Ellacotts

Academy Accounts Direction 2019-2020

Key Changes

Changes to Trustees Report:

Introduction of new statutory elements, which cover:

- **Promoting the success of the company**

A statement by the trustees on the academy trust's ability to continue to operate as a going concern is required as best practice and should include disclosure of any financial uncertainties facing the academy trust.

Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks issued by the Financial Reporting Council (FRC) in April 2016 should be considered by trustees. Trustees should ensure that their statement accurately reflects their assessment of their academy trust. An illustrative statement is below for where the going concern basis for preparing the financial statements is adopted.

ESFA has published a good practice factsheet on Going Concern.

Under section 172(1)(a) to (f) of the Companies Act 2006, directors of a company must act in a way most likely to promote the success of the company, and in doing so must have regard to:

- the likely consequences of any decision in the long term
- the interests of the company's employees
- the need to foster the company's business relationships with suppliers, customers and others
- the impact of the company's operations on the community and the environment
- the desirability of the company maintaining a reputation for high standards of business conduct
- the need to act fairly as between members of the company

The Companies (Miscellaneous Reporting) Regulations 2018 introduce a requirement for large companies to include a statement in their strategic report describing how they have had regard to the above matters. A charitable company qualifies as large if two or more of the following apply in two consecutive financial years:

- Gross annual income over £36m
- Gross (total) assets over £18m
- More than 250 employees

BEIS has published guidance to help companies understand how this affects them. The Charites Commission has also published a guide: Charities SORP Information Sheet 3: The Companies (Miscellaneous Reporting) Regulations 2018 and UK Company Charities. This explains that charitable companies should take "promoting the success of the company" to mean promoting the success of the charity to achieve its charitable purposes. It recognises there may be overlaps between sections of the trustees' report and encourages charities to avoid repetition, maintain the cohesion of the narrative contained within the trustees' report and incorporate information by cross-reference where appropriate.

- **engagement with employees (if the academy trust has more than 250 employees)**

The Companies (Miscellaneous Reporting) Regulations 2018 introduce a requirement for companies with more than 250 employees to include a statement in their directors' (trustees') report summarising action taken during the period to introduce, maintain or develop arrangements aimed at:

- providing employees with information on matters of concern to them
- consulting employees or their representatives regularly so that the views of employees can be considered in making decisions which are likely to affect their interests
- encouraging the involvement of employees in the company's performance
- achieving a common awareness on the part of all employees of the factors affecting the performance of the company.
- its policy in respect of applications for employment from disabled persons, the treatment of employees who become disabled and the training, career development and promotion of disabled person

The Department for Business, Energy and Industrial Strategy (BEIS) has published guidance to help companies understand how this affects them. The Charites Commission has also published a guide: Charities SORP Information Sheet 3: The Companies (Miscellaneous Reporting) Regulations 2018 and UK Company Charities.

- **engagement with suppliers, customers and others in a business relationship with the trust such as beneficiaries, funders and the wider community (if the academy trust is 'large' as defined by the Companies Act 2006)**

The Companies (Miscellaneous Reporting) Regulations 2018 introduce a requirement for large companies to include a statement in their directors' (trustees') report summarising how they have had regard to the need to foster the company's business relationship with suppliers, customers and others. A charitable company qualifies as large if two or more of the following apply in two consecutive financial years:

- Gross annual income over £36m
- Gross (total) assets over £18m
- More than 250 employees

BEIS has published guidance to help companies understand how this affects them.

The Charites Commission has also published a guide: Charities SORP Information Sheet 3: The Companies (Miscellaneous Reporting) Regulations 2018 and UK Company Charities. This recommends that charitable companies also consider their relationship with other stakeholders – for example beneficiaries, funders and the wider community.

- **reflecting new statutory requirements for streamlined energy and carbon reporting in the trustees' report**

Streamlined energy and carbon reporting (SECR) - The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 came into force on 1 April 2019 for accounting periods commencing on or after that date.

It requires large companies1, as determined by sections 465 and 466 of the Companies Act 2006, which consume (in the UK) more than 40,000 kWh of energy in a reporting period to include in their annual reports energy and carbon information, including: • its UK annual energy use (in kWh) as a minimum relating to gas, purchased electricity and transport fuel (and previous year's figures, except in the first year) and associated greenhouse gas emissions (in tonnes of carbon dioxide equivalent).

There are Government conversion factors to help measure energy consumption in common units

- an emissions intensity ratio chosen by the company. Intensity ratios compare emissions data with an appropriate business metric or financial indicator, such as pupil numbers, to allow comparison over time or with other organisations
- methodologies used in calculation of disclosures
- a narrative of measures taken to improve energy efficiency in the period of the report. If no measures have been taken, this should be stated

For those academy trusts that meet the thresholds this information must be published in the trustees' report. The ESFA also encourages large academy trusts to reproduce the energy and carbon disclosures from their accounts in a readily accessible format on their website before 31 March each year.

Ellacotts

Other Changes

- clarifying that instances of irregularity, impropriety or non-compliance noted in the accounting officer's statement on regularity, propriety and compliance, and in the reporting accountant's report on regularity should state the relevant monetary amounts, if known

- introducing a requirement for academy trusts to explain how their audit arrangements are affected by the newly revised FRC Ethical Standard, where applicable

- identifying legal costs in the notes to the financial statements

  These are costs associated with the conversion or incorporation of a new academy, or with educational operations. Legal costs are those where an opinion is sought from a legal professional.

- introducing an analysis of changes in net debt as a note to the financial statements, to comply with the updated SORP

  Net debt – this comprises a reconciliation of net debt (borrowings (such as Salix loans) less cash and cash equivalents). There is no requirement to show this reconciliation for the prior period

- updating the example funds notes to provide guidance where academies, who are part of trusts with multiple academies, have a zero balance on all funds in both the current and previous years

- explaining that the transfer of activities to a wholly-owned subsidiary should be accounted for as a merger, to comply with the updated SORP

- confirming that two or more subsidiaries may only be excluded from consolidation if they are not material when taken together, to comply with the updated SORP

- where trustees have reviewed and taken account of the guidance in the Governance

- Handbook and competency framework for governance, encouraging them to explicitly state this in the governance statement

- updating the Teachers' Pension Scheme notes to reflect the latest actuarial valuation

- clarifying that the requirement to have an accounting officer to sign off the regularity statement includes the period in the run-up to trust closure