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Academy Update

Spring 2017

New budget forecasting regime

Peter Lauener wrote to all Accounting officers on 17 March 2017 about changes in the budget forecasting process for academies this year. This is the latest in the changes being brought in as we move to the Academy Sector Report within the EFA accounting process. And poor Mr. Lauener was most contrite in his missive about the disaster that was the introduction of the new AAR online submission, which was introduced for the same reasons.

As we have written to all of our clients, the format for the new Budget Forecast Outturn returns: BFRO has now been published together with the relevant guidance. Essentially they have split the return into two parts, the BFRO or outturn for this year 2016/17 which has to be in by 19 May 2017, and then the forecast for 2017/18 which must be submitted by 28 July 2017.

The work book for the BFRO asks for complete information for the whole of last year too, so you will need to refer to the totals from your statutory accounts to end August 2016, and the actuals to end of March 2016 you submitted in last year's BFR will also be needed. This will then automatically produce the results from 1 April 2016 to 31 August 2016 needed for the online form so they can see actual results for governmental reporting for the 2016/17 fiscal year across the two periods.

What you will also notice however is a request to include a large amount of new balance sheet information as at 31 March 2017 including debtors and creditors in the format set out in your statutory accounts.

For MATs each school will need its own work book page as you will need to report the roll overs by schools at each reporting point as well as the consolidated numbers. So it is of course important to ensure when you consolidate that the rolls overs by school total agree with the overall for the MAT.

It is relatively straightforward but we are here if you need help.

Academy breakfast - good governance means good business

The recent report on events at Academies Transformation Trust, (see over for more detail) show how we need to be hyper conscious that academy governance structures work effectively. Join us for breakfast on 15 June 2017 from 8.00-10.00am over bacon, sausage or veggie sandwiches to discuss best practice and also review how 17/18 budgets are looking given the funding statements that have just been issued.

Teachers' Pension – Monthly data collection

As we all move to more and more compliance work being done on line Teachers Pensions will now require all schools to be onboard with online monthly data collection by December 2017.

This means that all information is provided monthly and thus the need for the annual return is eliminated.

The new End of Year Certificate is online from April this year and the guidance has just been released. An e mail has been sent to the school EOYC contact and explains the process which involves submitting the EOYC via the web site. The fact sheets you can find online set it all out quite clearly, but it is a bit of a shame that, given the returns have to be in by the end of May, we have not had the final guidance until the last few days of April!.

IR35 Changes - Academy impact

The intermediaries' legislation (commonly known as IR35) looks at the relationship between an individual who operates through a limited company and the end user of their services. In short these rules will apply if it is deemed that, in the absence of the intermediary company, the individual would be employed by the end user. If this is the case HMRC will seek to charge employment taxes on the income extracted from the intermediary company, which may have a considerable effect on the total tax liability when compared to the usual low salary high dividend approach.

With effect from 6 April 2017 the onus for the application of the IR35 rules will shift for those working in the public sector. In these cases it will be the responsibility of the end user to determine whether or not the rules apply and, if they do, PAYE and NIC must be deducted from the intermediary's payments as appropriate. This will of course have an immediate cash flow impact for both parties and as a result the position should be considered and determined as soon as possible.

This continues to be a contentious area of legislation, so please do contact us if you have any queries.

2017/18 Funding Allocations – Farewell ESG

Most of you should have now had your funding allocations for the coming academic year. As we all knew would be coming, there is no longer any ESG funding, that has now gone .The effective downside is those schools who have been told they might do better out of the new formula funding will almost certainly find that they lose it again via the ESG drop since as well as the overall MFG of a loss of no more than 1.5%, the ESG protection is -1% for schools who received £77 last year, -2% for those who received £87 last year and -3% for those who received over £87. Each of these percentages is applied to the total allocation so a school of 900 pupils who had a total allocation of £5m in 16/17, of which £78300 was ESG at £87 per pupil, would be allowed a drop of 2% of £5m so £100k and thus the full impact of the loss of ESG is passed onto the academy.

No more Free Schools say Public Accounts Committee

Following the NAO report in February which complained about £millions being spent on new free school buildings when so many schools are crumbling from neglect, we have now had a PAC report too. This raises concerns about free schools being started in areas where there were already surplus spaces. The DfE have said they will respond in due course but, by agreeing that 75% of free schools are in areas that need the additional places, they are effectively agreeing that 25% are not. That is money wasted which could be so much better spent right now.

Academies Transformation Trust – Financial Management and Governance Review

The EFA published the results of their review at ATT at the end of March 2017 and it makes salutary reading. In a nutshell, the CEO and Accounting Officer, who was also a founding member and trustee of the trust, used his statutory powers to sack the Chair of Trustees (who had removed the AO) and appoint a new board to reappoint him. Whilst this individual had been in charge, the trust's liquid reserves had deteriorated from £5m to just £26k, and apparently this trend was forecast to fall further, plunging the trust into a serious financial deficit with a forecast shortfall of -£2.2m for 16/17. Thus, one might understand why a board of trustees would consider removing someone whose ability to appropriately manage the trust resources is so questionable.

When academy conversions were first encouraged following the 2010 Academy act, head teachers were actively encouraged to become founding members as well as trustees, in addition to their responsibilities to lead the academy as Accounting Officer. Rightly that has been seen as a conflict of interest and it no longer permitted, with CEOs now often not being permitted to hold trustees status either. Given their role as AO it is hard to see why they would not be seen as a de facto trustee if not one in reality, something which is ostensibly forbidden by the Academies Financial Handbook, but the division of power and responsibility between members and trustees is vital.

The catalogue of disaster makes interesting reading and we shall discuss the issues arising more detail at our forthcoming breakfast, but as far as I can see, the CEO who was found to have acted against the AFH and public interest is still in post, as CEO and trustee, if no longer a member!

ET AL

Alyson Howard FCCA DChA CF Spring 2017

As we sit in this brief window of ostensible calm before the next rounds of reporting begins again in earnest for all academies with the new BFRO due on 19 May 2017, the newspapers bear headlines that bemoan the level of pay for academy heads. With a Prime Minister whose salary level, it has to be said, is completely out of synch with leadership roles across the rest of business in the UK, both private and public sector and which means only those with other independent means are ever likely to take on that job, it is yet another unfair pressure placed on academy boards when the overall environment is both extremely highly regulated, and subject to such significant funding pressure. But soundbites like the one in the Times Education Supplement which asks can academy governors really afford to spend £1 in every £20 they receive on their key leaders and the frequent references across the rest of the press to academies being on a 'gravy train' don't reflect well on any of us in the sector. I think the most telling comment is, 'If it were sustainable, the older and more mature private sector market of independent schools would have fat cats in the way the academy and multi-academy trust sector have now.' They don't!

As we approach another year end all too soon, we must be mindful of how these figures might appear and be able to justify them.