

Academies insight

Welcome to the Autumn edition of Academies insight. As this new school year progresses, there will undoubtedly be a focus on finances and the impending 31 December deadline for submitting your annual accounts. The looming presence of escalating overheads will have a substantial bearing on finances, and we highlight some preventative measures to tackle increases in energy and pay costs.

The annual Trustees' Report is an essential element of the annual accounts - another responsibility that may be claiming your focus at this time of year. We provide a reminder of some key elements that are required in the report, along-with some tips to consider when compiling it.

Another topic covered is the collective accountabilities of a Trust Board. Take a look at our key questions and areas for review – prompts that might help to guide your objectives and support operations for the remainder of the year.

Finally, we cover the Teachers' Pensions Scheme (TPS) and the recent consultation to enable eligible members of the TPS to be given a choice of benefits in relation to their remediable service.

If you would like to discuss or know more about anything covered in this edition, then please do not hesitate to contact us using the details below:



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Managing finances and rising costs

The repercussions of Covid-19 are still being felt throughout the sector as schools grapple with exponential increases in energy costs, a high rate of inflation and rising pay costs.

Early intervention is key when faced with a budget deficit or decreased liquidity, for example it might be necessary to look at restructures or postponing capital plans. Preventative measures can also be taken to safeguard finances and tackle the looming presence of escalating costs. Below we summarise just a few of these.

Effective budgeting and planning

The most successful way to predict and address cashflow difficulties is to have a clear picture of your financial position – this is achieved through effective budgeting and planning.

Having the appropriate controls in place helps to ensure the correct timing of incomings and outgoings and overall cashflow.

Trustees must approve a balanced budget and this should include maintained reserves. The Charity Commission has produced some helpful guidance, including how to develop a reserves policy and keeping an oversight of these.

Click here to access the guide: 

Even if there is a robust long-term plan in place, challenges can still arise due to poor short-term planning. A balance of both short and long-term financial planning supports there being enough liquid reserves to meet any immediate shortfall in cash.

Trustees should actively review and challenge longer-term financial issues to keep ahead, even if these need to be based on current funding patterns, salary increases and predicted pupil numbers.



Implementing some of these strategies can help with longer-term budgeting:

- + Cost rationalisation;
- + Diversifying income streams;
- + Addressing declining pupil numbers;
- + Collaboration with other schools or academy trusts; and
- + Making use of integrated curriculum financial planning.

Procurement

Every purchase should signify good value for money – having a strategic approach to procurement helps to ensure this is the case.

An effective contract management process can introduce cost-effective value on a day-to-day basis. It may help to have a central, cloud-based system to oversee contractual relationships and improve their performance.

You might find a procurement consultant can introduce further value – particularly if they have a knowledge of the education sector and can identify relevant grants and funding options for larger purchases.



Trust Board responsibilities

A Trust Board has collective accountability and responsibility for the academy trust – helping to ensure compliance with regulatory, contractual and statutory requirements.

As we move through the Autumn term, a reminder of some of the obligations of trustees may help to guide objectives and support operations for the remainder of the academic year.

Trustees must:

- + Comply with the Trust's charitable objects, with company and charity law, and with their contractual obligations under the funding agreement;

Click to view here:



- + Safeguard and promote the welfare of children;
- + Follow the '*Health and Safety: responsibilities and duties for schools*';

Click to view here:



- + Follow the '*Health and Safety Executive (HSE) guidance for Education*';

Click to view here:



- + Manage the school estate effectively and in a safe working condition;

- + Ensure regularity and propriety in use of the Trust's funds; and
- + Take ownership of the Trust's financial sustainability and its ability to operate as a going concern.

Ask some key questions and identify areas for review:

- + Are reserves where they need to be? Should reserves be earmarked for specific projects throughout the year?
- + Have agreements for the cost of goods and services been reviewed? Is the process open and fair, ensuring that charges do not exceed the cost?
- + What about updates from the Accounting Officer – including management accounts, safeguarding, staffing and budgets?
- + Do any policies need renewing and reviewing?
- + Have regular Board meetings been scheduled? This year's Academy Trust Handbook removed the requirement for explanations in annual accounts when holding fewer than 6 board meetings per year, however it is still important to meet often enough to ensure robust governance and to make effective financial decisions.
- + Has time been scheduled to compile the Trustees' Report?
- + Do you have any trustee recruitment needs?

Planning for the Annual Trustees' Report

Trusts must submit their annual accounts to the ESFA by 31 December and now is the time to consider the various elements for inclusion in the Trustees' Report.

The Trustees' Report is an essential element of the annual accounts and an opportunity to share an academy trust's achievements. The process of compiling the report can be time-consuming and so it is advisable to start early – engaging key stakeholders from the beginning of the process.

When compiling the report, you might find that some sections do not substantially change. Keep the content focused, highlighting important points and drawing attention to facts that are unique to the annual report.

If content is not a statutory requirement, consider its value and assess if it is bringing something new to the report.



Some of the key elements that are required to be included within the report are:

- + Details of the structure, governance and management;
- + Organisational structure;
- + Arrangements for setting pay and remuneration;
- + Engagement with employees;
- + Engagement with suppliers, customers and others in a business relationship;
- + Objectives and activities;
- + Strategic report – achievements and performance;
- + Financial review; and
- + Fundraising.

The Academies Model Accounts provides a template for completing the report – this is a helpful starting point for those compiling it for the first time.

The Model Accounts can be found here:

Once your content is finalised, it is beneficial to ask someone to proofread it - the Trustees' Report is often a weighty piece of text and typing errors can occur.

Our team can provide advice on compiling the Trustees' Report and meeting best practice, including guidance on effectively combining text with financials.





Protecting against cyber attacks

Unfortunately, cyber attacks are becoming an all too common occurrence within the academic landscape.

In the Government's 2022 Cyber Security Breaches Survey, 70% of secondary schools identified a cyber breach or attack – this was an increase of 12% on the number reported in 2021 and significantly higher than the percentage reported by all UK businesses (39%).

Of the breaches reported, the most common was phishing attacks (87%), followed by others impersonating an organisation in emails or online (46%).

Cyber security is now a top priority within secondary education – 68% report on the topic at least quarterly to their governors and senior management and 64% have a senior manager with responsibility for cyber security. This is a really positive step in ensuring the most up to date guidance and technologies are in place to prevent disruptive breaches.

The Government's 2022 Cyber Security Breaches Survey can be found here:



The education sector is an attractive target for cyber criminals due to the large amounts of sensitive, personal and financial data that is stored. As the new school year marches ahead, the National Cyber Security Centre (NCSC) has issued a warning for educational institutions to ramp up their security and be vigilant to attacks.

The NCSC is a really good starting point for advice and the best steps to take to protect against cyber attacks. There are a host of helpful resources that can be found on their dedicated Cyber Security for Schools webpage.

Click here for the NCSC Cyber Security for Schools webpage:



Some top questions to consider are:

- + Has an independent cyber security risk assessment been carried out?
- + Is a cyber strategy in place?
- + Does your organisation review cyber skills to establish gaps on a regular basis?
- + Does every Board member understand what's required during an incident?
- + Do you know where you can go for help in an incident?

Teachers' Pensions Scheme: Transitional Protection Regulations

The Department for Education's consultation proposing changes to The Teachers' Pension Scheme (TPS) closed on 4 June and the response was published in July.

The consultation sought to gauge opinion of the McCloud remedy – named after a successful legal challenge around age discrimination in transitional pension arrangements.

When new public service pension schemes were introduced in 2015, transitional protection arrangements allowed older members to continue accruing pension in the existing legacy (final salary) schemes whilst younger members were moved into reformed (career average) schemes.

The remedy consists of two parts:

1. Moving all remaining active members of the legacy scheme to the reformed scheme on 1 April 2022; and
2. Removing the difference in treatment that was caused by the transitional protection provisions – providing members with a choice of benefits they wish to receive for their service during the 'remedy period'.



The remedy period is from 1 April 2015 to 31 March 2022 – the period in which those affected members were treated differently due to their age.

Members who are eligible for the remedy are those who were members of the legacy scheme on or before 31 March 2012 and continued to be in pensionable service at some point during the remedy period.

The regulations which were subject to consultation were to deliver the second part of the McCloud remedy - this must be implemented by 1 October 2023. They provide the powers needed to allow eligible members of the TPS to be given a choice of benefits (legacy or reformed scheme) in relation to their remediable service.

The complete Government consultation response can be found here:



For enquiries about our services to academy trusts, please do not hesitate to get in touch with **Frank Shippam, Alice Lynch** or one of the team here at M+A Partners.

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