

The Academies Accounts Direction 2021 to 2022

At the end of March 2022, the ESFA issued the 2022 Academies Accounts Direction, which sets out the financial reporting requirements for academy trust accounts for the year ended 31 August 2022.

They also issued updated model accounts and a separate document for external auditors, the: *'Framework and guide for external auditors and reporting accountants of academy trusts 2021 to 2022'*.

The main changes relate to a new disclosure requirement for severance payments, the removal of the requirement to submit dormant accounts to ESFA and the removal of the requirement to produce trading accounts for teaching school hubs as separate notes to the financial statements. There is further guidance on where transactions for the teaching school hubs should be reflected in the financial statements, along with new and updated guidance on service concession arrangements, accounting for buildings in which construction was overseen by the Department for Education (DfE) or a local authority, and the accounting treatment for business rates. There are also some clarifications to the trustees' report and changes to the governance statement.

We have set out the main changes below.

Teaching school hubs and school centred initial teacher training (SCITT)

There is no longer the requirement to show the trading account/financial transactions of the teaching school or SCITT as a separate note to the accounts. Material transactions should be shown as separate lines on



the face of the SOFA and reflected in the relevant notes throughout the accounts. An example of how a teaching school hub should be disclosed is included within the model accounts.

Severance payment disclosures

To be in line with HM Treasury guidance for public sector bodies, disclosures must be made to show the values of any severance payments made in set bandings. Previously, it was just the values of non-statutory/non contractual severance payments which required disclosure.

Governance statement

An additional requirement has been added to the governance statement, in which descriptions are required around the processes the trusts have in place to manage conflicts of interest, along with how this also fulfilled

for subsidiaries, joint ventures or associates.

Trustees report

The guidance now clarifies that the trustees report should include a description of the organisational structure of any subsidiaries, joint ventures or associates.

Other areas of clarification or updated guidance

Service concession arrangements: Trusts are now encouraged to provide a description of what the payments relate to alongside the numerical disclosures.

Buildings whose construction was overseen by the DfE or a local authority and transferred to the academy trust on completion: The sites should not be recognised in the trust's financial statements during the construction phase whilst the site is

not in educational use, although if the trust is partly funding construction, they should show these costs within assets under construction. The sites will be recognised once control has been handed over to the trust, usually to recognise the opening value of freehold or leasehold buildings within fixed assets and an equivalent entry within 'donations and capital grants' in the SOFA. Depreciation should start once control has been handed over.

Accounting treatment for business rates: From 1 April 2022 there is a new process for business rates payments. For authorities which opt in, the ESFA will pay the bills directly to the billing authority on behalf of the academy rather than the academy paying the bill and recouping the costs from ESFA. The academy would still retain the liability so would need to gross up the value of the GAG received by the value of the business rates bill and recognise an equivalent expense within the financial statements.

The framework and guide for external auditors and reporting accountants of academy trusts 2021 to 2022

The framework for auditors was published alongside the updated Accounts Direction and is used to guide the auditors' work in particular in the area of regularity assurance.

It also sets out common themes arising from the prior year assurance reviews, which can provide an indication of their ongoing focus areas.

Common themes arising from the prior year compliance cycle:

- A high proportion of the 2021 modified regularity opinions were in relation to internal financial reporting and governance, in particular around management accounting, ensuring 'Get Information about Schools' is kept up to date and general financial management.
- A number of modified regularity opinions also related to related party transactions, including lack of ESFA approval where required and non-compliance with the 'at cost' requirement for expenditure transactions.

The latest framework also clarifies that the regularity engagement applies to subsidiary companies within an academy trust group, however for the subsidiary the reporting accountant's work will be determined by the frameworks that apply to each entity on an individual basis.

If you would like to discuss any of the points raised here, please get in touch with your usual Saffery Champness contact, or speak to:



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