AUDIT • TAX • ADVISORY

Academy Advisor

Autumn 2021

Now, for tomorrow

mha

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About MHA

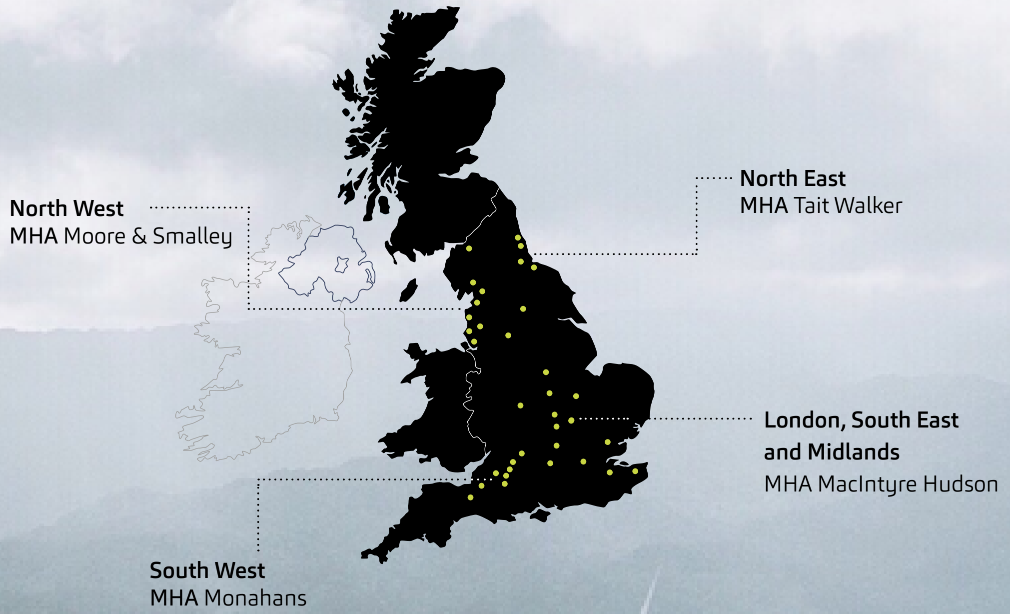
MHA is an association of progressive and respected accountancy and business advisory firms with members across England, Scotland and Wales.

Our member firms provide both national expertise and local insight to their clients. MHA members assist clients with their needs wherever they are in the UK, as well as globally through our membership of Baker Tilly International, which has a network of trusted advisors covering 145 territories worldwide.

Our Sector Approach

MHA allows clients to benefit from our in-depth sector knowledge, which adds value to the specialist services that we can provide in accountancy, audit, tax, regulatory and expert business advice.

The MHA national not for profit team have extensive experience working within the charity and education sector, acting for over 1,600 charitable and non-profit organisations, including schools, academies, independent schools, Further Education institutions and public sector bodies. As one of the three largest auditors in the sector, we are at the forefront of sector development and actively engage with the DfE, ESFA, ISBL and other sector bodies to ensure our specialist advice makes a tangible difference for our clients.



National Reach

136
Partners

1,375
Staff

£121.9m
Combined turnover

4
Independent accountancy firms

33
Offices nationwide

International Reach

148
Territories

US$4.04bn
Combined member firm revenues

An independent member of bakertilly INTERNATIONAL

37,000
Partners & Staff

Welcome to the autumn 2021 edition of Academy Advisor

As schools welcome back pupils after the summer break, the impact of Covid-19 on the education sector continues to present challenges and pressure on budgets.

With audit season well underway and Trustees' Reports being drafted, it is worth reflecting on long term strategic objectives to ensure they address issues brought on by the pandemic, such as any loss, or reduction of income from lettings and fund-raising events, increased costs to support pupils and staff with any 'catch-up' programmes as well as any wellbeing and mental health issues that require extra resources. It is also worth considering what grants your academy may be eligible for to support your strategic aims.

Now is also a good time to consider future fundraising options, as while many of the traditional PTA fundraising events were put on hold over the last 18 months, now most restrictions have been lifted, they are likely to make a comeback. Academies can boost the amounts raised through Gift Aid if their PTA is a registered charity, where qualifying donations attract an additional 25p on every £1. We have also seen a number of trusts signing up to lottery schemes to raise money, as well as shopping affiliate schemes, such Amazon Smile and Easy Fundraising, where a percentage of sales are donated to the school.

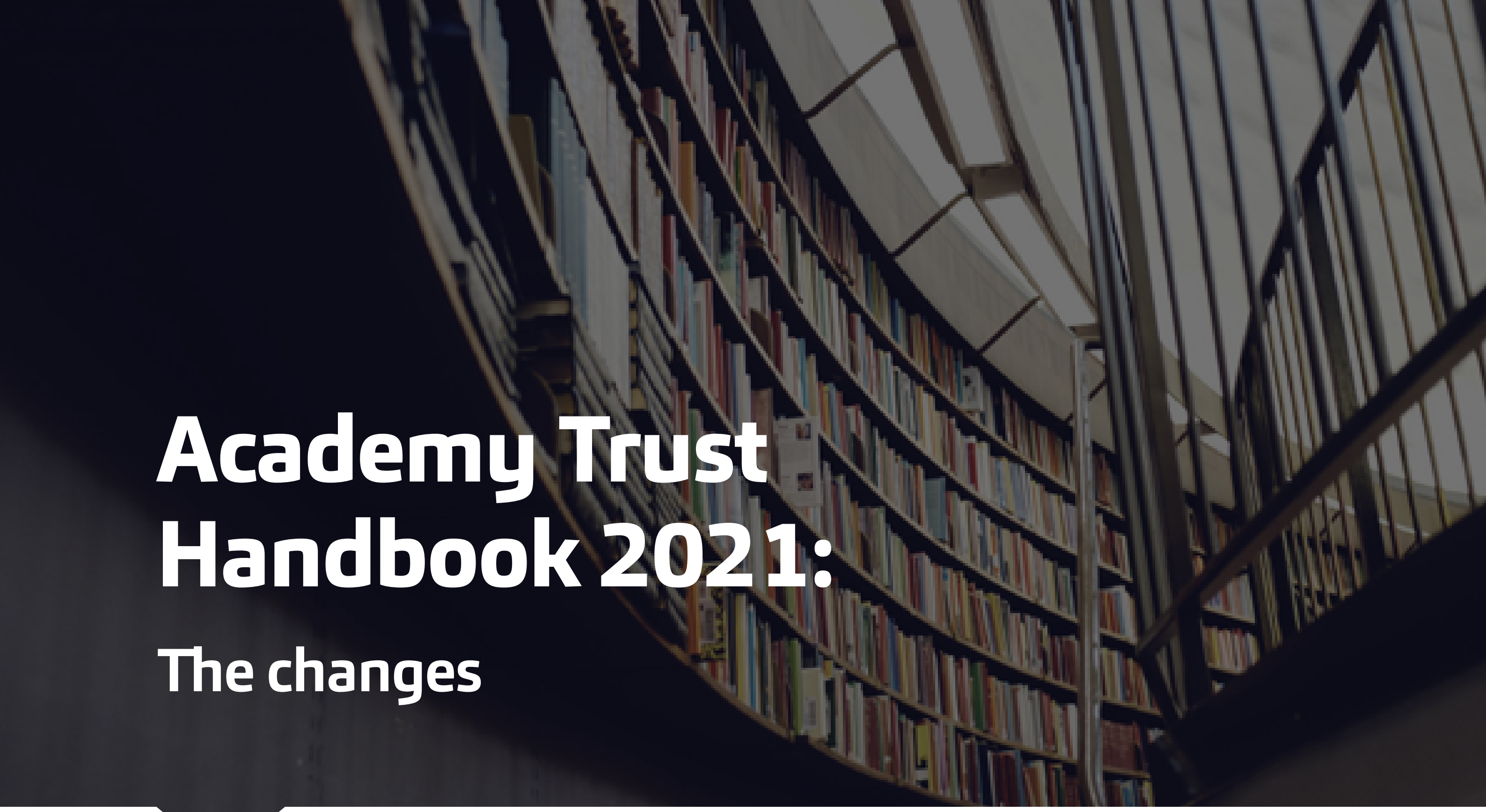
Another impact of Covid-19 has been the accelerated adoption of technological solutions, which have transformed the business side of institutions and helped to deliver education in new and innovative ways. Statutory audits last year relied heavily on remote access to finance and accounting systems, virtual meetings, limited on-site visits and the support of key personnel to provide us with sufficient and appropriate audit evidence. Some of these efficiencies will help to mitigate against the increase in costs associated with the Financial Reporting Council (FRC) revised auditing standards and the annual amendments set out in the Academy Trust Handbook and the Academies Accounts Direction, which all result in more varied and more complex audit arrangements.

As always, strong governance and financial management are essential in dealing with challenging circumstances. We can guide and support you throughout the audit process and offer assistance in areas you may have difficulty completing. Further support is also available via our MHA Trustee Hub, where you can find a wealth of free information and online resources for trustees, with downloadable templates and guides.

In the meantime, there are a number of important updates we have collated to share with you in this newsletter. If anything is unclear or if you need further advice and support, please do not hesitate to get in touch with your local office.

Best wishes
The Academy Sector Team

What's inside



Academy Trust Handbook 2021:

The changes

The new Academy Trust Handbook (formerly the Academies Financial Handbook)was published by the Education and Skills Funding Agency (ESFA) in June and comes into effect from 1st September 2021.

The change in name of the handbook aims to reflect the full range of content more accurately. At the same time, the Financial Notice to Improve is also being renamed as 'Notice to Improve' to recognise the duties on trusts that extend beyond financial oversight and points to a broader remit of intervention by the ESFA.

The full Academy Trust Handbook is available to download here

What's changed? Much of this latest edition focusses on re-emphasising points that were already in the last edition, with the key focus continuing to be on strong governance. It introduces more rigorous controls and checks, emphasising key issues to focus on and summarises wider trust responsibilities including safeguarding, health and safety and estate management. Some of the main changes are summarised here:

Going Concern (2.5, 2.8)

Trustees must take ownership of the Trust's financial sustainability and the Trust's ability to operate as a going concern. Trustees will need to consider what information they require to manage this, when and how often.

Further guidance on operating as a Going Concern was featured in our Spring / Summer 2021 edition of Academy Advisor, which you can find here. In summary, Trustees should:

- Ask the right questions
- Offer appropriate challenge to data provided by management
- Understand reserve levels
- Include longer term financial planning as integral part of budget-monitoring cycle
- Assess the future viability of the academy trust in greater depth – at least 3 to 5 years ahead
- Devise plans to address forecast issues

Auditors will require evidence of Trustees' consideration of going concern.

A good practice guide on Going Concern is available here

Key points:

Members (1.2)

(1.4) **Suitability of members**

- Trustees MUST check that members are not subject to section 128 direction prohibiting them taking part in Trust management
- Members MUST not be employees or fill unpaid staff roles on a voluntary basis - Effective from 01 March 2021. MUST have 3 members, but ideally 5
- Independent of Trustees to ensure Board of Trustees exercise effective governance
- Members MUST be informed about Trust business so they can hold Trustees to account and step in if necessary - and should receive audited accounts.

Trustees (1.9)

Must apply highest standards of conduct and robust governance

- 1.11 SHOULD reserve places for parents, carers, those with parental responsibilities. Hold elections for appointment – SAT: 2 places on Board, MAT: 2 places on Board or 2 places on local governing body - check Articles of Association
- Key priority to have strong governance in safeguarding, health & safety, estates management
- 1.15 Safeguarding duties – provides links to guidance
- 1.17 Health & safety of staff, pupils, visitors – DfE and HSE guidance and Control of Asbestos Regulations 2012 for management of asbestos in schools
- 1.20 Estate Management - safe working environment / priorities / asset management plan and estates strategy

1.23 Senior Executive Leader (AO) appointment

Can they be a trustee? -

- Only if Articles allow & members agree.
- Applies for newly appointed from 01 March 2022
- DfE strongly prefer no employee as a trustee / no trustee in unpaid voluntary staff role (except carrying out internal scrutiny)

1.36 Senior Executive Leader retirement or resignation

Trustees SHOULD approach Regional Schools Commissioner (RSC) in advance to discuss Trust structure and options including recruitment plans

1.32 Independent external review of Governance/ Board effectiveness is a strong preference by DfE

- particularly if changes in Board or governance concerns.
- Reviews should consider interaction between members and trustees, including the extent to which members are assured that trustees undertake duties effectively

Clerk to the Board of Trustees

1.49 **replacing "Clerk" with "governance professional"**

- MUST appoint a governance professional
- Someone to support the Board to comply with frameworks, independent advice on procedures, admin & organisational support. Must not be not a trustee, principal or chief executive

Disclosure & Barring Service check reminder (1.51 & 1.52)

- MUST have enhanced DBS certificates for staff and supply staff
- Members, trustees, committee members to have enhanced criminal record certificate from DBS

Remember update GIAS within 14 days of changes in Trustees and complete Academy Trust Chair suitability check application within 14 days from that date (ie all dealt with within 28 days of change). ESFA carries out check on suitability of all newly appointed Chair of Trustees on behalf of DfE.

There is further guidance on Academy trust chair suitability checks here

Register of Interests

- 5.45 MUST include relevant business & pecuniary interests of members, trustees, local governors and senior employees: Name, nature of business & interest, date started
- Directorships, partnerships, employment with business; Trusteeships and governorships at other educational and charitable organisations.

Executive Team

- 1.33 and 1.45 Accounting Officer (AO) and Chief Finance Officer (CFO) should be employees
- 1.34 Trusts MUST obtain prior ESFA approval if appointing AO or CFO who will not be an employee
- MUST assess whether CFO should have relevant qualifications
- Encourage large trusts > 3,000 pupils to consider range of accounting qualifications available from professional bodies when appointing CFO (ICAEW, ACCA, CIMA, CIPFA)

Chief Executive Officer (CFO) and Finance team

- 1.46 CFO and finance staff MUST be appropriately qualified and/or experienced ie trustees' judgment
- CFOs SHOULD maintain continuing professional development (CPD) and undertake relevant ongoing training

Key points:

Financial Requirements, include:

(2.4) **Scheme of delegation**

- No change - MUST have written scheme of delegation of financial powers that maintain robust internal controls
- Reminder – SHOULD review scheme of delegation annually and immediately when there has been a change in trust management or organisational structure

- 2.7 MUST manage and oversee assets and maintain a fixed asset register
- 2.12 Budget management MUST review pupil number estimates in revenue projections on a termly basis
- 2.13 Encourage undertaking Integrated Curriculum and Financial Planning (ICFP) to deliver best curriculum with funding available
- 2.24 MUST manage cash position & MUST avoid overdrawn bank account (cannot borrow)
- 2.35 MUST not use funds to purchase alcohol for consumption, except where used in religious services
- 2.44 MUST agree whistleblowing procedure and publish this on website
- MUST have at least one trustee and one staff member to whom concerns can be reported to

(6.8) All Trusts MUST complete School Resource Management Self Assessment Tool SRMSAT

Submit completed checklist to ESFA by specified annual deadline. The checklist for 2021 to 2022 will be available in January 2022, with the deadline yet to be confirmed in the spring.

You can access the SRMSAT here

Internal Scrutiny

- 3.1 Clarifies that internal scrutiny covers financial & non-financial controls
- 3.17 Options include: Bought in internal audit service from a firm, other organisation or individual with professional indemnity insurance. Trusts can combine any of the 4 options for delivery, but whoever carries it out should be independent, suitably qualified and experienced
- ESFA considers that the term "internal scrutiny" should be viewed in the same way as "internal audit" and the Firm providing external audit shall not also provide internal audit services to it (3.20). Trusts can use other individuals and organisations where specialist non-financial knowledge is required (3.18)
- 3.22 Describe internal scrutiny work in Governance Statement of Trustees' Report
- 3.23 Trust must submit annual summary report of areas reviewed, key findings, recommendations and conclusions to ESFA by 31 December

Audit & Risk Committee

(3.6 to 3.10) Audit Committee renamed Audit & Risk Committee

- Trusts with an income in excess of £50m MUST have dedicated audit committee, whereas those with an income less than £50m can combine with another committee.
- In each case the committee should meet at least 3 times p.a. and MUST direct programme of internal scrutiny and provide a report to the Board of the financial and non-financial control framework.
- Chair of trustees SHOULD not be chair of Audit & Risk Committee and where Finance and Audit & Risk Committees are separate, the chair should not be the same

(4.17) Job description for the Committee

5 MUSTS:

1. review external auditor's plan each year
2. review annual report and accounts
3. review auditor's findings and actions taken by the trust's managers in response to those findings
4. assess effectiveness & resources of external auditor to provide a basis for decisions by the trust's members about the auditor's reappointment or dismissal or retendering
5. produce annual report of committee's conclusions for Board & Members, including recommendations on reappointment or dismissal or retendering of the external auditor, and their remuneration.

2.32 Publish executive pay on website - expands requirement
MUST publish on website:

- Number of employees whose benefits (salary, ERs pension, taxable benefits, termination payments) exceed £100k in £10k bandings. It can be put in tabular format and should include any off-payroll worker whose benefits exceed this amount.

2.38 MUST manage risks and MUST maintain risk register

- Trustee Board MUST have responsibility for risk management, covering full operations and activities (not just financial) and the Board itself MUST review the risk register at least annually. Other committees may also provide input.

You can find the Academy Trust Risk Management good practice guide here

2.51 Governance documents available for public inspection (i.e. if someone asks, Trusts need to be able to provide)

- Reminder of MUST requirements: Agenda of every Board, local governors and committee meetings
- Approved minutes of each meeting; Any report, document or other paper considered at each meeting

Annual Accounts & External Audit

- 4.5 Appointment of external auditors: recommends Trusts SHOULD re-tender external audit contract at least every five years and MUST consider relevant points in 4.17 when evaluating.
- 4.17 MUST assess effectiveness and resources of external auditor, to provide a basis for decision by members about auditor re-appointment, dismissal or retendering. Considerations may include:
    - auditor sector expertise
    - understanding of Trust and activities
    - whether audit process allows issues to be raised on timely basis at appropriate level
    - quality of auditor comments and recommendations on key areas
    - authority, knowledge and integrity of audit partner and staff to interact effectively and robustly challenge trust's managers
    - use of technology

You can find the good practice guide to choosing an external auditor here

Delegated authorities

5.12 Prior approval for staff severance payments > £100k

Trusts MUST obtain prior ESFA approval before making staff severance payment where:

- Exit package including special severance payment is at or above £100k; and/or
- Employee earns over £150k

to comply with HM Treasury's Guidance on Public Sector Exit Payments

6.5 Investigations: third party documentation - new requirement

ESFA may wish to obtain information / documentation from third parties if they have concerns about financial management and / or governance. Trusts MUST provide ESFA with written authority giving permission for any third party to provide such information to ESFA if requested.

6.16 and 6.17 Cybercrime

Cyber security is the way in which Trusts protect their computer systems, including: hardware, software and data, from unintended or unauthorised access, change or destruction; and reduce the risk of becoming victims of cyber attack – new requirements:

- MUST be aware of risk of cybercrime, have proportionate controls, take appropriate action when incident occurs
- MUST obtain ESFA permission to pay any cyber ransom demands (ESFA does not encourage, endorse or condone payments)

Further guidance on Cyber Crime was featured in our Spring / Summer 2021 edition of Academy Advisor, which you can find on our webiste: https://mha-uk.co.uk

The guide to cyber crime & cyber security for education providers can be found here

6.18 to 6.22 ESFA Intervention powers. Change of name: Notice to Improve (NtI)

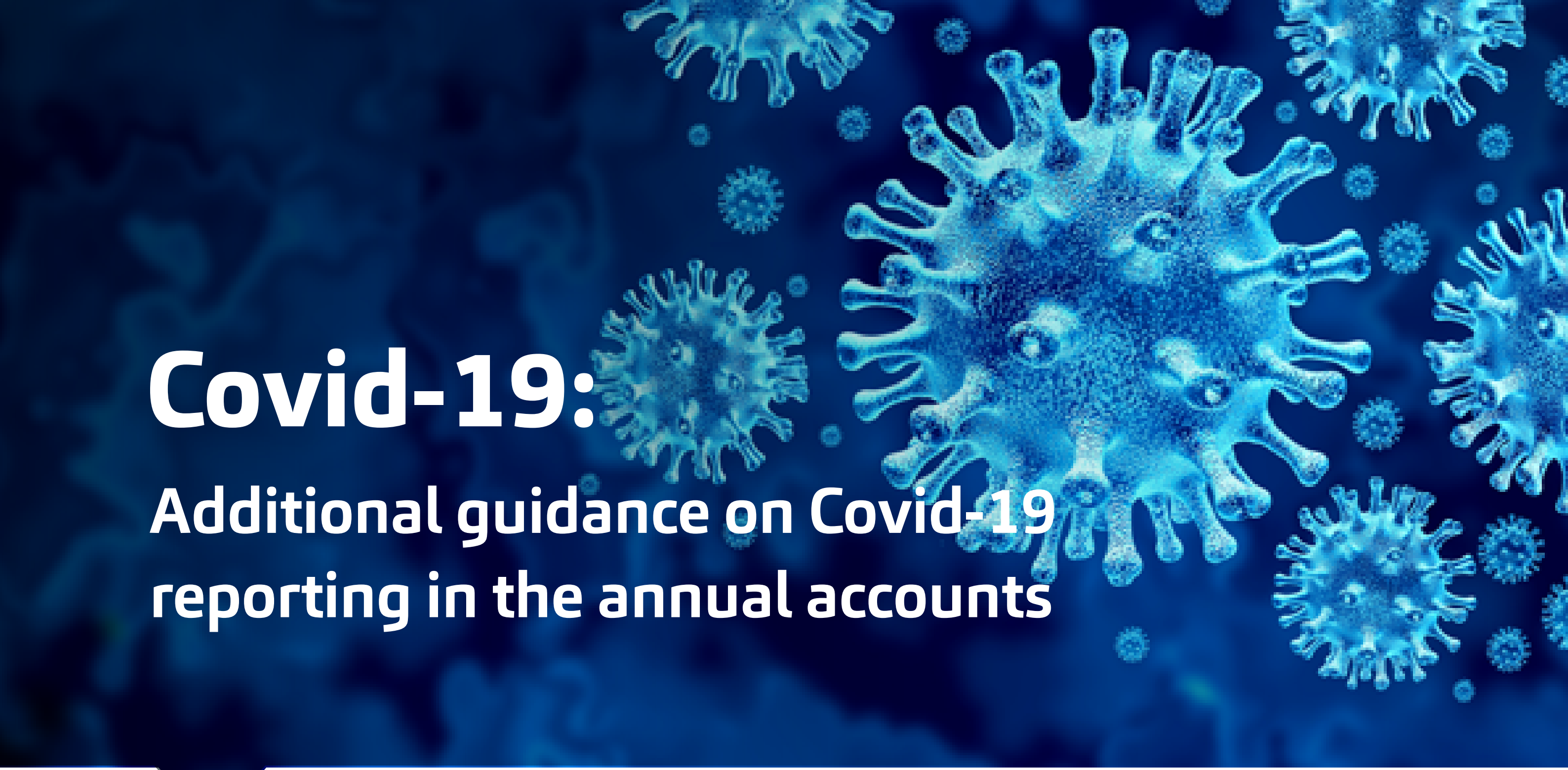
Reminder about reasons and implications of ESFA intervention due to financial management and / or governance issues - eg

- Actual or projected deficit
- Cash flow problems
- Insolvency risk
- Irregular use of public funds
- Inadequate governance and management (weak oversight / poor internal scrutiny / breaches of related party requirements

Trust MUST publish NtI on website within 14 days and retain until lifted, and delegated authorities are revoked until Notice lifted.

ESFA guidance on Notice to Improve can be found here

If you would like further advice about any of the changes in this latest version of the Academy Trust Handbook, please contact your local advisor.



Covid-19:

Additional guidance on Covid-19 reporting in the annual accounts

Trustees may find the following guidance useful when considering the full range of impacts of Covid-19, both positive and negative on the trust in the Annual Report.

The Charities SORP Committee has issued advice on the financial reporting implications that may arise from the measures put in place to contain the impact of the COVID-19 virus. The advice does not amend the SORP, is advisory in nature and aims to assist the preparers, auditors and examiners of accounts. It is relevant to academy trusts as charitable companies.

The advice states that trustees will need to consider the impact on the financial statements as a result of the changing activities of the charity itself. Trustees will also be aware that it will be important to provide users of the accounts with information about the material decisions they have had to take on judgements and uncertainties.

Further guidance is available on the Financial Reporting Council website here:

www.frc.org.uk/covid-19-guidance-and-advice

You can also contact your regular advisor or local office if you have any questions.

The following list is based on the advice and covers areas trustees may wish to consider when preparing their trustees' report (referencing relates to SORP paragraphs).

- In reporting the main achievements of the academy trust (paragraph 1.20) explain how the virus control measures affected activities
- Take the opportunity to explain any financial uncertainties regarding the academy trust's financial sustainability and consideration of going concern (paragraph 1.23) along with the steps being taken to address these uncertainties
- Explaining how the contribution of volunteers, where appropriate, assisted the academy trust in its work in managing in the changed circumstances (paragraph 1.39)
- The impact on the academy trust's ability to fundraise (paragraph 1.41) and how the trustees managed this situation
- How the outbreak of the virus has affected staff, volunteers and beneficiaries (such as the academy trust's pupils) and the implications for the academy trust's operations and activities for the coming year (paragraph 1.45)
- How the financial and operational effects of the virus and the control measures relating to the virus affected the principal risks and uncertainties facing the academy trust during the reporting period (paragraph 1.46)
- Give consideration whether there are any implications for any existing or potential defined benefit pension liability (paragraph 1.47) and investments the academy trust holds (paragraph 1.47)
- Consider any impact on the academy trust's reserves policy, level of reserves and any change to funds set aside for future commitments (paragraph 1.48)
- Consider the likely impact of the virus control measures and potential duration of the control measures on the future aims and activities of the academy trust (paragraph 1.49)
- The impact of the virus-related control measures on any wider network of which the academy trust is a part and how this affects the academy trust's operations (paragraph 1.51)

Business interests & related parties

It is a requirement of the AFH 2020 that a register of interests must be maintained and must capture relevant business and pecuniary interests of members, trustees, local governors and senior employees.

Section 5.44 goes on to state specifically that this would include:

- directorships, partnerships and employments with businesses
- trusteeships and governorships at other educational institutions and charities
- for each interest: the name and nature of the business, the nature of the interest and the date the interest began.

This raises a concern for some Trusts that this might result in a related party relationship leading to a lot of additional work seeking ESFA approvals. This is particularly the case in a Church Trust where a Diocesan representative may be involved in several other Trusts or similarly where there is a Partnership/Alliance entity which has several directors who are Heads of different Trusts.

It is important to note that just because an individual is a trustee or director of another entity this does not necessarily mean that they are a related party. The AFH cross refers to a comprehensive definition in the Charity SORP appendix 1 and also to the AAD. The AAD states specifically that the ESFA is not a related party simply by virtue of the funding it provides. The Charity SORP appendix is probably however a more useful and complete list and a useful guide to have to hand.

The Charity SORP definition states clearly that "A charity is not necessarily related to another charity simply because a particular person happens to be a trustee of both. It will only be 'related' if the relationship means that one charity, in furthering its charitable aims, is under the direction or control of the trustees of another charity.'

Taking these examples:

1. a Diocesan representative is a board member of a MAT and therefore also a trustee of the Diocesan Education Board and possibly a board member of other church academy trusts
2. the Accounting Officer of a MAT is a director of an education partnership with accounting officers from other academy trusts

Business and pecuniary interests: in both these scenarios these directorships/trusteeships should be disclosed to the Trust on the Business and pecuniary interest register and disclosed on the Trust website.

Related party status: in both these scenarios, the particular facts would need to be taken into account. The related party list includes the following:

- an entity that is controlled or jointly controlled by one or more persons identified as a related party [which would include individuals who are trustees, local governors or senior employees of the trust]
- an entity where one or more persons identified as a related party has a substantial interest or significant influence [which would generally mean that have more than 20% of the voting power of that entity]

In example one, it would be rare for the Diocese or another church academy trust to be related unless there were several representatives on the board.

In example two, we have seen situations where three Trusts have come together to set up an alliance as a company. If there are fewer than 5 directors then this would fall to be a related party both for the purposes of accounts disclosure and also for ESFA approvals if the thresholds are reached.

To ensure that you are fully compliant we recommend that you review paragraphs 5.44 and 5.45 for declarations relating to business and pecuniary interests and the Charity SORP definition list for related parties.

ESFA updated its compliance guidance on Related Party Transactions: information for academy trusts on 1 September 2021, and includes summary guidance, an online form to declare or seek approval, a glossary of terms, and a checklist of evidence needed to seek approval.

Internal scrutiny

The 2019/20 Annual Summary Internal Scrutiny reports were required alongside trusts audited financial statements and management letters by 31 January 2021.

These reports must contain information on the areas reviewed, key findings, recommendations and conclusions and are intended to provide the Accounting Officer with the required evidence to enable them to sign-off their statement on regularity, propriety and compliance and inform the Board's annual governance statement.

There is significant flexibility afforded to trusts who are encouraged to take a more risk-based approach to internal scrutiny, which can make it difficult for the audit committee to be confident that the level of internal scrutiny work undertaken is sufficient.

A review by ESFA's Provider Market Oversight team found that 4% of trusts had not submitted an annual summary report and a further 10% of submitted reports did not meet the minimum requirements set out in the Academies Financial Handbook, with the main reason cited as the impact of Covid-19.

Examples of documents submitted that were deemed non compliant were:

- An extract copied from the governance statement taken directly from the accounts
- An extract from the management letter
- A visit report on a specific area or a general update
- Minutes from an audit committee meeting

Depending on the size, structure and complexity of the trust, academies can choose between:

- Employing an in-house internal auditor
- Buying in internal scrutiny services as a supplementary programme of work separate from the external audit
- Appointing a non-employed trustee with relevant skills
- Appointing the CFO (or member of the finance team) of another Academy Trust to undertake a peer review

Whichever option is most suitable for your trust, you should ensure those carrying out the programme of work are suitably qualified and / or experienced in the financial management of schools and are fully aware of the reporting requirements.

Please get in touch with your regular adviser or local office if you would like to discuss the options available in more detail.

VAT Property Pitfalls –

The development of sports facilities

Earlier this year, the Department for Education allocated £10 million to help schools use their sports facilities to provide children with more sporting opportunities and generate additional income for schools.

For VAT purposes, sports facilities are defined as facilities that are designed or adapted for playing any sport or taking part in any physical recreation and include 3G sports pitches, football pitches, swimming pools, gymnasiums and general halls hired out with equipment such as racquets and nets.

For VAT registered academies which are intending to create new sports facilities or refurbish existing ones in order to improve their physical education facilities, there are two main VAT areas to consider:

- The VAT liability of the income that will be received from the hire of the facilities
- The amount of VAT that can be recovered on the development costs

In terms of generating income, fees charged by an academy to the users of its sporting facilities will normally be subject to VAT at the standard rate. However, there are some exceptions, and the following supplies are VAT exempt:

1. The hire of a sports facility to a club association, school or organisation representing affiliated clubs for a series of 10 sessions when certain conditions are met.
2. The hire of a sports facility for a period of continuous use exceeding 24 hours.
3. The hire of a sport facility to an individual if the academy meets the definition of an 'eligible body' for the purposes of the VAT sporting exemption.

Academies may consider encouraging clubs and associations that hire its facilities on a weekly basis to make block bookings so that the VAT exemption can apply since most clubs will be unable to recover any VAT charged.

However, in terms of VAT recovery, whilst VAT registered academies are able to recover VAT incurred in respect of taxable activities (standard-rated supplies) and non-business activities (free supplies of education), VAT incurred which relates to VAT exempt activities is not normally recoverable unless it is below certain 'de-minimis' limits.

Where an academy incurs VAT on the development of a sports facility, from which it will generate both taxable and exempt income it will need to apply a partial exemption method in order to calculate the proportion of VAT on its construction or refurbishment costs that is allocated to exempt activities and likely to be non-recoverable.

In addition, if the expenditure on a new sports facility is more than £250,000 plus VAT, the Capital Goods Scheme (CGS) also needs to be considered. For most purchases, VAT recovery or reclaim depends on how the purchase is used in the VAT year of purchase and no adjustment is made for any subsequent change of use. For 'capital items' the initial VAT recovery or reclaim is adjusted, usually over a period of 10 years. For capital items purchased or created by a VAT registered academy, the percentage of taxable and non-business use in the VAT year of purchase or first use is used for the initial VAT recovery / reclaim. This percentage is referred to as the baseline percentage. In each of the next 9 years, the percentage of taxable and non-business use is calculated. If this percentage is above the baseline percentage, VAT can be claimed back from HMRC and if this percentage drops below the baseline percentage VAT must be paid to HMRC.

To avoid the requirement to carry out partial exemption calculations and CGS adjustments, there is an opportunity to "opt to tax". This planning measure can help recover additional VAT incurred on costs by converting exempt lettings into standard rated supplies. That said, academies must think carefully before opting to tax because once an option to tax has been made it lasts for at least 20 years and VAT must also be charged on block bookings and on lets of more than 24 hours which is not always entirely beneficial.

There will also be challenges for non-VAT registered academies which have not been within the scope of this article, but they may be different. Non-VAT registered academies will only be entitled to reclaim VAT to the extent that the sports facility is used for their non-business activities. They may also need to consider if the additional taxable income generated may force them to VAT register because their turnover will exceed the registration threshold. Academies not wishing to VAT register may need to consider alternative options such as the use of a separate trading company.

In summary, the development of sport facilities by VAT registered academies needs careful consideration for VAT purposes. In order to minimise costs, academies will naturally want to keep irrecoverable VAT to a minimum but at the same time they may need to finely balance this against the fact that they may also wish to avoid increasing the cost of their supplies to their users. Please get in touch for further advice.

Sustainability in schools

The DfE estimate that schools account for around 2% of the UK greenhouse gas emissions, which is equivalent to 15% of the country's public sector emissions. This is made up of the energy used in school buildings, travel to and from schools by staff and pupils (as well as journeys undertaken on school business), emissions produced by companies that supply goods and services to schools and also emissions from waste produced by schools.

Consumers, supply chains and organisations across all industries and sectors are starting to consider the environmental and social impact of purchasing decisions and while financial savings are usually the principle catalyst for developing procurement strategies, schools can also ensure their purchasing decisions help to reduce their carbon footprint, which will have a positive impact on the environment, potentially lower costs and inspire their students.

*** "Large" is defined as meeting two or more criteria in two consecutive financial years:**

- **Gross annual income > £36m**
- **Gross (total) assets > £18m**
- **> 250 employees**

The 2018 Regulations for policy on **Streamlined Energy and Carbon Reporting (SECR)** led to a new statutory element of the Trustees' Report being introduced in the 2019-20 AAD, applicable to large companies* who consume > 40,000 kWh of energy in a reporting period.

This requirement aims to:

- increase awareness of energy costs within organisations;
- provide them with data to inform adoption of energy efficiency measures and;
- help them to reduce their impact on climate change

Sustainability, environmental factors and social considerations are all likely to come under closer scrutiny in future, as the Government pledges to make this the 'greenest government ever', with far-reaching plans to protect the environment, tackle climate change, reduce carbon emissions and promote sustainability.

Key areas to consider:

Focus on Energy Efficiency

- Undertake a cost benefit analysis for any investment in renewable technology, such as where excess electricity is fed back to the grid
- Consider interest free government funding for long term projects than can be paid back through energy savings. For example, one trust have recently replaced over 1000 traditional light fittings with energy efficient LEDs, which they anticipate will generate a cost saving of over £20,000 per year, which will be used to pay back the government interest free loan over 7 years. They expect this upgrade will also result in an energy saving of around 180,000 kWh per year.

- Implement a 'switch off' policy for all water & energy using appliances when not in use
- Upgrade building systems and heating controls if they are coming close to the end of their serviceable life to save energy and improve efficiency
- Use energy efficient lighting
- Install smart meters to help identify how much energy is used and when

Plan ahead

Through planning you are more likely to get the best deal while considering sustainable factors on any purchase. Consider:

- Is the purchase necessary?
- What alternatives may be available, such as sharing or leasing equipment or services?
- Are you avoiding peak buying periods and therefore higher costs?
- Could you gain from economies of scale by delaying short-term purchases and bundling together goods from the same supplier to cut down delivery costs?

Buy energy efficient and sustainable consumer goods

Routine purchases that favour the most environmentally friendly options can have a big impact, such as:

- recycled paper and stationery
- cleaning products with lower environmental impacts
- Energy efficient office machinery and kitchen equipment
- Fuel efficient vehicles and water efficiency equipment.

Don't buy unless necessary

- Check what may already be available, many parents or local businesses will have surplus stationery and equipment such as unused computer monitors and keyboards, paper, unused pens, staplers, highlighters and other supplies they would be happy to donate rather than throw away
- There may be scope for a regular request in newsletters for items the school needs that not only saves the school money but also reuses items that would otherwise find their way into landfill.

Sustainable procurement should be about focusing your efforts on areas of greatest potential impact over time, not spending hours trawling through quotations to save insignificant amounts.

Procurement decisions should focus on cost, quality, durability, future running costs, management, as well as eventual disposal, so developing procurement expertise will improve efficiency and effectiveness.

If you would like further advice about sustainability or reporting requirements please contact your local advisor.

MHA Academy Webinar downloads

If you missed any of our 2021 series of Academy Webinars for School Business Managers, the Senior Leadership Team, Trustees and those responsible for finance & governance matters, you can view them here:

Academies Trust Handbook

- What's changed in the latest update
- Roles and responsibilities
- Main financial and governance requirements
- Delegated authorities
- Internal Scrutiny v Internal Audit

Download Here

Academy Accounts Direction

- Outline of requirements
- What's changed in the latest update
- Disclosure information
- Clarifications
- What we need from you

Download here

Internal Scrutiny

- Options for Internal Scrutiny available following the FRC revised Ethical Standard (from 1 Sept 2020)
- Risk and Control Framework
- Undertaking the Internal Audit Needs Assessment
- Practical examples & outcomes

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ESFA Chart of Accounts

- Better financial reporting programme (BFRP)
- Standardised Chart of Accounts (SCoA)
- Compatible financial systems
- Options for implementation

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Academy VAT Update

- VAT registration requirements
- Difference between business and non-business activities
- Taxable and exempt supplies
- How VAT recovery is calculated using partial exemption methods

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Dates for the diary

A full list of submissions is provided below:

Description	Deadline
Audited End of Year Certificate (EOYC) for Teachers Pensions	30 September 2021
Land & Buildings Collection Tool	09 November 2021
Financial Statements, auditor's management letter/audit findings, accounts submission coversheet online	31 December 2021
Internal Scrutiny summary report	31 December 2021
Academies Accounts Return (AAR)	25 January 2022
Budget forecast return outturn (BFRO)	17 May 2022
Budget forecast return 3-year (BFR3Y)	26 July 2022

The table reflects the reinstatement of the BFRO for 2022, this return having been suspended for the previous two years as a result of the pandemic.

The ESFA will publish the list of Trusts which do not submit two or more returns on time on GOV.UK Throughout the year ESFA are likely to issue further updates on guidance or submission dates, so do refer to their website, and check the Academy Annual Calendar which is published on the ESFA website.

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