AUDIT • TAX • ADVISORY

Academy Advisor

Spring / Summer 2021

Now, for tomorrow

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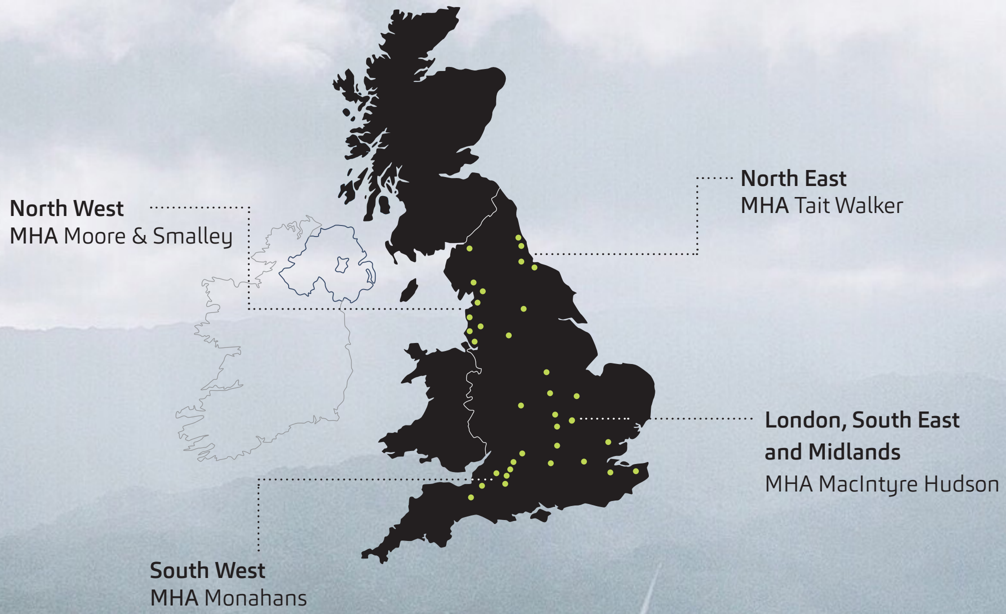
Our member firms provide both national expertise and local insight to their clients. MHA members assist clients with their needs wherever they are in the UK, as well as globally through our membership of Baker Tilly International, which has a network of trusted advisors covering 145 territories worldwide.

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.

The MHA national not for profit team have extensive experience working within the charity and education sector, acting for over 1,600 charitable and non-profit organisations, including schools, academies, independent schools, Further Education institutions and public sector bodies. As one of the three largest auditors in the sector, we are at the forefront of sector development and actively engage with the DfE, ESFA, ISBL and other sector bodies to ensure our specialist advice makes a tangible difference for our clients.



National Reach

136
Partners

1,375
Staff

£121.9m
Combined turnover

4
Independent accountancy firms

33
Offices nationwide

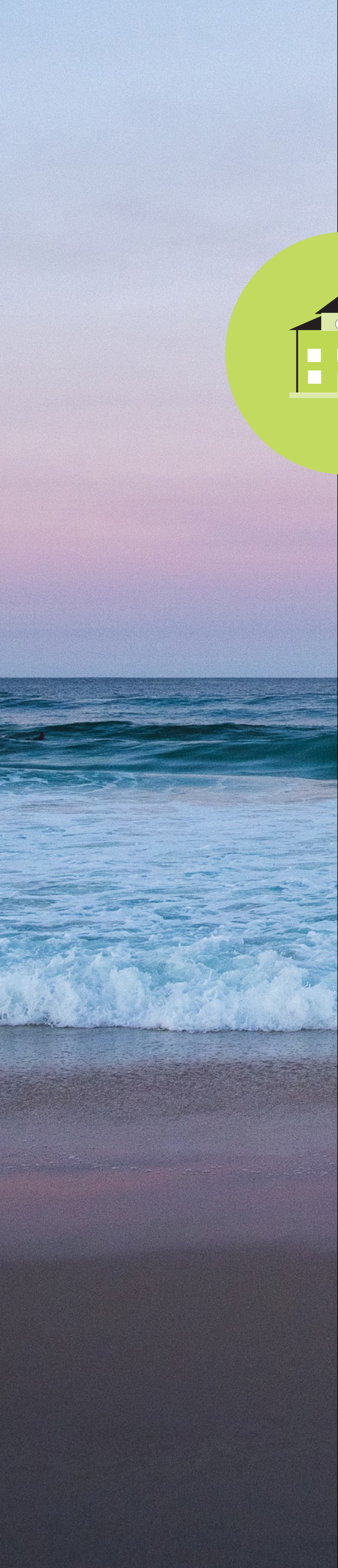
International Reach

148
Territories

An independent member of bakertilly INTERNATIONAL

US$4.04bn
Combined member firm revenues

37,000
Partners & Staff



Welcome to the spring /summer 2021 edition of Academy Advisor

Covid- 19 has significantly impacted all areas of business and society, not least the education sector, affecting the operating environment of education providers, control environments and giving rise to new funding streams. This has resulted in more varied and more complex audit arrangements.

After the deadline to submit the 2019/20 financial statements was extended to 31 January 2021, 97.1% of trusts managed to meet the deadline, with nearly all having now submitted their accounts. Approximately 99% of accounts have unqualified audit opinions and the number of qualified opinions has continued to reduce.

Over 8% of trusts included a modified Reporting Accountant's report on regularity, with the most common reasons related to: Internal financial reporting (23%), related party transactions (16%), no independent check of controls (11%), procurement and tendering (6%) and alcohol (4%).
In addition, Covid-19 issues accounted for 10%.

As we look forward to the upcoming audit season, it is worth reflecting on last year's audit and any identified efficiencies or improvements highlighted in the Audit Findings Report /management letter, to make sure there is a plan in place to address the audit findings over the coming year. The best way to ensure any problems in financial management are not flagged by auditors in the annual accounts for August 2021 is to allow sufficient time to resolve any issues at an early stage.

Having signed off the accounts of 31 August 2020, be sure that you have alerted your auditor to any request from HMRC for a corporation tax return for 31 August 2020. About 25% of Trusts receive such requests, so if you had a return last year, you may not need one this year and, similarly, this may be the first year for such a request.

The good news is that the deadline for submission of the 2020 CT600 return will usually be 31 August 2021, but if any corporation tax is payable, the payment date is 31 May 2021, so do not delay in letting your advisor know. Even if no tax is payable, a computation and return and suitably iXBRL tagged accounts are required by HMRC.

Following the success of our Academy Workshop series last year, delivered via webinar due to the social distancing requirements of Covid-19, we are delighted to announce our 2021 series will also all be available as online webinars. Topics this year include the updated AAD, Internal Scrutiny, the ESFA chart of Accounts and the latest Academies Financial Handbook, which is due to be published in June. Full details of each webinar and how to book are detailed on page 18.

Our clients are at the heart of everything we do, and we would like to thank you for your continued support.

We hope you enjoy this latest edition of Academy Advisor. If you need further advice and support regarding any of the articles we have featured, please do not hesitate to get in touch with your regular advisor or your local office.

Best Wishes,

The Education sector team

What's inside

Academies Accounts Direction 2020 to 2021: the changes

The latest Academies Accounts Direction was released by the Education and Skills Funding Agency (ESFA) on 31st March 2021. Overall, changes to the content are fairly minimal and predominantly focussed on improving the structure and flow of the document, which is now split into 3 parts. As in previous years, ESFA also expect a greater degree of thought on how they communicate with stakeholders through the Trustees' Report and Governance Statement.

A full copy can be downloaded here

The main changes which Trustees and Finance staff will need to be aware of include:

- The 'Coketown' **model accounts** is now a separate document, but maintains the same contractual status as the Direction, as compliance with both is a requirement of the trust's funding agreement
- A separate **framework and guide** for Auditors and reporting accountants has also been produced to accompany the AAD
- There is a greater emphasis and reference to ESFA's **good practice guides** and technical accounting definitions have been moved to the footnotes
- There is a new 'Feedback from ESFA section'
- Trustees Report requirements – there is now greater clarity on the content, with a new requirement for trusts which have had a Financial Notice to Improve
- Auditor opinion - There is an added section on the main types of audit opinion
- Staff costs disclosure - focussed on disclosure of 'off-payroll' arrangements
- Funding for educational operations - Clarification on which funding sources should be included under each heading to align with the AAR
- Leases - reminder to ensure correct identification, classification and treatment of finance and operating leases
- Long-term commitments – service concession commitments, such as payments made under secondary agreements with local authorities, should be disclosed as part of the long-term commitments note.

Also to note: ESFA intends to publish a Supplementary Bulletin to the Direction and the Auditor Framework and Guide, which separately covers matters relating to the reporting and auditing of COVID-19-related matters. No publication date has yet been provided.

Key points:

Trustees' Report - Financial Review [2.15 & 2.15]

- ESFA would like Trustees to move away from using standard 'boilerplate' text in the Trustees Report and Governance Statement, in favour of a detailed commentary that reflects the actual position of the Trust, explaining the facts and figures in the financial statements in more detail. For example, Trusts should outline the financial position and provide an explanation on how surpluses or deficits have arisen, using easy and simple language that should be widely understood by anyone without a financial background. Trusts should avoid using standardized text provided in the Coketown accounts and instead ensure explanations are more relevant to the individual trust and better reflect any governance, control or financial management issues identified. Trusts should have enough knowledge of the financial position in advance of receiving audited figures, so should start the process of writing these reports at an early stage.
- Any Trust that has received a Financial Notice to Improve will need to provide a link to the report and detail actions taken to address the points raised.
- The Governance Statement should refer to any changes to the composition of the Board of Trustees as well as the work undertaken by the Board over the course of the year. It should detail how you have achieved effective oversight and held the management team to account and explain any difficulties. For example, the Board should ideally meet 6 times per year, so if that has not been possible due to Covid-19, illness or other difficulties, provide an explanation of other actions taken, such as visits to the school, or communication via email that demonstrates how Trustees have ensured effective oversight.
- Confirm if a governance review has taken place and what actions have come out of it, and if not, explain the reasons why and state when the review will be undertaken.
- Confirm what Internal Scrutiny has taken place during the period, referencing the areas that have been reviewed (both financial and non-financial), along with the actions taken to address any findings.

Staff Costs disclosure [2.132]

This note to the financial statements now needs to include details of where the Trust has entered into an "off-payroll" agreement with someone who is not an employee, including, but not limited to, where ESFA has exceptionally approved the appointment of an Accounting Officer (AO) or Chief Financial Officer (CFO) under such arrangements. The amount paid by the trust for that person's work for the trust in this role must also be included in this note as if they were an employee. The prior year figure should also be reported and restated if necessary.

Funding for Educational Operations [2.128]

The majority of funding for the academy sector comes from the DfE and ESFA, with the largest amount being GAG. GAG must be disclosed separately in this note, with any other material amounts listed, with any remaining sources of funding from these providers grouped together. This would include Pupil Premium, Universal Infant Free School Meals etc.

- The headings in this note have also be revised to align more closely with the AAR. Therefore, some grants previously reported under the heading 'Other DfE Group grants' no longer meet this definition. An example is included in the model accounts document.
- We would recommend that Trusts check their Chart of Accounts to ensure this information can be separately provided, or if additional nominal codes are required.

Leases [3.66]

- There is a reminder for academy trusts to ensure the correct identification, classification and disclosure of finance and operating leases.

Long-term commitments [3.44]

- Clarification that service concession commitments, e.g. payments made under secondary agreements with local authorities, should be disclosed as part of the long-term commitments note.

Feedback

ESFA are seeking feedback on the AAD from both academy trusts and auditors via a short online survey you can access here

Impact on Audit

As you may be aware, there has been an intense amount of scrutiny around the audit profession as a whole over the past few years. This has led to several changes in auditing standards and requirements, which has resulted in an increase in the audit work required to reach our audit opinion. There is also a new auditing standard on Going Concern and we must also consider the possibility of fraud more rigorously. Auditors also now need to disclose the work we have done to identify irregularities or issues of non-compliance or fraud.

In terms of Going Concern, there are enhanced procedures required for us to assess Going Concern, regardless of whether the Trust is in financial difficulty. Auditors will require the Trustees' assessment of whether they consider the Trust is a going concern or not, copies of your budgets and cashflow forecasts to cover the period of at least 12 months from the date of signing the financial statements (including details of any assumptions made), your action or recovery plan to address any deficits, expected future pupil numbers (verified by local authority if possible) and the latest Ofsted assessment (for all schools if in a MAT).

Further information on Going Concern is featured in the article on page 12.

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

Covid-19

Covid Catch Up Premium

Last year the government announced £1 billion of funding to ensure that schools have the support they need to help all pupils make up for missed learning caused by Covid-19.
The funding includes:

- a one-off universal £650 million catch-up premium for the 2020 to 2021 academic year
- a £350 million National Tutoring Programme to provide additional, targeted support.

School funding allocations were calculated on a per pupil basis, with mainstream schools receiving £80 for each pupil up to year 11 and special schools and alternative provision schools receiving £240. A typical primary school of 200 pupils should therefore receive £16,000 while a typical secondary school of 1,000 pupils should receive £80,000 for the 2020 to 2021 academic year.

The payment schedule was split into 3 tranches: Autumn 2020, Early 2021 and Summer 2021.

Schools should ensure this funding is used for specific activities to support their pupils' education recovery in line with the curriculum expectations in the actions for schools during the coronavirus outbreak guidance. While schools can use their funding in a way that suits their circumstances, they are expected to use this funding for specific activities which will help pupils catch up on missed learning, focussing particularly on disadvantaged and vulnerable pupils who are likely to have been most affected.

To support schools to implement their catch-up plans effectively, the Education Endowment Foundation, (EEF), has published the school planning guide: 2020 to 2021 which provides further guidance on how schools should implement catch-up strategies, with supporting case studies to highlight effective practice.

Schools can use catch-up premium funding to support any summer catch-up provision that they are offering and can carry funding forward to future academic years.

How this funding is used, and its effectiveness, is likely to come under intense scrutiny by the ESFA, with interest from the media, other areas of government as well as parents. Governors, Trustees and School leaders will need to scrutinise plans and spending to ensure it is in line with their catch-up priorities and ensure appropriate transparency.

Summer schools funding

In order to support children in catching up on missed face-to-face learning and to support their mental health and wellbeing, ESFA are providing £200m to enable secondary schools to deliver face-to-face summer schools this year.

Schools are free to identify the pupils who would most benefit from summer school, but a focus on incoming year 7 pupils is recommended.

Funding will be calculated based on 50% of a school's year 7 cohort being offered a place on a two-week programme, or 100% of the cohort being offered a week-long programme and equates to £597 per two-week place (£1791 for pupils in special schools or units and alternative provision).

Participation by Teachers is voluntary and, with the exception of Head Teachers, would be paid under so-called additional allowance rules, which are set out in teachers' pay and conditions. Schools are also able to use support staff, temporary staff, trainee teachers and volunteers.

Eligible secondary schools which registered their intent by 7 May 2021 to run a summer school in the holidays will need to confirm their plans in June. In September, schools will then be asked to confirm that the summer school has taken place and provide information on the pupils who took part.

Further information is available here:

Funding to set up a digital education platform

The DfE has extended its digital education platform programme for a further 12-months. This means that state-funded schools in England still have the chance to apply for government-funded support to get set up on a digital platform for remote learning and claim the grant until the end of March 2022.

Further information is available here:

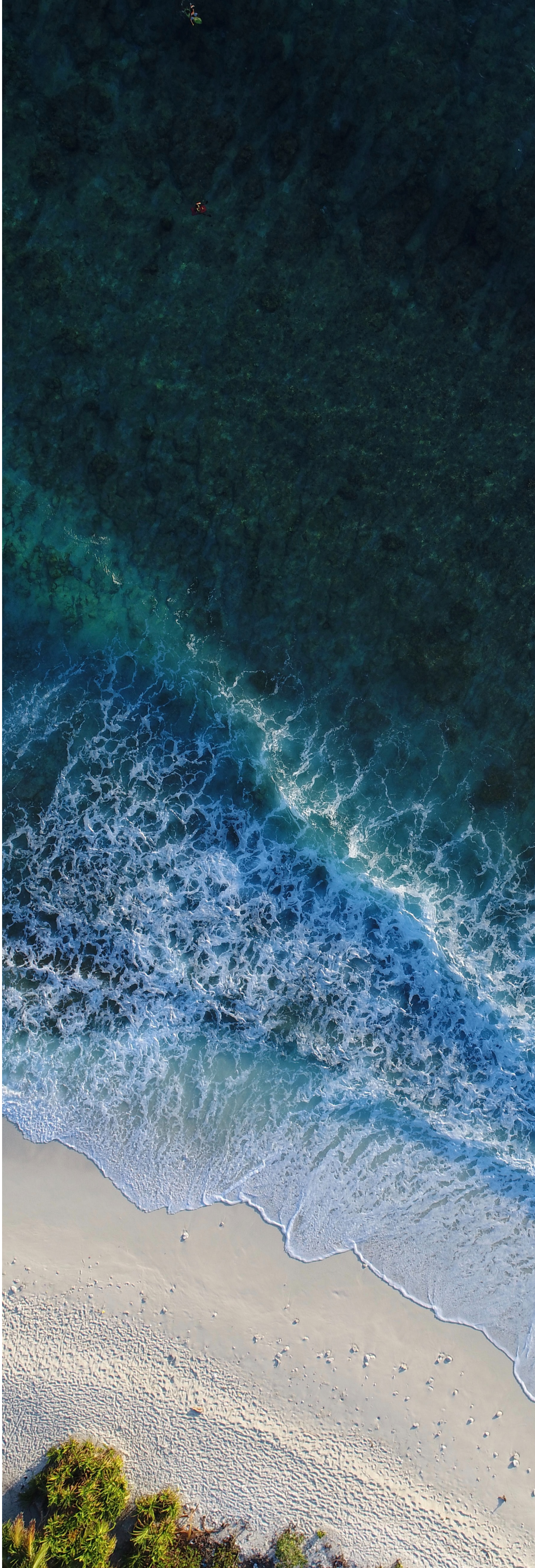
National tutoring programme (NTP)

The National Tutoring Programme (NTP) is a government-funded, sector-led initiative to support schools to address the impact of COVID-19 school closures on the most disadvantaged pupils through face to face or online tutoring on either a one-to-one or group tuition basis. Managed by the Education Endowment Foundation (EEF), the Sutton Trust, Impetus, Nesta and Teach First, the NTP is targeted to reach pupils eligible for Pupil Premium funding, but schools can 'exercise their professional judgement to determine which pupils are in most need of support'.

The funding will subsidise 75% of the cost of tutoring, with the remaining 25% to be made up by the school using existing funds such as pupil premium, or it can be taken from any additional Covid-19 catch up funding received.

Further information is available here:

EU Workers



Applications to the EU Settlement Scheme and the requirement for Sponsorship Licences for EU nationals going forwards:

Although the UK left the EU on 31 December 2020, EU nationals have until 30 June 2021 to apply under the Settlement Scheme. Until then, their current EU passport or identity card is sufficient evidence of the right to work, provided that they were in the UK prior to 23:00 on 31 December 2020.

The employer can by all means enquire as to whether the EU national has applied under the Scheme but cannot demand to see proof of this until 1 July 2021. This leaves them in a bit of a predicament whereby EU nationals may become illegal migrant workers overnight. We would therefore advise any employer to liaise closely with any affected staff to ensure that they are aware that they will no longer be able to work after 1 July if they have not applied under the Scheme.

As of 1 July 2021, in order to employ an EU national who has not received or applied for Settled or Pre-Settled Status, the employer will have to sponsor them on a Skilled Worker visa.

For any current Tier 2 non-EU nationals, their current migrant status remains the same. If and when they extend their visas, they will move onto Skilled Worker visas.

This is a complex area and further advice from your local office should be sought if you have any concerns.

IT & Cyber Risk

Phishing, smishing, ransomware & cyber attacks

The global pandemic, and in particular the resulting lockdowns, have brought into focus even more clearly, the need for effective IT systems and processes to combat the ever-increasing number of cyber threats. Unfortunately, being an educational establishment delivering a public service does not mean that there is any less risk of being the subject to some form of phishing, smishing, ransomware attack or similar, and over the last 12 months we have become aware of all too many actual or attempted cyber-attacks on the sector. Where these have succeeded, the impact has been significant and lasting across the medium term. In the light of this, there are some key things that Trust's should be thinking about to reduce their overall level of cyber risk.

Education, Education, Education

One of your best forms of defence will always be awareness of staff to the mostly likely forms of cyber-attack, particularly in the form of phishing emails or smishing texts. Such awareness may prevent an employee from opening or responding to a suspicious email which could inadvertently open the door to a would-be hacker. Therefore, by keeping the level of cyber awareness high on everyone's agenda via the provision of regular updates, warning messages or dedicated awareness sessions where required, can help to reduce the risk. As the nature of cyber threats continues to change, it is important that awareness of the different methods fraudsters utilise is frequently communicated to staff.

IT Infrastructure Resilience

Ensuring that your IT systems and processes are resilient and provide reasonable protection against cyber threats is fundamental to safeguarding the organisation. Some of the key processes around resilience are to ensure that:

- Patch management controls are effective
- Firewalls are in place
- Anti-virus software is up to date
- Devices and software are up to date
- Access to IT systems and process is secure.

As a minimum it is recommended that Trust's should seek 'Cyber Essentials', if not 'Cyber Essentials Plus' certification as this helps to provide you with assurance that you have the essential IT security arrangements in place to support you in preventing a cyber-attack.

IT Strategy

Knowing what IT systems and structures you have in place, and, more importantly, how you are going to be developing these, is key to ensuring that your IT continues to support the growth and development of the Trust. We have seen a number of examples where there has been a lack of vision or co-ordination regarding IT services, with support services, in particular, being provided via a range of different organisations through contracts in place from legacy organisations. Such an approach has often led to a lack of consistency of systems, services and support throughout the organisation, where some parts of the Trust have not received an appropriate level of service. We would therefore recommend that as part of any review of your IT Strategy, that the levels and types of IT support provided is reviewed across the Trust and rationalised where possible to ensure consistency and quality of service across the organisation.

Governance and Reporting

To what extent is IT considered as one of your key risks and to what level is IT expertise represented on the Board and / or is present in risk and strategy discussions? Given the increasing dependence on IT for the delivery of services, it is important that there is an appropriate IT voice in major discussions on strategy, planning and investment to ensure that any decisions made are done so with appropriate knowledge of the IT risk environment within which the Trust operates.

Key Terms

Seeking Assurance

We would expect to see coverage of key IT processes, and, in particular, those around cyber risk management, to feature as part of any internal audit strategy for a Trust to enable the Board, via the Audit Committee, to be provided with independent assurance over the effectiveness of control arrangements. Even where such assurance is not provided via internal audit, the Audit Committee should play a central role in ensuring that such assurance is regularly sought and provided, and where weaknesses are identified, they are addressed in a timely manner.

Whilst the level of risk can never be completely eliminated, the implementation and maintenance of a strong IT control framework will help to significantly reduce both the likelihood and impact of any cyber-attack on the Trust.

If you would like any guidance or further information on establishing a comprehensive internal audit strategy or advice on cyber-security matters, please get in touch with your regular advisor or local office.

Phishing:

The fraudulent practice of sending emails purporting to be from reputable companies in order to induce individuals to reveal personal information, such as passwords and credit card numbers.

Smishing:

The fraudulent practice of sending text messages purporting to be from reputable companies in order to induce individuals to reveal personal information, such as passwords or credit card numbers.

Malware:

Software that is specifically designed to disrupt, damage, or gain unauthorized access to a computer system.

Ransomware:

Malware planted illegally in a computer or mobile device that disables its operation or access to its data until the owner or operator pays to regain control or access.

Percentage of organisations that have identified breaches or attacks in the last 12 months

Source: Department for Digital, Culture, Media & Sport Cyber Security Breaches Survey 2021.
Based on: 1,419 UK businesses; 135 primary schools, 158 secondary schools, 57 further education colleges)

39%
of All UK businesses

36%
of Primary schools

58%
of Secondary schools

75%
of FE colleges

Going Concern

Academy Trusts will face tougher financial checks to confirm 'Going Concern' in future. Going concern is an accounting term which is essentially a view as to whether or not an entity has the resources needed to continue operating and remain viable in the foreseeable future. A business with a strong balance sheet and adequate reserves will have sufficient funds to meet its obligations, such as payroll and trade creditors.

The Financial Reporting Council has revised its 'going concern' auditing standard in light of a number of high-profile cases where companies such as Carillion, BHS and Patisserie Valerie, which were on the brink of collapse, exposed flaws in the audit approach to going concern.

Guidance states that Auditors are required to demonstrate how they have challenged the academy trust's going concern assessment, the rigour with which they have tested this assessment and the evidence and supporting documentation obtained.

This will mean that controls and information used to make a going concern assessment at the academy trust will come under greater scrutiny and trusts will need to provide greater granularity in their going concern assessments and document their assessment of going concern more thoroughly than they do at the moment.

Auditors will evaluate an academy trust's ability to continue as a going concern for a period of at least 12 months from the date the financial statements are authorised for issue – therefore normally covering a period of up to 16 months from the balance sheet date. However, this is not an absolute cut-off and if there are known problems in the months immediately following the expiry of this 12 month period, the academy trustees would be expected to have made appropriate disclosure to that effect. If there is an issue, the auditors are required to consider whether this needs to be reflected in their audit report.

As Academy Trusts have a long-term funding agreement with the Secretary of State, income is considered very secure, but this in itself is not a sufficient basis for accounts to be prepared on a going concern basis.
For example, questions regarding short-term viability can still arise in cases of sudden or unexpected loss of third party income which had been earmarked to fund a particular project, which will now have to be met from other funds. A going concern qualification on an Academy Trust's accounts would be a cause for intervention by the ESFA.

The AFH stipulates that management accounts must be shared with the chair of academy trustees every month and with all trustees six times a year to discharge their responsibilities and ensure strong governance and effective financial management arrangements. The volume and depth of financial information provided to both the Accounting Officer and the board will vary significantly depending on the size of the academy trust and the relative complexity of its organisational structure, but the important point to note is that the information received is accurate, relevant, timely and adequately challenged.

Short term (going concern)

Is the current year budget in deficit and, if so, how satisfied are you that steps are in place to recover the situation before reserves are exhausted?

Have we forgotten anything that would increase our outgoings, e.g. rises in TPS employer contribution rates, a rise in teachers' pay etc.?

Does the budget for the current year break down into a monthly analysis of all incomings and outgoings?

Is there an analysis of academy trust creditors which demonstrates an understanding of when each obligation will need to be met?

Are there sufficient reserves to mitigate against unexpected costs?

Does current GAG funding reflect actual pupil numbers on roll? Additional funding may be due, or clawed back.

Long term (financial sustainability)

What skills does the board have in relation to strategic financial management? What training is undertaken? How does the board ensure it remains up to date on financial issues?

Do academy trustees understand the financial information they are looking at and how it has been derived? Is there consistency in reports to allow appropriate analysis for trends?

What benchmarking has the academy trust undertaken both internally, year on year and with other similar schools and academies?

Does the academy trust have a clear budget forecast for the next 3 or 5 years, identifying spending priorities and risks and sets how these will be mitigated?

Are assumptions, such as predicted pupil numbers, being properly scrutinised? Can assumptions be externally verified, such as through the local authority.

Are staffing levels likely to remain proportionate to the cohort size over the next 3 to 5 years?

A good practice guide on Going Concern is available here:

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.

SATs v MATs

Education Secretary Gavin Williamson announced in March 2021 that the Government wants to see far more schools in multi-academy trusts by 2025 and are actively looking at ways to make it happen.

Stating that schools 'benefit from being in a strong family' he said 'Multi-academy trusts are powerful vehicles for improving schools by sharing expertise, working collaboratively and driving improvements.
It is living proof of the old adage, a problem shared is a problem halved. This is something we want to see more of, because it shows time and again how the multi-academy trust model consistently improves outcomes for pupils.'

There is a suggestion that the single academy trust model is under threat, so what are the benefits of joining, or establishing a MAT?

- Resources can be pooled together to support all schools within the MAT
- Experienced Trustees and school leaders can support the professional development of others within the MAT
- Vision, ideas and collaboration between schools can improve outcomes for pupils and opportunities for staff
- Economies of scale often result in all schools receiving better value for external services
- Professional fees for audit services are proportionally lower than for a SAT.

Schools looking to work with an established MAT, and likewise, MATs considering taking on new schools will now have the option to 'try before you buy'. Joining a MAT can often appear to school leaders as handing over autonomy, but deciding if a particular MAT would be the best fit for your trust could be determined during an evaluation period where the impact can be monitored and evaluated in a transparent and open way beforehand.

There are downsides to this approach, such as the amount of time and resources that would need to be invested in the process which may not achieve the desired outcome and this option may not be possible for some schools if they are currently in special measures, as the DfE are likely to want a quicker, long term solution.

Working with an established MAT

When seeking a MAT that appears to be a good fit for your trust, there are a number of points to consider before embarking on a formal process, such as how quickly the MAT has expanded in the past, if any schools have left the MAT and what Ofsted ratings each of the schools have received. There is also a lot of useful information in the MATs financial statements published on their website, including the Trustees Report and Governance Statement which can help you to make a well-informed decision.

Setting up your own MAT

SATs may prefer to set up their own MAT with at least one other school and with permission from the Secretary of State. Trusts would need to put forward a business case and plan which outlines full details of the proposed change, risks, assets, liabilities and any other relevant information. Alternatively, a SAT could apply to be a formal sponsor of another academy, such as one with poor performance, which wouldn't require a separate application for permission to become a MAT.

All Trustees will need to be fully aware of all relevant information before any decisions are taken, with findings discussed and clearly documented in the minutes."

The Financial Due Diligence process

A comprehensive Financial Due-Diligence (FDD) undertaking will provide the information required to enable all parties to make an informed judgement as to the balance of risks and opportunities and the terms on which to proceed. In any FDD undertaking, it is important to cover all material issues, looking beyond the obvious and investing the time to investigate properly in order to avoid unexpected issues later on.

What should be investigated?

- Funding, income and expenditure profile over the past 3 years, including cash flow
- Budget position for the past 3 years and any future changes that are known
- Forecasts of predicted pupil numbers on roll; considering wider issues such as local housing developments
- Scrutiny of all board meeting minutes from the past 3 years
- Review of all legal contracts
- Analysis on all HR contracts including any existing TUPE requirements and special conditions
- Inspection of the physical assets of the Academy, such as the condition of buildings and facilities
- Scrutiny of all legal documents, insurances, health & safety audits, audit outcomes, 'near miss' reports and potential liability claims
- Review of internal processes and controls (does practice reflect policies)?
- Liabilities and any restrictions
- Skills profile of current staff and Trustees

Who should undertake due diligence?

Many larger trusts will have some of the skills and expertise required to carry out certain aspects of the due diligence process 'in-house', but specialists including audit and accounting advisors, legal professionals, building surveyors and HR advisors are all likely to be required.

For schools that work closely with others around them, and those undertaking a 'try before you buy' approach, there may be a temptation to conduct a simple 'desktop' review, not least because of the costs involved. However, this approach can lead to many pitfalls and is easy to get wrong. All Trustees will need to be fully aware of all relevant information before any decisions are taken, with findings discussed and clearly documented in the minutes. The better the FDD process, the more successful any potential merger will be.

We are highly experienced in the education sector, having undertaken considerable due diligence work of this nature over the past 10 years; initially in the realms of higher education establishments and subsequently with academies looking to merge into a new or larger MAT. Please get in touch with your regular adviser or local office if you would like an informal discussion to look at the options available.

National Funding Formula

The DfE has published figures for each English state school under the National Funding Formula (NFF) until 2021-22.

The stated aim of the NFF is to remove funding discrepancies arising from budgets being allocated by local authorities by making sure school budgets are set using the same criteria.

The three year settlement in the 2019 Spending Round increased core schools' funding in cash terms by £2.6 billion in 2020-21, £4.8 billion in 2021-22 and £7.1 billion in 2022-23, plus an amount of around £1.5bn a year to cover the increase to employer pension contributions in the Teachers' Pension Scheme.

In 2018-19, the DfE introduced a "soft" NFF. This meant the overall funding for schools in individual local authority areas was determined by a new national formula but distributed to schools according to the existing local formula. The DfE's goal is to implement a 'hard' NFF with a new national formula used to determine all of individual schools' funding. This will contain very little local flexibility, removing the power to respond to local circumstances and needs.

The 'hard' NFF is unlikely to be implemented before 2023 as there will be a significant period of consultation before it can proceed to primary legislation.

Most of the funding for schools will be allocated through the Schools Block. Schools will also receive money via the high needs block, early years block and 16-19 funding block, depending on the nature of their provision. Pupil premium funding will continue to operate as a separate grant. The Schools Block NFF will distribute funding according to 'pupil-led' and 'school-led' factors.

Pupil-led factors include the basic amount of funding per pupil and funding for additional needs delivered through factors for deprivation, low prior attainment, English as an additional language and mobility.

School-led factors include a lump sum for each school and funding delivered through factors such as sparsity, pupil growth and premises-related factors such as split sites, rates and PFI costs.

There is a minimum per pupil funding guarantee in place. For 2020-21 this is £3,750 per pupil in primary schools and £5,000 per pupil in secondary schools.

If you need any further information or would like to discuss this in more detail, please contact your regular advisor or your local office.

General updates:

Public Sector Decarbonisation Scheme (Phase 2)

Academies, multi-academy trusts and free schools currently using a fossil-fuelled heating system which is coming to the end of its useful life may be eligible to apply for the Public Sector Decarbonisation Scheme, which has a strong focus on heat decarbonisation to deliver greater carbon emission reductions. There is £75m of grant funding available and applications can be submitted through the **Salix Finance website.** All projects receiving funding will need to be fully installed and working before 31 March 2022.

You can find more information about the scheme and eligibility criteria here:

Free period products for schools and colleges

To ensure that 'no one is left behind because of their gender or background', all schools and colleges can order a range of free period products, including environmentally friendly and reusable products, and they can decide how to make these products available to learners.

Log on to the **phs portal** to order products and find practical support and guidance on the scheme on **GOV.UK.**

Topical Reminders!

Trusts should have published their financial statements on their website by 28 February 2021. Please take a moment to check they are there!

Along with the Financial Statements, trusts should also include their:

Funding agreement, articles of association, register of business interest, 2021 admissions appeals deadline and the 2022 admission arrangements.

Dates for the diary

27th July 2021
Budget Forecast Return Outturn & 3-year budget forecast return

9th November 2021
Land and buildings collection tool (LBCT)

31 December 2021
Audited Accounts
Audit Findings Report
Accounts submission coversheet
Annual Internal Scrutiny Report

25th January 2022
Accounts return (AAR)

31 January 2022
Publish accounts to 31 August 2021 in full on website

17th May 2022
Budget forecast return outturn (BFRO)

31 May 2022
File accounts with Companies House

26th July 2022
Budget forecast return 3-year (BFR3Y)

For Trusts which do not submit two or more of the above returns on time, ESFA will publish the list of those not complying on GOV.UK

The table above reflects the reinstatement of the BFRO for 2022. This return has been suspended for the previous two years, by dispensation, as a result of the pandemic.

MHA Academy Webinars

Please join us for our 2021 series of Academy Webinars for School Business Managers, the Senior Leadership Team, Trustees and those responsible for finance & governance matters.

Following the success of our Academy Workshop series last year, delivered via webinar due to the social distancing requirements of Covid-19, our 2021 series will also all be available as online webinars.

Available to download:

Academy Accounts Direction

- Outline of requirements
- What's changed in the latest update
- Disclosure information
- Clarifications
- What we need from you

Download here

Internal Scrutiny

- Options for Internal Scrutiny available following the FRC revised Ethical Standard (from 1 Sept 2020)
- Risk and Control Framework
- Undertaking the Internal Audit Needs Assessment
- Practical examples & outcomes

Download here

Available to register:

ESFA Chart of Accounts

Wednesday 9th June at 11am

- Better financial reporting programme (BFRP)
- Standardised Chart of Accounts (SCoA)
- Compatible financial systems
- Options for implementation

Register here

Academy VAT Update

Wednesday 23rd June at 11am

- VAT registration requirements
- Difference between business and non-business activities
- Taxable and exempt supplies
- How VAT recovery is calculated using partial exemption methods

Register here

Academies Financial Handbook

Wednesday 7th July at 11am

- What's changed in the latest update
- Roles and responsibilities
- Main financial and governance requirements
- Delegated authorities
- Internal Scrutiny v Internal Audit

Register here

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