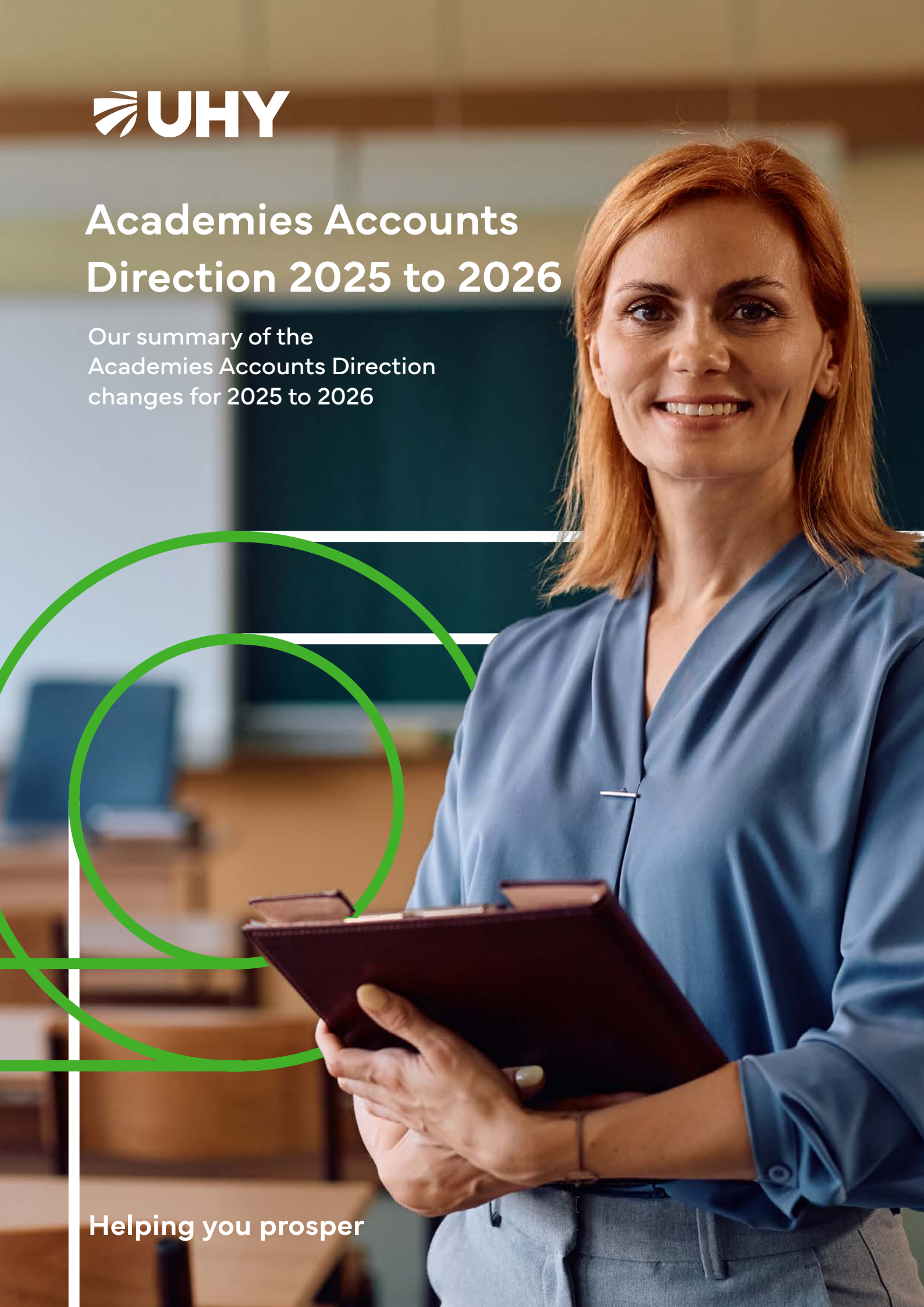




# Academies Accounts Direction 2025 to 2026

Our summary of the  
Academies Accounts Direction  
changes for 2025 to 2026



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The Department for Education have published the **Academies Accounts Direction (the AAD) 2025 to 2026**, which is the guidance pack for academy trusts and their auditors to use when preparing their annual reports and financial statements for accounting periods ending on 31 August 2026. Although both the AAD itself and the model financial statements published at the same time contain a summary of the main changes, we have once again produced our own summary of these changes along with our commentary and views on the implications, drawn from our extensive sector knowledge and experience.

## What has changed?

The changes this year appear subtle at first, but there are some amendments that, on further consideration, do have a more significant impact. It is therefore important that anyone involved with preparing academy trust financial statements or writing the trustees' report are clear on the new requirements.

We detail the changes, but also take the opportunity to provide clarification in the areas affected:

### Trade union facility time disclosures

There is no longer a requirement for academy trusts to report on this in their financial statements.

**UHY commentary:** This was an unusual requirement since facility time is rarely material to an academy trust and because it didn't originate from the AAD, instead stemming from wider public sector transparency legislation. The removal aligns with a broad shift in reporting approach in part to avoid unnecessary duplication, with the publication required elsewhere.

Trusts therefore still need to ensure that they collate this information in order to publish on their websites and on the central government reporting platform.



It is important that anyone involved with preparing academy trust financial statements or writing the trustees' report are clear on the new requirements.

### Streamlined energy and carbon reporting (SECR)

Some updates have been made to the SECR guidance.

**UHY commentary:** The guidance now explicitly details the size of trusts caught by these disclosure requirements. The last AAD referred to large companies, but the large company thresholds have been revised for periods commencing on or after 6 April 2025. The 2025 to 2026 AAD therefore sets out the size criteria which apply to the SECR requirements, which are set in stone by The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, and which have not been amended to reflect the newer, higher company size thresholds introduced elsewhere in company law.

This means that trusts which satisfy two or more of the following conditions, and which consume more than 40,000 kWh of energy in a reporting period:

- turnover: more than £36 million
- balance sheet total: more than £18 million
- number of employees: more than 250

must include the required energy and carbon information in their annual report. This is subject to a trust meeting these conditions for two consecutive years to be within scope.

## Regularity and propriety definitions updated

The definitions of regularity (paragraph 2.51) and propriety (paragraph 2.53) have been updated to reflect those in the latest edition of Managing Public Money (June 2025).

### UHY commentary

**Regularity:** The new definition of regularity is far more detailed than the previous one, where regularity was defined as the requirement that 'resource consumption should accord with the relevant legislation, the relevant delegated authority and this document'.

The new definition explicitly requires that a transaction has:

- legal basis
- parliamentary authority
- treasury authorisation

and is compatible with:

- spending budgets
- wider legal framework (e.g. procurement)
- Managing Public Money requirements

The explicit inclusion of budgetary control by introducing the requirement for spending to be 'compatible with agreed spending budgets' is interesting since it means that overspending could be a regularity issue, marking a significant shift. If a trust spends beyond its funding constraints this could, potentially, now be seen as irregular expenditure as well as poor financial management.

The tightening of the definition is welcome as it reinforces that compliance with procurement law and staying within approved funding budgets are regularity requirements.

**Propriety:** The latest Managing Public Money now defines propriety as the requirement that 'the proposal meets high standards of public conduct and relevant Parliamentary control procedures and expectations, including compliance with any conventions or commitments made to Parliament and cross-cutting Government policies or standards, as well as the standards of conduct and good governance as set out in this document'.

Propriety is a concept related to regularity. The new definition of propriety has less of an impact than the change to regularity. 2.54 of the AAD continues to explain that propriety includes matters such as: fairness; integrity; the avoidance of private profit from public business; even handedness in the appointment of staff; opening competition in the letting of contracts; and the avoidance of waste and extravagance.

## Staff restructuring costs

Previously the AAD specifically stated the payments in lieu of notice (PILONs) were to be excluded from staff restructuring costs.

Para 2.148 has been altered to now require all PILONs (i.e. both contractual and non-contractual) to be included within restructuring costs.

**UHY commentary:** The disclosure requirements around staff restructuring costs are not straight forward and we have seen trusts take inconsistent approaches in how certain items are treated. This clarification has perhaps been made because including all PILONs in the total better reflects the economic substance of the exit costs. The previous wording of the AAD created a slightly artificial distinction between redundancy costs and other severance payments and the treatment of PILONs. The update therefore aligns all exit-related costs into one category, and should improve transparency over the full cost of restructuring.

Note that this change may mean that prior year figures may not be directly comparable unless restated or explained. If there are substantial PILONs in the 2024/25 figures it may be worth considering a narrative note explaining the change in the 2026 accounts.

## Higher paid staff disclosures

The DfE have opted to provide additional guidance on the disclosure of benefits for higher paid staff covering part-time members of staff and those who worked for part of the year (paragraph 2.153).

The AAD now clarifies that where a part-time member of staff received less than £60,000 in the year, but would have received at least £60,000 pro rata on a full-time basis, this must be set out as a narrative disclosure within the note. The disclosure must state within which £10,000 band the full-time equivalent benefits would fall. Likewise, if a member of staff only worked for part of the year, but the full-year value of their remuneration would have been at least £60,000 on a pro-rata basis, this too must be set out as a narrative disclosure within the note covering the same points.

**UHY commentary:** This is an interesting change aimed at increasing transparency. Previously the £60k banding disclosures were based purely on actual remuneration paid in the year, so if someone worked part-time or joined/left mid-year they could fall below the £60k lower threshold and not appear at all.

The 2025/26 AAD requires additional disclosures. So, if a person would have earned over £60k on a full-time or full-year basis, they still do not go into the banding table, but an explanation must be provided narratively, making it clear which FTE band the member of staff falls in.

This change is most likely to impact on trusts with share roles or who have flexible working senior leaders, or trusts that implement restructuring mid-year, possibly with interim appointments.

We welcome this change, which is consistent with other public sector reporting, including the current reporting requirements of the Academies Accounts Return. It also aligns with the general principle of why the disclosure is included in the first place; to highlight how many highly remunerated roles a trust has.

This will increase the level of tracking required since trusts will need to identify part-time and part-year staff who are caught and then calculate their pro-rata full-time equivalent band.

## Key management personnel (KMP)

The definition of key management personnel and the disclosure of their employee benefits have been updated (paragraphs 2.157 to 2.159).

### UHY commentary

2.157 and 2.158 introduce enhanced disclosure requirements in respect of accrued and deferred remuneration for KMP. Trusts are now explicitly required to:

- Disclose separately any remuneration accrued during the current period, and/or cumulative accrued amounts from prior periods, with a clear explanation of the nature of the accrual;
- Include any remuneration accrued for the Accounting Officer within their remuneration disclosure, together with an explanation; and
- Where remuneration is paid in the current period but relates to amounts accrued in earlier periods, disclose the value attributable to prior periods, again with an explanation.

These changes are intended to ensure that remuneration disclosures reflect not only amounts paid, but also amounts earned and recognised across accounting periods, thereby improving transparency and comparability. The enhanced disclosures make it harder for significant remuneration to be obscured by timing differences, although in our view trusts ought to have been disclosing KMP remuneration in this way anyway to align with the usual accruals-based accounting principles.

It will be important that trusts are able to track remuneration so this includes unpaid bonuses, back-pay awards and deferred or staged payments. Where this is relevant the narrative disclosures to support the figures will be important to avoid confusion.

2.159 contains slightly enhanced requirements where an academy trust has entered into an "off-payroll" arrangement. The AAD previously said "including but not limited to where the DfE has exceptionally approved the appointment of an AO or CFO", this has now been extended to include a scenario where a former member of KMP continues to receive remuneration from the trust in a consultancy or similar role.

## Related party disclosures / trustees' remuneration

The 2025/26 AAD clarifies that disclosure requirements for related party transactions apply where the principal/chief executive is a trustee (paragraph 2.179).

**UHY commentary:** Although banded as a related party disclosure, this is really a clarification for the trustees' remuneration disclosures. The change stems from the revision over the years to the model articles of association. In the past it was commonplace for the principal/chief executive to be a trustee. The new AAD recognises that the current model articles and preferred approach is for the principal/chief executive not to be a trustee. Where they are a trustee, their remuneration must be disclosed. Of course, even where the principal/chief executive is not a trustee their remuneration is indirectly disclosed anyway in the higher paid staff bandings since in most cases this individual will be the highest paid member of staff. In rare occasions where this individual is not the highest paid member of staff – usually where they are part-time or only worked for part of the year – the clarified disclosures for higher paid staff remuneration described earlier in this summary will ensure the principal/chief executive's salary is very obvious regardless of whether they are trustee.

## Site improvements at church academy trusts

Minor editorial changes have been made in relation to site improvements at church academy trusts (paragraph 3.10).

**UHY commentary:** The previous edition of the AAD included a sentence saying that "a suitable asset class may be entitled 'site improvements' and would be analogous to leasehold improvements for a lessee." This has been removed and replaced with:

"The decision to recognise should be made with reference to the asset recognition criteria in FRS102, including whether the academy trust has control over the portion of the asset improved."

For most church academies the land/buildings are owned by the Diocese or a separate Foundation, with occupation governed by a Church Supplemental Agreement. The subtle change in the 2025 to 2026 AAD moves anyway from a nudge towards capitalising all site improvements towards a case-by-case assessment of whether the FRS 102 recognition criteria apply, including whether the trust controls the impaired asset. In essence not all improvements automatically qualify as assets.

The AAD continues to offer the alternative approach where a grant is included as expenditure, with narrative disclosures explaining that the grant was applied to improvements to Diocesan property occupied by the trust. In our experience this is the more common approach and so the change in this year's AAD is likely to have limited impact.



## Charities SORP 2026 Annex B

A new annex has been added to the AAD covering preparation for the introduction of the new Charities SORP 2026, which was published on 31 October 2025, and is effective for accounting periods beginning on or after 1 January 2026. Academy trust must not adopt the new SORP earlier.

This is all about preparing for the implementation of the new Charities SORP in the financial year 2026 to 2027, following changes to UK Generally Accepted Accounting Practice, principally in the key areas:

- **Leases:** Lessees will be required to recognise all significant leases on the balance sheet, reflecting a right-of-use asset and a lease liability, so largely replacing the previous distinction between operating and finance leases.
- **Revenue recognition:** The updated standard now adopts a five-step approach for recognising revenue from contracts with customers, with a greater emphasis on performance obligations.

**UHY commentary:** Since the changes do not impact on the 2025 to 2026 year, it may be tempting to ignore this section, and the 2026 to 2027 AAD next year will be compliant with the updated SORP.

However, this year's ADD suggests that academies should consider assisting readers of their financial statements by referencing the upcoming changes in their trustees' report for 2025 to 2026. It is also sensible to start looking ahead, and Annex B contains suggested preparation that academy finance staff can do now, including talking with their auditors.

In our view the new five-step revenue recognition model is unlikely to materially impact on academies because:

- most income is grant funding, and
- grants are typically non-exchange transactions, outside the five-step model

Generally, this will not impact the recognition of grant income which, as a type of non-exchange transaction, is treated differently to commercial income.

This means that accounting for core funding (eg. GAG and other government grants) will remain broadly unchanged. Likewise one key non-grant income for trusts is catering, but the approach here would not be affected because revenue would be recognised at the point of sale, when the meal is provided.

However, it might become relevant in some other circumstances, such as commercial income streams, perhaps where there is a contract with a customer and identifiable performance obligations. Trusts should therefore consider carefully whether the new five-step model applies to other income they receive.

Where relevant, the 5-step model requires trust to:

1. identify the contract
2. identify performance obligations
3. determine the transaction price
4. allocate the price to obligations
5. recognise revenue as obligations are satisfied

In practice the new five-step model will not change how most other income streams are treated, but it will tighten how the correct approach is determined. For example, nursery/ wraparound care such as paid nursery provision and before or after school clubs will often involve contracts with the parent and payments with half-term or termly fees. Revenue should be recognised over the period care is provided, not when cash is received, but under accruals accounting any prepaid element should be deferred already.

One area that might be affected is education services to other trusts or schools such as school improvement services or staff secondments. The nature of such contracts can be complex with multiple deliverables, such as training and ongoing support. For any significant contracts of this nature the five-step model may require identifying separate performance obligations, and recognising revenue over time, or at different points depending on delivery.

## Final thought

Trusts should note that, although the preparation of the financial statements is often delegated to external auditors, responsibility for the content remains with the Accounting Officer, trustees and Chief Financial Officer. It is therefore important that these individuals understand the forthcoming changes and ensure that any required updates are appropriately reflected within the trustees' report and governance statement.

Trusts are also encouraged to begin drafting the narrative sections of the annual report at an early stage. In practice, a substantial proportion of this content can be prepared in advance of the year end, enabling a well-developed draft to be available ahead of audit fieldwork. This approach helps to avoid unnecessary time pressures later in the reporting cycle and supports a more efficient audit process.

## The next step

You can read the full AAD 2025 to 2026, the model accounts and the framework guide for auditors [here](#). If you have any questions after reading our summary, or indeed in respect of reporting requirements for academies more generally, please contact your usual UHY adviser or find your local academy expert on our website at:

[www.uhy-uk.com/academy-schools](http://www.uhy-uk.com/academy-schools)



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