Agency (ESFA)**
- **To review key updates of the Accounts Direction and Handbook**
- **To understand key financial reporting changes relevant for 2024-year ends**

A new Government

Labour pledges

- “Breaking down barriers to opportunity”
- King’s Speech
- 6,500 new teachers
- VAT on private school fees
- Ofsted inspections of MATs
- Breakfast clubs and nurseries



Accounts Direction 2023/4

ESFA feedback

- Late filing
- Modified opinions
- Inconsistent annual reports
- Weak internal scrutiny
- Inconsistent reporting of scrutiny arrangements



Key changes and clarifications

“What an academy trust must do”

- Prepare accounts including a governance statement and regularity statement
- Arrange an audit
- Submit, publish and file the accounts



Key changes and clarifications

- Removed all COVID-19 references
- Conclusion on the 'adequate and effective framework for governance, risk management and control' [1.17, 2.48]
- **CHECK FOR CONSISTENCY!**



Key changes and clarifications

- Internal control oversight procedures [2.57]
- 16-19 funding presentation [2.98]
- Other employee benefits separately identified [2.134]
- Agency arrangement disclosure [3.132]



Key changes and clarifications

Value of leasehold premises[3.27]

- Clarifies what methods are acceptable
- Must be in line with FRS 102



Academy Trust Handbook 2023

Roles and responsibilities

- **Trust quality descriptions**
- **Good estates safety and management [1.19]**
- **Knowledge of the board [1.25]**
- **Appointment of the AO and CFO [1.28]**



Financial requirements

- **Frequency of Board meetings [2.3]**
- **Budget forecast return deadline extended [2.15]**
- **Management accounts process [2.18-2.20]**
- **Electric vehicle salary sacrifice [2.31]**



Delegated authorities

- **GAG pooling simplification [5.30-5.31]**
- **Related party and education transactions [5.42 & 5.57]**



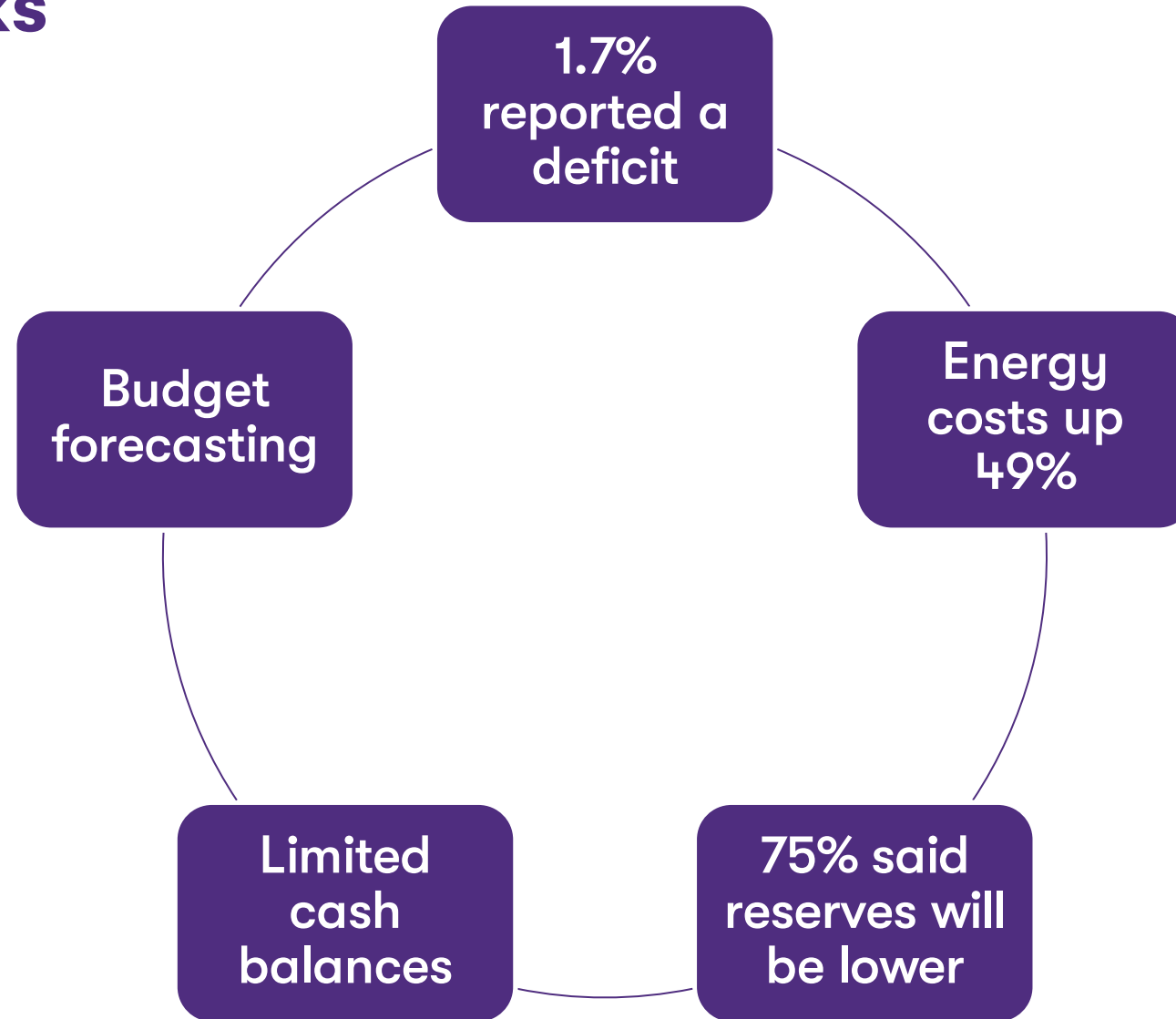
Regulation and intervention

- **Notice to Improve (NtI) given for financial management or governance reasons [6.16-6.17]**



Sector risks

Academy risks



Financial health

- More academies in deficit
- Reserves balances are uneven
- School place projections
- High non-staff costs

Deficit recovery

- **Staff costs:** a holistic view of staffing, consider promotion and redeployment.
- **Insurance:** DfE risk protection arrangements available.
- **Goods and services reduction:** printing, online solutions and defer training.
- **Site maintenance:** paying a premium for physical environment, consider deferring the works.
- **Purchasing:** unless unsafe to do so, delay purchases of equipment and furniture.



Other risks

- **Reinforced Autoclaved Aerated Concrete (RAAC):** available funding for repairs and rebuilds
- **Asset impairment:** clearer disclosure of the judgments and estimates applied, 'boiler plate' disclosures are not acceptable
- **Contractor insolvency:** upfront payments and improved controls



Legal and regulatory updates

Economic Activity of Public Bodies Bill

Targets 'official boycotts' and 'official divestments'

Investment and procurement

Focus on Israel relations

Economic Crime and Corporate Transparency Act

Failure to prevent fraud offence (similar to the 'failure to prevent bribery' offence).

Requires organisations to have good preventative measures in place such as training, strong internal controls etc.

Further guidance awaited from government in due course.

Procurement Act

**Royal Assent October 2023,
comes into force October 2024.**

**Transforming Public Procurement
(TPP)**

**Transparency and additional
notification requirements.**



Public Sector Decarbonisation Scheme

Billions of pounds of funding available.

Key source of environmental funding available to universities.

Of £530m available in phase 3c, around £19.2m was awarded to universities.



Financial reporting

FRS 102

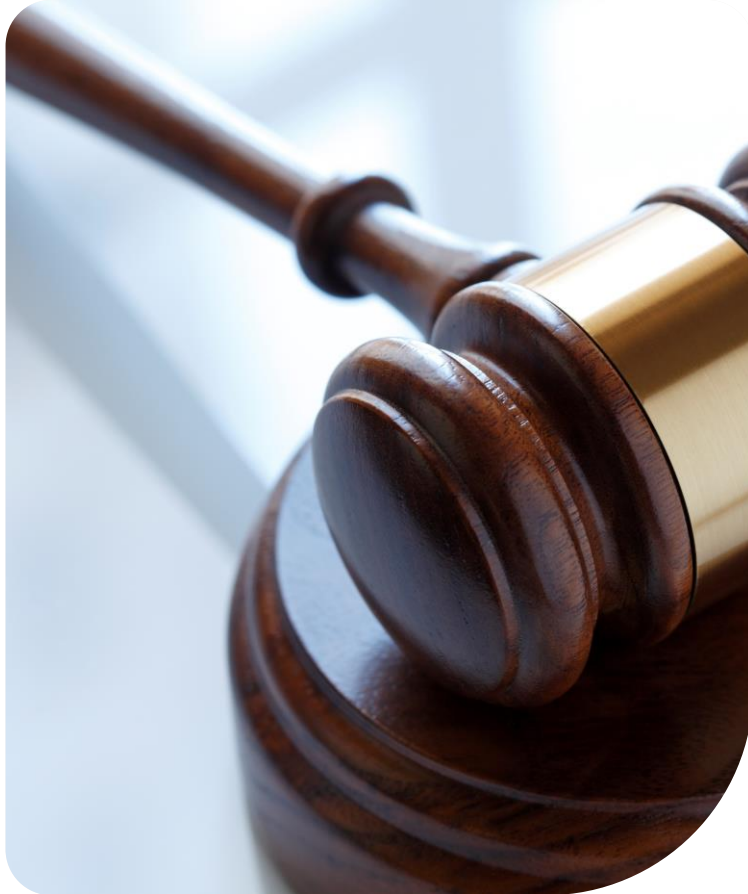
Effective for accounting periods beginning on or after 1 January 2026, so will be relevant for Academies the year ended 31 August 2027.

Revenue – 5 step model from IFRS

1. Identification of the contract with the customer
2. Identification of performance obligations within the contract
3. Determination of the transaction price
4. Allocation of the transaction price to each performance obligation within the contract
5. Recognition of revenue as (or when) performance obligations are satisfied

Leases – all on balance sheet as finance leases (with exceptions for low value and or short-term leases)

ISA 250



Proposal removes the distinction between ‘direct’ and ‘indirect’ laws and regulations that have a direct effect on the determination of material amounts and disclosures.

In simple terms, a direct material law/reg for an academy might be something related to safeguarding, the ESFA or Department for Education.

An indirect material law/reg for an academy might be something related to health and safety, tax or building regulations. They are things that they need to adhere to, but not related to the main functions of the academy.

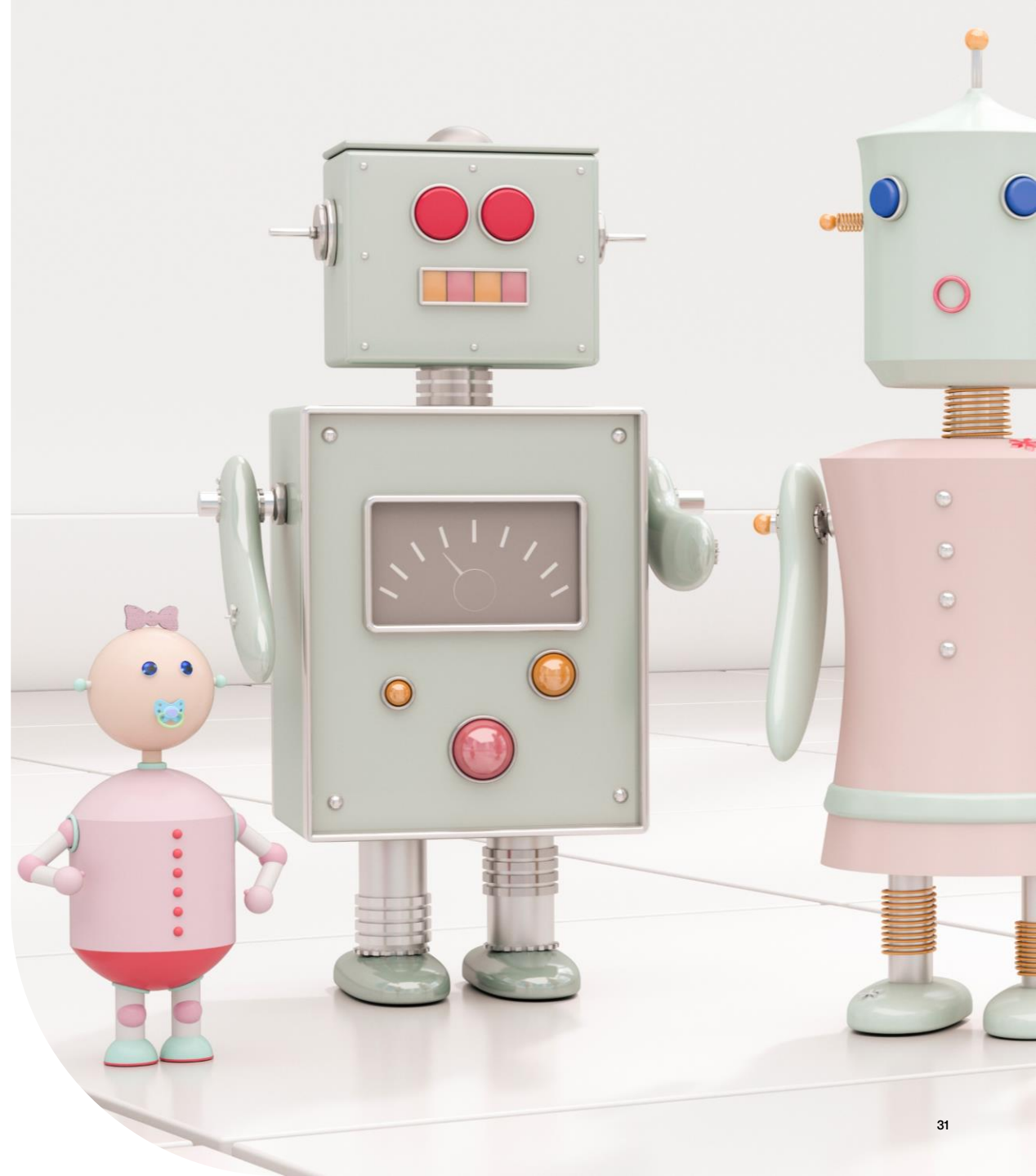
The proposed changes will mean that organisations have to take a more holistic view.

Related parties

FRS 102 section 33

Charities SORP section 9

Members of the governing body
and “a close member of that
person’s family.”



Pensions

Virgin Media:

If there is a material adjustment, the Academy must disclose it (not wait for the appeal). It may be that a reasonable estimate cannot be made in which case narrative explanations are required.

TPS:

Additional funding available to cover employer contribution rate increase of 5%.



Questions?



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