

March 2014 Accounts Return



Education
Funding
Agency

Terminology

- An academy trust is the legal entity that prepares statutory accounts
- A trust may be a single academy trust with one member academy or a multi-academy trust with several member academies, each with their own funding agreement with the Secretary of State for Education
- EFA is the operating arm of the Department for Education that funds academies
- HM Treasury on behalf of Parliament determines how departments should account for public assets, liabilities, income and expenditure
- Office for National Statistics has classified all trusts as central government public sector bodies



Who completes the March 2014 Accounts Return (AR)?

- New single or multi-academy trusts that did not prepare accounts at 31 August 2013 but were open by 31 March 2014
- Multi-academy trusts that prepared 31 August 2013 accounts but that have opened new academies between 1 September 2013 and 31 March 2014. The March 2014 AR should only cover the new academies
- Multi academy trusts should only complete a single March AR covering all their new academies
- Single academy trusts that prepared incorporation accounts at 31 August 2013 but have opened their academy between then and 31 March 2014 need to complete the March AR



Why do we need the AR?

- Parliament requires that the DfE consolidates academy trust accounts. In practice EFA consolidates initially on DfE's behalf
- DfE then consolidates EFA's results, and finally HM Treasury consolidates DfE's results into the Whole of Government Accounts
- EFA's accounts at 31 March 2014 need to include all academies open at that date, even if very newly opened
- EFA is using the annual accounts to 31 August 2013 (captured via an August 2013 AR) of established trusts as a proxy for these trusts' results to the following 31 March year-end



How do we go about it?

- We ask all trusts in scope to complete a March 2014 AR as a standard electronic template (in Excel)
- All trusts in scope should upload their completed AR to the EFA financial returns site by **27 June 2014** (details later)
- The AR asks trusts for additional, and in some cases different, disclosures to their statutory accounts. We ask for this as HM Treasury's disclosure requirements for central government are different from academy trust accounts under EFA's annual Accounts Direction
- In particular, we have to identify trusts' transactions and balances with the rest of government and eliminate them from our consolidated accounts



Where is the AR and guidance?

- The template and guidance can be found at <https://www.gov.uk/government/publications/academies-march-2014-accounts-return-template-and-guide> on the EFA pages of the GOV.UK website
- The completed template needs to be submitted by **27 June 2014**



Sources of information for the AR?

- March Accounts Return guidance booklet
- 31 March 2014 management accounts or ledger reports
- Funding agreements and other contracts
- HR information on staff numbers and costs
- Budget software and other workings
- Statement of assets and liabilities transferred on conversion



What you don't need for the AR

- Actuarial valuation of your local government pension scheme liability
- An audit opinion



Colour coding

Non-financial, from drop down or free text

Financial, sourced directly from trust accounts

Financial, additional to trust accounts, prepared on a similar basis

Financial, additional to trust accounts, prepared on a different basis

Financial, automatically calculated from elsewhere on the return

Error check cells

HELP



The AR should be completed in £000s

- This means
 - £1,534,755.42 is entered as 1,535
 - £500.00 is rounded up and entered as 1
 - £499.99 is rounded down and entered as 0



Difficult areas

- We know from our work with trusts on last year's consolidated accounts that there were several areas of difficulty
- Assets and liabilities transferred on conversion
- Pensions
- Voluntary income
- Staff costs
- Finance and operating leases
- Related parties
- Exit packages
- Losses and special payments



Inclusion of pensions in the AR

- Most academies will only have staff in the Teachers Pension Scheme (TPS) and the Local Government Pensions Scheme (LGPS)
- Only the LGPS is an allocated scheme where actuaries can assess surpluses and deficits by employer
- The LGPS surplus or deficit at the date of conversion will be part of the assets and liabilities transferred to the trust
- Actuarial valuation of the LGPS surplus or deficit at 31 March 2014 for the AR **is not required**



Inclusion of pensions in the AR

- The only pension figures you need to include in the March AR are:
 - the surplus or deficit transferred on conversion
 - employer contributions made in the period
 - EFA will replace these figures with a new pension valuation on a different basis commission specifically for consolidation
- It is very important that you include pension figures in the March AR on a consistent basis so we can be identify them for consolidation



Summary – pensions in the AR

- The only pension entries you need to include in the March AR are:
 - In the balance sheet, the surplus or deficit transferred on conversion
 - In the SOFA, employer contributions made in the period
- This is different and much simpler to the entries that will be required in your annual financial statements.



Voluntary income in the AR

- A capital donation is the gift of an asset
- Any cash donation, whether for capital purposes or not, is private sponsorship or other donations
- Transfers on conversion are not voluntary income
- It is very important the voluntary income and transfers on conversion are correctly classified in the AR.



Operating and finance leases

- A finance lease transfers the majority of this risks and rewards of ownership of the asset to the trust
- The period of a finance lease will typically cover the majority of the useful economic life of the asset
- An operating lease is any lease which is not a finance lease: land is always an operating lease
- If you are in any doubt if a lease is a finance or operating lease; seek advice from your auditors



Operating and finance leases – worked example

- Lease A – 10 years remaining at £10,000
- Lease B – 4 years remaining at £5,000 per year
- Lease C – 2 years remaining at £15,000 per year

	Lease A	Lease B	Lease C	Total
	£000	£000	£000	£000
Academy trust financial statements				
Within one year	-	-	-	-
Within two and five years	-	5	15	20
Over five years	10	-	-	10
	10	5	15	30
Additional analysis required in the AR				
Within one year	10	5	15	30
Within two and five years	40	15	15	70
Over five years	50	-	-	50
	100	20	30	150



Submitting your AR

- The submission deadline is **27 June 2014**
- Please submit your return via the [Deloitte OnLine](#) submissions site
- You can find further guidance on academy trusts' financial returns at <https://www.gov.uk/academies-financial-returns>



Thank you!

- Register for our live webinar session on 15 May, 2014 and access relevant training materials on our event page:
<https://registration.livegroup.co.uk/academyfinance/>
- You can log any questions you want raised at the webinar in advance via the registration site. If you have further queries after the webinar, please email us at
academy.questions@education.gsi.gov.uk

