



January 2014

Academy schools update

The deadline for filing your Accounts Return is 31 January.

IMPORTANT CHANGES TO THE EDUCATION SERVICES GRANT

The Education Services Grant (ESG) replaced Local Authority Block LACSEG for academies as part of the new 2013/14 funding arrangements.

It has been announced that ESG will be cut by around £200m in 2015, which is likely to result in an approximate reduction of 20% in per pupil funding.

With such a significant cut coming we recommend that if you have prepared Budget Forecasts for 2014/15, and any longer term forecasts, these should be revisited to take into account the reduced funding.

The cut in ESG follows the announcement in the 2013 Budget relating to the end of contracting-out for employers' National Insurance purposes from 2015, which we covered in detail in our May 2013 Academy Schools Update. This will result in an increase of 3.4% in the rate of employers' contributions paid by academies - a 33% rise!

Together these two changes will increase the budget pressure further. If revised forecasts indicate that your academy may experience a deficit, early plans should be put in place so that you can react quickly and implement any necessary measures.

Please remember that if your school finds itself in a deficit position the EFA will issue you with a Financial Notice to Improve (FNtI) and will expect you to produce a recovery plan to meet their indicated requirements and to be agreed with them. In recent months, increasing numbers of academies have been served with an FNtI, which is often followed by the EFA urging these academies into a sponsored set-up. In this type of set-up, a local top-performing school or multi-academy trust takes over the control of your finances, which would lead to the end of your school's independence.

ACADEMIES ACCOUNTS RETURN DEADLINE 31 JANUARY!

Please remember that your Accounts Return needs to be filed by **31 January**. The EFA have introduced a new method of submission; instead of submitting the accounts returns by email to the EFA, you should now upload the accounts returns to a new online facility.

If you are preparing the return yourself, it will need to be completed in good time to hand over to your auditors so that they can perform the necessary assurance checks. The auditors can then submit the return on your behalf, if desired.

VALUE FOR MONEY STATEMENTS

All Value for Money (VFM) statements should have been submitted to the EFA by 31 December 2013.

The VFM statement was first announced in the September 2012 edition of the Academies Financial Handbook and was originally to be presented as part of academy trusts' annual reports and audited accounts. However, the VFM statement is now a separate free-standing return that is not part of the annual report and accounts. The VFM statement does not need to be audited by academy trusts' external auditors and was required for the first time for the period ended 31 August 2013. All academy trusts that converted by 31 August 2013 should have completed the VFM statement.

We remind you that the VFM statement must also be published on the academy trust's website within one month of submission to the EFA.

PUPIL PREMIUM - ARE YOU CLAIMING ALL THE AVAILABLE FUNDING?

You will be well versed with the requirements of Pupil Premium, however, not many academies are aware of the two additional streams of income that can be available.

“
The closing
date for ACMF
funding
applications is
31 January.
”

Pupil Premium Plus

From April 2014 schools in England can receive additional funding through Pupil Premium Plus in respect of adopted children. Schools will receive a Pupil Premium of £1,900 per child to provide additional help. Claims can be made for children adopted from care on or after 30 December 2005, or that left care under a Special Guardianship Order on or after the same date. Schools can also claim Pupil Premium Plus for children who left care under a Residence Order on or after 14 October 1991.

For schools to qualify for funding in 2014/15 parents and guardians must self-declare before **16 January 2014 – this coming Thursday!**

Further details about Pupil Premium Plus can be found at the adoption UK website at www.adoptionuk.org/pupil-premium-plus.

Service Pupil Premium

The service premium will continue to be extended so that in 2014/15 any pupil in years Reception to 11, who has been flagged as a service child since 2011, will continue to receive the premium. The service child premium will be paid to schools at the rate of £300 per pupil. Please note that:

- children of military personnel who have died in service will be eligible to access the Service Pupil Premium; and
- children of military personnel will continue to qualify after their parents have left the Armed Forces, up to a maximum of six years.

The Service Pupil Premium was introduced to enable schools to provide extra, mainly pastoral, support for children with parents in the Armed Forces. The Premium is not provided because these children are under-achieving compared to their peers, but is provided in recognition of the additional support schools often need to provide for these children.

ACADEMIES CAPITAL MAINTENANCE FUND

The Academies Capital Maintenance Fund (ACMF) is available for academies to improve the condition of their school buildings and expand their facilities.

Many more of the academies we work with successfully applied for ACMF funding in the 2012/13 academic year than in the previous year, and the current application portal for ACMF 2014/15 round one is now open. To be eligible to apply, your academy must be open as at 1 December 2013. If you have an academy order signed on or before 1 December 2013 you are also eligible to apply.

Funding has been allocated to local authorities according to infant pupil populations and a portion, calculated on the same basis, has been allocated to ACMF. The ACMF element is approximately £21million and eligible academies can apply to access this funding through the usual ACMF arrangements, making a specific case for upgrades to equipment and facilities to allow them to deliver the universal entitlement from September 2014 for all infant pupils to receive a free school meal.

For details of how to apply, please refer to the ACMF round one information on the DfE's website or contact your usual UHY adviser. The closing date for applications is **31 January 2014** and funding allocations will be announced in April 2014.

ACMF round two funding will be available to new academies that open after 1 December 2013 and to schools with an academy order signed on or before 1 June 2014.

COMPLIANCE WITH THE ACADEMIES FINANCIAL HANDBOOK

Your academy's Trustees and Accounting Officers should be comfortable that the academy is fully compliant with the Academies Financial Handbook (AFH). There are a large number of requirements set out in the AFH and it is relatively easy to fall foul of some of these. From our experience in this sector, we have seen that some of the more common issues include:

- failure to obtain prior approval from the Secretary of State before the payment of compensation of severance payments in excess of £50,000;
- failure to obtain prior approval for operating lease contracts exceeding three years in length;
- academy trusts not establishing an Audit Committee, where required (for trusts of a certain size), or failing to amend the terms of reference to another appropriate Committee to ensure this Committee fulfils the functions of an Audit Committee; and
- a lack of suitable financial plans to secure long-term financial health (for example three year budget forecasts).

We have developed a checklist which you can use as a self-assessment of compliance with the key areas of the AFH; a particularly useful document if you are newly converted. To request a copy of this checklist, please contact us. We can also perform a detailed review for you and make recommendations on areas where you can improve.



The EFA Business Cycle 2014 sets out important dates for the next 12 months to help you plan ahead.



INSURANCE TOP-UP FUNDING

Following the changes to insurance funding, academies now receive per-pupil funding for insurance as part of their general annual grant (GAG). This funding is in two parts:

1. an amount delegated by the local authority, estimated to be around £25 per pupil on average; and
2. an additional grant of £20 per pupil, to reflect the fact that, on average, insurance premiums are higher for academies than they are for maintained schools (the supplementary amount).

It is more important than ever that you ensure value for money when you purchase your insurance cover.

If your academy finds itself unable to pay for insurance premiums from your 2013/14 academic year funding, the EFA may be prepared to help. You may apply for top-up funding if you are unable to meet the costs of securing adequate insurance cover for the 2013/14 academic year from the funding already provided to them for insurance.

Please note that the EFA cannot apply top-up funding at MAT level because of the way they calculate insurance funding on an individual academy basis.

As an individual academy, therefore, you can apply for this top-up funding online, by submitting a top-up insurance form on the EFA's website at: www.education.gov.uk/efaforms/TopUpInsuranceFunding/EmailValidation.aspx.

PENSIONS UPDATE

Pooling

A consultation was opened on the Local Government Pension Scheme (LGPS) pooling towards the end of 2013 by the Department for Communities and Local Government. The consultation asked for responses on whether pooling should be offered to academies or made compulsory for all academies; how the pooling would work; and whether the pooling would include just academies or also maintained schools and the wider local councils. The full consultation document can be found at www.gov.uk.

Pooling itself covers a variety of different arrangements, from a common contribution rate

for the pool to simply the pooling of risks. The main advantage of pooling is to share pension risks and/or help keep employer contributions stable across a pool, rather like insurance where premiums reflect the likelihood of a claim being made.

At the moment, Local Authority schools become a separate employer in the LGPS when they become an academy and a separate employer contribution rate is calculated. In some cases this rate can be higher or lower than was being charged to the predecessor school, for example, because of the age and pay profile of the transferring staff.

It will be interesting to see the results of the consultation when these are made available. If pooling for academies proceeds, the LGPS liabilities that currently appear on an academy trust's Balance Sheet are likely to disappear and become off Balance Sheet liabilities; much like the Teachers' Pensions.

Valuation of LGPS

A full actuarial revaluation of the LGPS is carried out every three years, at which point the contribution levels for the coming three years are set. The results are expected shortly, so you should soon know the rate of contributions you will be paying from April 2014. If you, as an academy, are paying above the rates paid by LA schools you may well see a small reduction in the level of your contribution rates.

EFA BUSINESS CYCLE WALL PLANNER

The EFA Business Cycle 2014 sets out important dates for the next 12 months to help you plan ahead. To download the wall planner visit the EFA's website, alternatively, it is available to download as a timeline, which includes links to relevant information on the EFA website.

THE NEXT STEP

For further information on the above topics or to arrange a meeting to discuss your specific circumstances, please contact our specialist partner below:

Hayden Priest
e: h.priest@uhy-calvertsmith.com
t: 01904 557570

Alternatively, read more about us on our website at www.uhy-uk.com/York

UHY Hacker Young Associates is a UK company which is the organising body of the UHY Hacker Young Group, a group of independent UK accounting and consultancy firms. Any services described herein are provided by the member firms and not by UHY Hacker Young Associates Limited. Each of the member firms is a separate and independent firm, a list of which is available on our website. Neither UHY Hacker Young Associates Limited nor any of its member firms has any liability for services provided by other members.

A member of UHY International, a network of independent accounting and consulting firms.



This publication is intended for general guidance only. No responsibility is accepted for loss occasioned to any person acting or refraining from actions as a result of any material in this publication. © UHY Hacker Young 2014

www.uhy-uk.com
