

# Academies: Accounts Direction 2010/11

## Chapter 4: Abbreviated Accounts Return

Responses are required by 31 December 2011

© For action

## Chapter 4: Abbreviated accounts return

### 1. Introduction

- 1.1. The preparation of an annual report and financial statements in accordance with the Accounts Direction should allow an Academy Trust to meet the statutory reporting requirements of the Companies Act. The YPLA uses the information in the financial statements to monitor individual Academy's financial health and thereby to meet its own obligations for providing assurance to the Secretary of State in respect of the grant funding it provides. The financial statements also contain information that may be used to assess the performance of the Academies sector as a whole and to share benchmarking data. The Department for Education (DfE) intends to use the information provided by Academies to publish data on Academies' income and expenditure in spring 2012 in line with the Government's commitment to improving data transparency for all bodies receiving public funding.
- 1.2. To ensure that financial health assessment and benchmarking exercises can be conducted consistently the YPLA has produced an Excel template that Academy Trusts are required to populate with key information from their financial statements. This template is called an abbreviated accounts return (AAR).
- 1.3 This AAR is much simpler and shorter than the detailed income and expenditure account, which Academies were required to complete previously to support their statutory financial statements.

### 2. Contents of the abbreviated accounts return template

- 2.1. The AAR consists of three worksheets, called tables.
- 2.2 The first worksheet is a certification by the Academy Trust that the AAR accurately reflects their financial statements for the period ended 31 August. The sheet should be signed by the Academy Trust's finance director and countersigned by the accounting officer on behalf of the Governing Body.
- 2.3. The second worksheet consists of a detailed income and expenditure account that should set out the Academy Trust's financial *performance* for the period covered by the financial statements.
- 2.4. The third worksheet consists of a balance sheet presenting the Academy Trust's financial *position* at the end of the period covered by the financial statements.

### 3. Completion of the template

#### General principles

- 3.1. The AAR should only be submitted to the YPLA once the Academy Trust's financial statements have been produced and signed off by the governing body and auditors.
- 3.2. All sums should be entered in round thousands of pounds. For example £1,234,567 should be entered as 1235. The £ descriptor should not be entered.

- 3.3. Cells that require completion are unshaded. If one of these cells does not apply to your Academy please enter 0 (zero). Do not leave it blank. Note that cells are formatted to display zeros as a hyphen.
- 3.4. Some cells will automatically be populated by a formula. These cells are shaded and locked.
- 3.5 Do not use the cut and paste function in Excel as this may cause protected cells to change their formulae and may cause the 'Ref!' error message to appear.
- 3.6 No additional worksheets should be added into AAR submissions as this will affect the consolidation of returns by the YPLA. For this reason AARs which have additional worksheets added will be returned to the Academy Trust by the YPLA for amendment.
- 3.7. The template includes comments to assist with its completion that can be viewed by positioning the cursor over the red triangle at the corner of certain cells.

### **Signage**

- 3.8. To maintain consistency with the financial statements the following signage conventions should be used when populating the AAR:
  - Income should be entered as positive sums.
  - Expenditure should also be entered as positive sums.
  
  - Assets on the balance sheet should be entered as positive sums.
  - Liabilities on the balance sheet (for example creditors) should be entered as negative sums.
  - Funds in surplus on the balance sheet should be entered as positive sums.
  - Funds in deficit on the balance sheet should be entered as negative sums.

### **The income and expenditure worksheet**

- 3.9. The income and expenditure worksheet within the AAR should be populated with the financial results for the Academy Trust as a whole. An Academy Trust operating more than one Academy within a single charitable company (a federation) should enter the combined income and expenditure for the company. The income and expenditure need not be presented separately for each Academy within the federation. In all cases the income and expenditure entered into the AAR should be consistent with the Academy Trust's audited financial statements for the period ended 31 August. The AAR worksheet contains a check to ensure that the total of income less expenditure does equal the financial statements.
- 3.10. The following definitions apply to the categories of income and expenditure appearing on the AAR template. This is a more detailed analysis to that used in the statement of financial activities (the SOFA) within the audited financial statements. It allows the Academy Trust's income and expenditure to be presented according to commonly understood classes of school activity, rather than according to the limited number of charity-focussed headings required in the SOFA.

## Income

- **YPLA general annual grant**
- **YPLA start up grant part A** – this comprises the formulaic grant awarded to traditional sponsored Academies for teaching and learning materials.
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- **YPLA start up grant part B** – this comprises the formulaic grant awarded towards staff costs at traditional Academies that are not at capacity (“diseconomies funding”), subject to certain limits, any other formulaic allocations of start up grant and any additional start up grant awarded on the basis of a specific bid from the Academy.
- **YPLA / DFE capital grants** – this includes devolved formula capital grant paid by the YPLA and other capital grants paid directly to the Academy Trust by the DFE for new buildings and other major capital projects.
- **Other YPLA / DFE grants**
- **Other government grants** – this should include, but is not limited to, grants received from the local authority.
- **Funds inherited on conversion** - this comprises the value of net assets held by predecessor school(s) at the point of conversion to an Academy, which were transferred to the Academy Trust. It could comprise both fixed assets and current assets, partially offset by liabilities. Where a net deficit is transferred, it should instead be entered in the expenditure section further down the income and expenditure account, under 'funds inherited on conversion'.
- **Donations into endowment fund** – this comprises donations into an endowment fund arising under a deed of gift with a sponsor.
- **Other donations** - include sponsorship towards new building projects and other donations and sponsorship, other than donations into an endowment fund.
- **Other income** – include investment income such as bank interest, gift-aid receipts, hiring out of accommodation and sports facilities, catering income, school uniform sales and any other income not covered elsewhere.

## Expenditure

- **Staff costs** – include the full costs of employment including gross pay, bonuses, overtime, employers' national insurance contributions, employers' pension contributions, maternity and sick pay. Costs should be analysed into the following sub-headings on the AAR. Note that all staff recruitment costs, staff development and training, staff travel, subsistence and other out-of-pocket expenses and employers' liability insurance should be included in the final sub-heading.
- **teaching** – include all full time and part time teaching staff costs including any peripatetics but excluding supply teachers;
- **teaching supply** – include costs of supply teachers, premium paid to insurers for supply teacher cover and agency supply teaching staff;

- educational support – include all staff who have an input into educational activities but are not teachers. For example: teaching assistants, learning mentors, laboratory, workshop and technical assistants and librarians;
- administration - include costs of office administrators, finance officers, attendance officers, PAs, secretaries, receptionists and other administrative staff;
- premises - include cleaners, caretaking and security staff, staff employed on routine and long-term maintenance, and health and safety officers. Include only direct Academy employees, not contractors;
- catering – include direct employees, not contractors;
- other staff – include mid-day supervisors and any other staff not covered above;
- staff restructuring costs – include all costs relating to redundancies, early retirements and severance packages;
- staff development and other staff costs – include recruitment costs, the costs of staff development and training, travel, subsistence and other out-of-pocket expenses, employers liability insurance and any other staff-related costs not covered elsewhere.
- **Maintenance of premises** – include maintenance and repair of buildings and grounds, including gardens, roads, fences, drains, etc. Exclude costs which have been capitalised under the Academy Trust's accounting policies. Such costs would be included within the depreciation charge referred to later.
- **Other occupancy costs** – include all costs, other than staff and maintenance costs, related to the occupancy of the premises and grounds, analysed on the AAR as follows:
  - cleaning;
  - water;
  - energy;
  - insurance;
  - security;
  - other.
- **Educational supplies and services** – include the costs of supplies and services used directly for educational purposes analysed on the AAR as follows:
  - books, stationery and materials – also include all consumable items used for educational purposes;
  - transport;
  - examination fees;
  - fees for external educational advisors;
  - other - include any educational support not delivered in-house, eg swimming instruction and courses run off-site by other institutions.
- **Other supplies and services** – include the costs of all non-educational supplies and services, other than occupancy costs, analysed on the AAR as follows:

- catering provision;
  - audit fees: financial statements – relating to the statutory audit of the Academy Trust’s financial statements;
  - audit fees: Responsible Officer role – relating to any work done as, or in support of, an Academy’s Responsible Officer;
  - other professional fees;
  - other – including, but not limited to, telephones, printing and advertising.
- **ICT (not capitalised)** – include the cost of any computer hardware and software purchases and other ICT equipment. Exclude costs which have been capitalised under the Academy Trust’s accounting policies. Such costs would be included within the depreciation charge referred to later;
  - **Furniture and equipment (not capitalised)** – include furniture, science, workshop, sports and other equipment, other than computers and other ICT equipment. Exclude costs which have been capitalised under the Academy Trust’s accounting policies. Such costs would be included within the depreciation charge referred to later;
  - **Funds inherited on conversion** - this comprises the value of net liabilities held by predecessor school(s) at the point of conversion to an Academy, which were transferred to the Academy Trust. It could comprise liabilities partially offset by fixed assets and current assets. Where a net surplus is transferred, it should instead be entered in the income section further up the income and expenditure account, under 'funds inherited on conversion'.
  - **Depreciation** – include the full depreciation charge for all classes of fixed asset for the accounting period covered by the financial statements. This would include depreciation on buildings, furniture and equipment, technology/computer equipment and motor vehicles.

3.11. **Reconciliation** - A section at the foot of the income and expenditure worksheet allows a check to be performed to verify that all relevant income and expenditure included in the audited financial statements has also been included in the AAR. The information that should be entered in this section comprises the “net incoming or outgoing resources before transfers”, as presented in the SOFA within the financial statements, and divided into the following funds:

- unrestricted funds;
- restricted general funds;
- restricted fixed asset funds;
- endowment funds.

Note that these entries will not be taken from the “net movement in funds” line in the SOFA because any “other recognised gains and losses” are to be excluded.

3.12. The income and expenditure worksheet contains a simple formula that will check whether the total of these funds matches the surplus or deficit in the income and expenditure worksheet. If it does not match an error message will be given and you will need to identify the changes necessary to the income and expenditure to eliminate the error.

3.13. **Supplementary information** - Enter here the average number of persons (including senior management team) employed by the Academy during the year expressed as

full time equivalents. This should equal the corresponding total included within the note on staff costs in the audited financial statements.

### The balance sheet worksheet

- 3.14. The balance sheet within the AAR comprises all of the categories of asset, liability and funds that the Academy Trust's audited balance sheet within its financial statements should contain. The main points to note about the AAR balance sheet are as follows:
- 3.15. The first column that requires input is column C. This should be populated simply with all of the information from the audited balance sheet, having regard to the signage conventions referred to above. The information within this column will relate to the Academy Trust as a whole, regardless of whether it operates multiple Academies.
- 3.16. There are a number of additional columns to the right. These columns should only be completed if the Academy Trust operates more than one Academy and/or if it has a subsidiary company. In these scenarios, it allows for analysis of financial health down to individual Academy level.
- An Academy Trust with multiple Academies should complete one additional column for each Academy.
  - An Academy Trust with multiple Academies *and* a subsidiary should complete one additional column for each Academy and a further column for the subsidiary.
  - An Academy Trust with only one Academy and a subsidiary should complete one of the additional columns for the Academy and a further column for the subsidiary.
  - An Academy Trust with only one Academy and no subsidiary should complete no additional columns.
- 3.17. Each additional column requires the following information to be entered:
- name of Academy or subsidiary company;
  - unique Academy identifier – this is the seven digit DFE establishment number that all Academies have. The first three digits relate to the Local Authority and the last four relate to the school;
  - current assets;
  - creditors falling due within one year (essentially current liabilities);
  - restricted general funds;
  - unrestricted general funds.
- 3.18. Please utilise column E first and If further columns are required, they should be inserted between columns R and S.
- 3.19. Column S is called “**Adjustments on Aggregation / Consolidation**”. Similarly this column should only be completed if the Academy Trust operates more than one Academy and/or if it has a subsidiary company. Where there have been transactions between the Trust's Academies, or between the Academy Trust and its subsidiary, these transactions should be eliminated by entering an adjustment in this column. For example, if one Academy owes money to another within the Trust an adjustment will be needed to eliminate the respective debtor and creditor.

- 3.20. The worksheet contains a check to indicate whether the sum of the additional columns equals the overall total for the Academy trust in column C. If it does not match an error message will be given and you will need to identify the changes necessary to the balance sheet to eliminate the error.
- 3.21 Please ensure the total funds at cell C62 on the AAR balance sheet agrees with that shown in the Trust's audited financial statements.

#### **4. Approval and submission requirements**

- 4.1. The completed AAR template must be submitted to the YPLA electronically as an Excel document. In addition a scanned PDF copy of the certification worksheet, complete with signatures, should be submitted electronically.
- 4.2. When naming the Excel template the following convention should be used:
- Academy Trust name;
  - followed by its company registration number as given in its financial statements;
  - followed by AAR;
  - followed by the academic year.

For example:

- Coketown Academy 12345678 AAR AY 11 12.xls
- 4.3. The PDF should be named as follows:
- Coketown Academy 12345678 AAR Cert AY 11 12.pdf
- 4.4. The completed Excel template and PDF should be emailed to: [academiesfinancialmonitoring@ypla.gov.uk](mailto:academiesfinancialmonitoring@ypla.gov.uk). The subject line of the covering email should be in the following format:
- Coketown Academy 12345678 AAR AY 11 12
- 4.5. The deadline for submitting the AAR for the period ended 31 August 2011 is 31 December 2011.
- 4.6. Academies should ensure that the electronic submission of the AAR complies with their information security policies. The YPLA will manage the data supplied in accordance with its own information security policies.

#### **5. Queries and support**

- 5.1. In the first instance please send any queries by email to the following address: [academiesfinancialmonitoring@ypla.gov.uk](mailto:academiesfinancialmonitoring@ypla.gov.uk).