



Education & Skills
Funding Agency

Academies Accounts Direction 2020/21

Supplementary bulletin

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Part 1: Introduction

- 1.1 This supplementary bulletin to the [Academies Accounts Direction 2020 to 2021](#) (AAD), and its supporting [Framework and Guide for External Auditors and Reporting Accountants of Academy Trusts](#) (Auditor Framework and Guide) and [model accounts](#), introduces a small number of additional requirements which academy trusts **must** comply with.
- 1.2 This bulletin has the **same status** as the AAD – it is mandatory for all types of academy trust with a funding agreement with the Secretary of State and an open academy at any point during the accounting period. The two documents should be read in conjunction with each other. This bulletin does not change any of the requirements of the AAD or Auditor Framework and Guide.
- 1.3 As well as introducing additional requirements, the bulletin provides guidance to trustees, accounting officers, their external auditors and reporting accountants on matters arising from the COVID-19 pandemic which may impact on the 2020/21 accounts.
- 1.4 ESFA recognises the challenges which all academy trusts have continued to face in dealing with the COVID-19 pandemic since the start of the year. ESFA also appreciates that external audit teams will again consider the implications and impact of COVID-19 in their risk assessments prior to the start of their audit work.
- 1.5 The continuing challenges of COVID-19 mean that ensuring and maintaining strong financial governance remains as important as ever.
- 1.6 Part 2 of this bulletin is primarily aimed at academy trust external auditors and reporting accountants, whereas parts 3 to 5 and Annex A are primarily aimed at academy trusts. However, all parts of the bulletin may be of interest to each of these groups.

Part 2: Regularity and audit implications of COVID-19

Regularity review and report

- 2.1 The scope of the regularity review remains unchanged – it should cover, at least, income (including any new COVID-19 funding) and expenditure, as well as the areas suggested in section 4 of the Auditor Framework and Guide. ESFA is not seeking any additional assurance from reporting accountants and has not removed any existing guidance.
- 2.2 The work of the reporting accountants on regularity (as well as the external auditors on the financial statements) remains key to the ESFA's overall assurance

framework. Therefore, the format of the regularity statement published in the AAD is unchanged from previous years.

- 2.3 ESFA has published its [analysis of irregularity](#) within academy trust accounts, and also listed the common themes in part 4.1 of the Auditor Framework and Guide.

Procurement policy notes and value for money

- 2.4 Procurement policy note [\(PPN\) 04/20](#), supported by [additional DfE guidance](#), set out information and guidance for public bodies on payment of their suppliers to ensure service continuity during the pandemic. The PPN expired on 31 October 2020. Following the expiration of the PPN, Department for Education (DfE) published [further guidance](#) in February 2021 to help schools (including academy trusts) understand how they should support suppliers through the pandemic.
- 2.5 Academy trusts should note that whilst Managing Public Money prohibits payment in advance of need in the absence of HM Treasury consent, HM Treasury has granted consent for such payments (with limits) where the academy trust's accounting officer is satisfied that a value for money case is made by virtue of securing continuity of supply of critical services in the medium and long term. Examples of such costs for academy trusts are catering costs and exam board fees.
- 2.6 Reporting accountants should take account of the requirements of the PPN and the applicable guidance so that they can decide whether the application of these documents has any implications for their report on regularity.
- 2.7 Accounting officers **must** reflect where they have acted to support suppliers during the pandemic in their value for money review in the governance statement. They should also explain any situations where COVID-19 has adversely impacted on value for money, if applicable.

Auditor and reporting accountant judgement

- 2.8 The implications of COVID-19 for the external audit opinion and regularity report are a matter of the professional judgement of each auditor and reporting accountant.
- 2.9 They will take account of a range of factors in determining the implications for their assignment and any further audit work necessary. These may include:
- **Capacity:** how significantly were the governance and control arrangements, staffing levels and operations of the academy trust affected by COVID-19 this year? If the academy trust adapted the way in which it operated, did it do so in

a way which paid due attention to the principles of effective financial control and governance, including the Academies Financial Handbook?

- Proactivity: at what point was this issue identified by the academy trust? For example, did it seek ESFA or DfE guidance in advance, if appropriate? Did it consult with its external auditors or any other academy trusts in similar situations?
- Reaction: did the academy trust attempt to take retrospective or redressive action after the event (if appropriate)?
- Evidence: has the academy trust continued to retain and document a trail of its decision-making process, despite periods of remote working? This trail should include the rationale for the decision and details of those employees and trustees involved.

Part 3: Annual report disclosures

- 3.1 Whilst COVID-19 matters will appear in many of the same sections in the annual report as in 2019/20, academy trusts should consider whether additional or different disclosures are required to reflect the challenges in 2020/21.
- 3.2 In addition, ESFA has reviewed the disclosures made in academy trust accounts in 2019/20 relating to the impact of COVID-19 and considers the following points to be of particular relevance to their accounts in 2020/21:

In the trustees' report

- The Academies Accounts Direction 2020/21 (paragraph 2.14) has provided greater clarity on, and highlighted the importance of, the financial review section of the trustees' report. Trustees should explain here how COVID-19 has impacted on the financial performance of the trust (including, but not limited to, any impact on the academy trust's reserves policy, level of reserves and any change to funds set aside for future commitments). In addition, academy trusts should explain how any extra COVID-19 funding received has been deployed.
- Academy trusts should explain any financial uncertainties regarding their financial sustainability and consideration of going concern and should state the steps being taken to address these uncertainties. This is also relevant to any non-educational activities e.g. trading activities carried out via a subsidiary of the trust. Academy trusts are reminded that their accounting policies note in the financial statements should provide more information on the rationale

behind the going concern assessment.

In the governance statement

- Academy trusts should consider the effect of COVID-19 on their governance arrangements during the year and ensure the content of the governance statement accurately reflects the suitability and effectiveness of its risk and control framework.

In all sections of the annual report

- Academy trusts will want to consider the full range of impacts of COVID-19, both positive and negative, on the trust.

3.3 Further to the above, the Charities SORP Committee has published [advice on the financial reporting implications](#) that may arise from the measures which have been put in place to contain the impact of COVID-19. 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.

3.4 The Committee has also provided some examples of [accounts](#) for charities affected by the pandemic, which academy trusts may find helpful.

Part 4: Financial support for COVID-19

COVID-19 funding disclosures

4.1 Auditors of academy trusts will, as in any other year, have a role in providing assurance over funding received by academy trusts to ESFA. During 2020/21 academy trusts may have been eligible to receive funding provided by DfE (including ESFA) related to COVID-19. Where material, external auditors will, in line with International Standards on Auditing, perform a risk assessment of these funding streams and will note the eligibility criteria, which may be unique to each funding stream. For regularity reviews, reporting accountants will assess whether funding received has been used for the purposes intended.

4.2 The main COVID-19 funding streams are listed in [Annex A](#), along with a brief description of their application. Basic accounting principles for recognising income and expenditure apply to these funding streams, but additional disclosures are required within the financial statements of academy trusts for some of these.

4.3 Where a trust has been eligible to receive one of the following funding streams, **regardless of materiality**, it **must** separately disclose the amounts received within note 4 (funding for the trust's educational operations):

- Catchup premium

- Coronavirus Job Retention Scheme

An example of how this may be shown is provided in italics in paragraph 4.5 below.

4.4 The trust **must** also disclose the funding received, as well as the total costs incurred in respect of these funding streams, as a footnote disclosure as shown in italics below:

4.5 Note 4. Funding for the academy trust's educational operations

	Unrestricted Funds £000	Restricted Funds £000	2020/21 Total £000	2019/20 Total £000
DfE / ESFA grants				
General Annual Grant (GAG)	-	4,500	4,500	4,257
Other DfE/ESFA grants				
UIFSM		45	45	52
Pupil Premium		40	40	40
Others		-	-	-
Other DfE Group grants	-	-	-	-
	-	4,585	4,585	4,349
Other Government grants				
Local authority grants	-	-	-	-
Special educational projects	-	-	-	-
Other income from the academy trust's educational operations	-	-	-	-
COVID-19 additional funding (DfE/ESFA)				
Catch-up premium	-	250	250	-
Other DfE/ESFA COVID-19 funding	-	20	20	-
COVID-19 additional funding (non-DfE/ESFA)				
Coronavirus Job Retention Scheme grant	-	80	80	-
Other COVID-19 funding	-	-	-	-
	-	4,935	4,935	4,349

- *The academy received £250k of funding for catch-up premium and costs incurred in respect of this funding totalled £200k, with the remaining £50k to be spent in 2021/22.*

- *The academy furloughed [some of] its [insert roles furloughed e.g. catering, boarding] staff under the government's CJRS. The funding received of £80k relates to staff costs in respect of [x] staff which are included within note 10 below as appropriate.*

4.6 There is no need to separately disclose or split out the costs incurred as a

separate line in notes 7, 9 and 10 (of the model accounts) respectively.

- 4.7 There is no need to separately disclose COVID-19 funding streams other than those named in paragraph 4.3 unless they are material. Where not material, they should be shown under “Other (DfE/ESFA) COVID-19 funding” or “Other COVID-19 funding”, as appropriate.
- 4.8 Any unfunded exceptional or COVID-19 related costs are not required to be separately disclosed unless they are part of a material expenditure heading. However, academy trusts are free to disclose such costs within the accounts where it may be helpful to readers.
- 4.9 The disclosures and groupings of COVID-19 funding in note 4 must be replicated in the first funds note (note 20 in the model accounts). The extract below shows note 20 updated to reflect those additional funding streams disclosed above, again in italics.
- 4.10 Note 20 Funds

	Balance at 1 September 2020 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2021 £000
Restricted general funds					
General Annual Grant (GAG)	98	4,500	(4,175)	(10)	413
UIFSM	-	45	(45)	-	-
Pupil Premium	-	40	(40)	-	-
<i>Catch-up premium</i>		250	(200)	-	50
<i>Other DfE/ESFA COVID-19 funding</i>		20	(20)	-	-
<i>Coronavirus Job Retention Scheme grant</i>		80	(80)	-	-
<i>Other COVID-19 funding</i>	-	-	-	-	-
Provision for boarding	-	-	-	-	-
Other grants	-	297	(246)	-	51
Pension reserve	(1,054)	-	(40)	(319)	(1,413)
	(956)	5,232	(4,846)	(329)	(899)

Free school meals support

- 4.11 Where academy trusts have participated in the national [free school meals voucher scheme](#), they have acted as a facilitator for the distribution of vouchers from the scheme provider to the parents of eligible pupils. Academy trusts will not have incurred any exceptional costs or received any additional funding in respect of this scheme. No additional disclosure is required in the financial statements in respect of this scheme. However, trusts may choose to include some narrative around their involvement in the scheme as part of their trustees’ report.

4.12 Where academy trusts, or their constituent academies, have claimed [additional costs for the periods of restricted attendance](#), the accounting principles referred to in paragraph 4.2 and the disclosure requirements set out in paragraph 4.7 apply.

Other funding

4.13 This bulletin does not cover funding announced by DfE for 2021/22 such as funding for tutoring for children and young people to help them catch up on learning lost during the pandemic and for training and support for teachers.

Part 5: Other COVID-19 accounting matters

Accounting for laptops and other devices

- 5.1 During the year academy trusts may have received laptops and other devices to support disadvantaged children to access remote learning.
- 5.2 The [DfE scheme](#) has distributed a number of devices, and ESFA is also aware of other schemes to provide devices such as those operated by local authorities or by third party donors. The terms of each of these schemes may be different from the DfE scheme and from each other.
- 5.3 Whilst it is not possible to provide a method of recognition and accounting for every set of circumstances, the following points will be useful to academy trusts when determining the appropriate accounting treatment for these arrangements.
- 5.4 The process for accounting for these items should be determined initially by whether the academy trust is acting as principal or agent in the transaction. This is covered by the SORP (Chapter 19).
- 5.5 When acting as an agent, a trust has no discretion about the use to which the laptops received are put. As principal, however, the trust will have allocation discretion. Trusts may find it helpful to review the terms and conditions of the scheme, including any documentation, in determining this.
- 5.6 Where acting as an agent, the disclosure requirements are covered by paragraph 3.125 of the [Academies Accounts Direction](#).
- 5.7 Where acting as principal, the trust should determine whether the laptops are lent or donated to the recipient.
- Where the trust has lent the devices, it should consider whether the risks and rewards of ownership of the devices remain with the trust. If so, it will be, subject to its own capitalisation policies, classed as a (fixed) asset of the trust and depreciated in line with its own depreciation policy.

- Where the trust has given the devices to children or to other organisations, the [Charities SORP](#) (paragraphs 6.23 - 6.26) should apply. Once distributed out of the trust, the devices should no longer be recognised as stock, with the expense recognised in the SOFA. This should follow on from the previous accounting entries when the devices were initially delivered into the trust, when they were recognised as stock and the corresponding income recognised within donations.

5.8 When considering the amount at which to recognise transactions relating to the devices in their accounts, academy trusts should have due regard to the income recognition criteria of the SORP (paragraph 6.6) which says that such items should be measured at the fair value or value to the trust of the donated item. It is not expected that trusts will find it difficult to source an estimated figure for the value of the devices but, due to this estimation, trusts should be able to justify the rationale and value applied.

FRS 102 amendment

5.9 In October 2020 the Financial Reporting Council issued an amendment to FRS 102 surrounding the accounting for COVID-19 related rent concessions on operating leases. The amendment was then [extended](#) in June 2021. The effective date for this amendment is accounting periods beginning on or after 1 January 2020 so, if relevant, this amendment is applicable to most academy trusts for the first time in their financial year beginning 1 September 2020.

5.10 The amendment requires academy trusts to recognise changes in operating lease payments due to COVID-19 on a systematic basis over the periods that the change in lease payments is intended to compensate.

Part 6: Further guidance

6.1 Additional guidance in respect of the impact of COVID-19 on academy trusts' accounts may be issued by ESFA where necessary.

Annex A: Main sources of COVID-19 funding in 2020/21

This is not intended to be a comprehensive list of all funding streams available to Academy trusts, but lists the main funding streams. The funding source for each is DfE/ESFA unless otherwise stated.

Funding stream name	Brief description	Link to further guidance
Catch-up Premium	<p>A one-off universal catch-up premium for the 2020/21 academic year to support children and young people to catch up lost time after school closure.</p> <p>Allocations from the catch-up premium are calculated on a per pupil basis, using census data, in line with the general annual grant (GAG).</p>	Catch-up premium
National Tutoring Programme	<p>Funding to provide additional, targeted support for those children and young people who need the most help through access to, amongst other things, academic mentors and tutors.</p> <p>Allocations are calculated as per the catch-up premium above.</p>	National Tutoring Programme
COVID-19 Workforce Fund	The fund covers support for schools meeting the criteria to help them meet the cost of covering workforce absences.	Workforce fund
COVID-19 exceptional costs funding	Exceptional costs associated with COVID-19 for the period from March to July 2020, up to a limit based on the number of pupils in the school and subject to financial performance criteria.	Exceptional costs
COVID-19 Mass testing funding	<p>Some academy trusts were allocated funding under the National Testing Programme to support them with the costs incurred conducting on-site testing.</p> <p>Trusts could also submit claims to cover exceptional costs as a result of the</p>	<p>Testing: grant funding</p> <p>Testing:</p>

	<p>National Testing Programme which exceed the formulaic allocation, for example premises-related costs.</p> <p>Please note: As the Department of Health and Social Care is the source provider of this funding, it should be categorised as “non-DfE/ESFA COVID-19 funding” for the purposes of disclosure in the accounts. This will be of particular relevance to the notes shown in paragraphs 4.5 and 4.10 above.</p>	exceptional costs guidance
Summer schools programme fund	Funding to deliver face-to-face summer schools during the 2021 school summer holidays to pupils identified by the school as being most in need of educational recovery and/or wellbeing support.	Summer schools
Additional costs for the period of restricted attendance	To recognise the additional cost of provision of free school meals for pupils who were learning at home between 4 January until 5 March 2021, schools and trusts were able to make a claim for additional funding. The deadline for claiming these costs was 4 May 2021.	Additional free school meal costs