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Chartered Accountants

Whatever your financial and audit needs in running your Academy, Williams Giles can help.

Over 50 academy schools are taking benefit from our specialist team, gaining insight and practical guidance in the professional running of an academy.

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Academies Newsletter

Summer 2018

Another year over...

As we reach another year end, our thoughts are well and truly turning towards the year end audit cycle. Hopefully we have all either had a chance to recharge our batteries with some time off over the summer or at least enjoyed the peace and quiet within schools that the holidays bring!

In this edition we look at some of the key changes to the Academies Financial Handbook and to the Accounts Direction as to how these will affect the Financial Reporting cycle for 2017/18. We also look at some thoughts from the ESFA as to how we, as auditors, might assist the efficient running of academy trusts.

Updates to the Accounts Direction 2017 to 2018

There have been a number of changes to the Accounts Direction that will have an impact on this year's financial statements – headlines include;

Updates to the Trustees' Report

Trade Union (Facility Time Publication Requirements) Regulations 2017 - Where a trust has more than 49 FTE employees across the relevant period information surrounding trade union activities undertaken by staff need disclosing.

Fundraising Practices - The Trustees Report needs to include certain details on fundraising practices that the trust undertakes.

Changes to the detailed notes

Apprenticeship Levy - This should now be included in social security costs and the comparative year amended.

Related Party Transactions - Confirmation is required that expenditure above £2,500 has been provided at no more than cost.

Teaching Schools - There is enhanced disclosure required surrounding teaching schools including the requirement to include a separate trading account within the financial statements as well as separating out relevant transactions within the SOFA.

How can we help...

The ESFA wrote to all auditors involved in academy work earlier in the summer outlining ways in which audit firms can assist academy trusts and some guidance that may be helpful, a few of the highlights included:

GAG Pooling - This is one of the greatest freedoms a MAT has. The opportunity to pool GAG is particularly valuable, in particular to simplify the provision of support to weaker schools in a MAT until they can grow their pupil numbers.

Integrated Curriculum Financial Planning (ICFP) - A wider awareness of this fundamental tool in teacher deployment is helping many schools. The Department has been supporting weaker trusts by raising the profile of ICFP, but we believe more trusts could benefit from it.

Suggestions on operational areas that trusts might consider looking at included;

The use of standard contracts of employment across all teaching staff in a MAT so they can easily be deployed across schools.

Benchmarking supply costs over a number of years to assist in identifying patterns to ensure that the benefits of using agency staff are greater than employing permanent staff.

MATs should consider the use of one central bank account.

Please do contact us if you would like to discuss using ICFP in your Trust or discuss any aspects of your trust's finances.

Updates to Academies Financial Handbook

The 2018 Academies Financial Handbook comes into force on 1 September this year and there are a number of changes from the previous edition. The terminology has changed to refer to Related Party as opposed to Connected Party and there has been a strengthening of the controls surrounding this; sections 3.10.04 requires all Related Party transactions to be reported to the ESFA in advance of the transaction taking place and 3.10.05 & 3.10.06 requires all transactions that are either novel, contentious and/or repercussive and any that are in excess of the following limits;

- a contract exceeding £20,000
- a contract of any value that would take the total value of contracts with the related party beyond £20,000 in the same financial year ending 31 August
- a contract of any value if there have been contracts exceeding £20,000 individually or cumulatively with the related party in the same financial year ending 31 August.

These requirements apply to transactions made on or after 1 April 2019 and do not include salaries or other payments under a contract of employment through the trust's payroll.

There is a strengthening of management reporting requirements and some new 'musts' for reporting to the board, highlights are;

Budget Setting – The board must ensure that budget forecasts, for the current year and beyond, are compiled accurately, based on realistic assumptions including any provision being made to sustain capital assets, and are reflective of lessons learned from previous years. It should challenge pupil number estimates as these will underpin revenue projections.

Budget Monitoring – The trust must prepare management accounts every month setting out its financial performance and position, comprising budget variance reports and cash flow forecasts with sufficient information to manage cash, debtors and creditors. Managers must take appropriate action to ensure ongoing viability. Management accounts must also be shared with the chair of trustees every month irrespective of the size of the trust, and with the other trustees six times a year. The board must consider these when it meets. The board must ensure appropriate action is being taken to maintain financial viability including addressing variances between the budget and actual income and expenditure.

The board of trustees must notify ESFA within 14 days of its meeting if it is proposing to set a deficit revenue budget for the current financial year, which it cannot address after unspent funds from previous years are taken into account.

The trust must manage its cash position robustly. It must avoid becoming overdrawn. It may be required to report on its cash position to ESFA where there are concerns about financial management. Financial Oversight of the Trust remains of vital importance and there is a new requirement that if the board meets less than 6 times a year then the trust must describe in its governance statement, accompanying its annual accounts, how it maintained effective oversight of funds with fewer meetings.

There is a specific prohibition on the purchase of alcohol by academies.

There are a number of other important changes in this year's handbook – if you would like to discuss any of these then please contact Alex French or Sam Ketcher.