

Academies Accounts Direction 2017 - 2018

Academies Accounts Direction 2017 to 2018

The Education and Skills Funding Agency (ESFA) released the Academies Accounts Direction 2017 to 2018 (AAD) on 6 June 2018, which is to be used for accounting periods ended 31 August 2018.

A full copy of the AAD can be found on the following link:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/712372/Academies_Accounts_Direction_2017_to_2018.pdf

The changes in relation to the year ended 31 August 2018 financial year are included on pages 6 and 7 of the AAD, under the heading “What has changed in this edition?” Whilst there do not appear to be any notable changes when compared to the previous year’s AAD, the theme of increased disclosure has continued. Some of these key changes have been identified and explained in more detail below.

Trustees’ Report

Trade Union (Facility Time Publication Requirements) Regulations 2017

There is a new requirement to include information on trade union facility time in the trustees’ report in order to comply with Trade Union (Facility Time Publication Requirements) Regulations 2017.

This applies to every academy trust where there are more than 49 full time equivalent (FTE) employees throughout any 7 months within the reporting period.

The information required to be disclosed within the trustees’ report can be found in the “Coketown Academy Trust” example accounts, on page 20 and 21 of the AAD.

The following disclosures are required:

- Relevant union officials – The number of employees who were relevant union officials during the period (FTE and headcount).
- Percentage of time spent on facility time – The number of employees and their percentage time spent on facility time.
- Percentage of pay bill spent on facility time – Details of the total cost of facility time; the total pay bill; and the percentage of the total pay bill spent on facility time (calculated as total cost of facility time / total pay bill, multiplied by 100), are required.
- Paid trade union activities – Time spent on paid trade union activities as a percentage of total paid facility time hours.

More guidance on how to calculate the information required for the above can be found within the Statutory Instruments 2017 No. 328, The Trade Union Facility Time Publication Requirements Regulations 2017 (<http://www.legislation.gov.uk/uksi/2017/328/made>)

Fundraising practices

Another new requirement within the trustees report is the disclosure of information in relation to fundraising practices. This is to comply with the Charities (Protection and Social Investment) Act 2016. The required areas to cover are detailed in Section 13 of the Act, and include:

- Approach to fundraising;
- Work with, and oversight of, any commercial participators / professional fundraisers;
- Fundraising conforming to recognised standards;
- Monitoring of fundraising carried out on its behalf;
- Fundraising complaints;
- Protection of the public, including vulnerable people, from unreasonable intrusive or persistent fundraising approaches, and undue pressure to donate.

Further guidance can be found within the Charity Commissions publication "Charity fundraising: a guide to trustee duties (CC20)".

Accounting disclosure

Funds note

The funds note to the accounts should now also include full comparative information for the prior year, showing the brought forward balance, income, expenditure, transfers and the carried forward position for both 2017/18 and 2016/17. In addition, where the current and prior periods have been 12 months long, an analysis showing the combined position to reflect SORP Information Bulletin 1 should also be included [see section 7.7 of the AAD, starting on page 102, for further information].

Church academies

Where capital grants received have been spent on improvements to land and buildings owned by the diocese and the underlying asset is not recognised on the balance sheet of the academy trust, the grant income must still be recognised when received. The matching expenditure will either be recognised as a capitalised asset entitled "site improvements" or recognised as expenditure within the Statement of Financial Activities as a grant to the church body. A separate note is required to explain how the grant income and expenditure have been treated by the academy trust [section 8.4].

Related party transactions

The related party transactions note has been updated to distinguish between income and expenditure related party transactions, and to include confirmation that any elements above £2,500 have been provided at no more than cost and are supported by a statement of assurance from the related party confirming this fact [see example disclosures in note 11 of the AAD, page 50].

Apprenticeship levy

The apprenticeship levy was introduced in April 2017 and applies to all employers. The levy is 0.5% of pay bills over £3 million, subject to a £15,000 allowance. It is collected by HM Revenue & Customs through the employer's PAYE scheme.

The apprenticeship levy payments are now required to be accounted for as social security expenditure through the Statement of Financial Activities, staff costs, and combined with "other social security costs" in the aggregated staff costs note to the financial statements. Previously, there was a requirement to separately disclose the apprenticeship levy. A restatement of the comparatives may therefore be required to ensure consistency in disclosure for the 2017/18 and 2016/17 financial years.

Clarification has also been provided for the accounting treatment of levy funded training. Where training is received in the year, there is now a requirement to recognise a notional income and expenditure within the Statement of Financial Activities. The 10% top up funding provided by the Government is also recognised in this way [see section 8.13 of the AAD].

Fixed assets note

There has been a minor change to the format of the fixed asset note to the accounts, with the introduction of an "assets under construction" category. The notes to the accounts for tangible fixed assets should now analyse the cost (or valuation), depreciation, impairment (if any) and net book value of assets into the following categories: - land and buildings (analysed between freehold and leasehold); furniture and fixtures; plant and equipment; and assets under construction (if applicable). This is to align the asset classification with the Academies Accounts Return.

Regularity

There are no significant changes noted to the regularity reporting requirements and framework in the AAD. That said, the ESFA have summarised irregularity findings from investigations that have been undertaken, which include: a lack of prior approval for finance leases; no statement of assurance for connected party transactions; connected party transactions not at cost; non-contractual severance payments made without the required approvals; and weak internal controls.

In addition to the above, the latest AAD has provided further clarity in relation to the use of public funds for the purchase of alcohol or excessive gifts, which has long been a hot topic in the ESFA investigation reports. Whilst this is not an area that has been specifically addressed in previous versions of the Academies Financial Handbook or Academies Accounts Direction, it has now been mentioned in this year's AAD, in a separate list of "occasional incidents of irregularity and impropriety". This indicates the ESFA deem the purchase of excessive gifts and alcohol to be irregular expenditure.

In light of this, academy trusts' should take more care and consideration when there is an intention for such expenditure to be incurred going forward. It is often worth undertaking "the newspaper test" given that in these situations, public perception is more important as opposed to the specific context. For example, what would be the reaction of parents if they were made aware that public funding was used on alcohol?

Teaching schools

Where an academy trust has teaching school status, there are now increased disclosure requirements in the form of an income and expenditure account as a separate note within the trust accounts for teaching school activities [see example disclosures in note 36 of the AAD, page 65].

In summary

Whilst there are no significant changes to the AAD, there are still areas that will require consideration for the year ended 31 August 2018 financial statements. It is important that the year end preparation captures the key changes and new disclosure outlined above.

The points summarised in this document are our interpretation of the key changes in the AAD this year, and we cannot be held responsible for any actions taken based on the information included herein. We would advise referring to the AAD for all ESFA requirements in relation to the year ended 31 August 2018 financial statements. Furthermore, all information included within the AAD should be considered in line with the Academies Financial Handbook 2017.

If you have any queries or concerns with the latest AAD, please do not hesitate to contact a member of our academy team for assistance or guidance.

Key contact

Nick Cudmore
Duncan & Toplis Louth
15 Chequergate
Louth
Lincolnshire
LN11 0LJ

T: 01507 604841

E: nick.cudmore@duntop.co.uk