



Academies finance and assurance steering group

11 February 2014

11am to 1pm, Department for Education, Sanctuary Buildings, 20 Great Smith Street, London, SW1P 3BT

Academy representatives

Adrian Bowater	Walsall Academy
Amanda Rawson	The Greetland Academy
Andrew Dodd	NASBM
Chris Crowther	Unity Academy
Chris Hutton	City of London Academy & FD Forum
Ian May	Baker Dearing Educational Trust
Julie Evans	Martham Primary and Nursery
Margo Muris	Alec Reed Academy
Mike White	Bartley Green School
Steve Lester	St Peter's Catholic High School

Education Funding Agency (EFA)

John Rawsthorne (Chair)	Deputy Director, Planning & Performance Management
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Apologies

Amanda Bennett	The Greetland Academy
Barry Walder	The Charter Academy
Charles Parker	Baker Dearing Educational Trust
David Hampson	Tollbar Academy
Gareth Dawkins	Bradford Academy
James Nicholson	United Learning Trust
Kam Tallhar	Nishkam Free School
Mark Aldridge	Hockerill Anglo-European College
Martin Latham	Robinswood Primary School
Sarah Bagshaw	St Bede Church of England Primary Academy
Stephen Morales	NASBM
Val Andrew	Association of School and College Leaders

In attendance

Chris Patterson, Acting Deputy Director of External Assurance
Christina Thomas-Lewin, Education Funding Agency
Claire Shephard, Education Funding Agency
Donna Lewis, Head of Academies Consolidation
Peter Newson, Deputy Director of Finance
Phil Eames, Head of Assurance
Simon Judge, Finance & Commercial Director, Department for Education

Item

1. Attendance and apologies

The chair welcomed everyone to the meeting and noted apologies.

2. Declarations of interest

There were no declarations of interest.

3. Minutes of the meeting held on 12 November 2013

The minutes were accepted as an accurate record of the meeting.

The chair reviewed the action points:

- SG1: a verbal update on the Academies Financial Handbook (AFH) questionnaire discussed in item 5 would be covered in the feedback from working group 1.
- SG2: Peter Newson updated the group further on discussions around the conversion process explaining that further work was required.
- SG3: a verbal update on the meeting with Deloitte discussed in item 6 would be covered in the feedback from working group 2.
- SG4: a verbal update on the Accounts Direction questionnaire discussed in item 6 would be covered in the feedback from working group 2.
- SG5: Financial Management and Governance Self-Assessment (FMGS) papers to be circulated to the Steering Group members, along with copies of minutes from each of the Working Groups.
- SG6: Value for money statement added to the programme of work.
- SG7: Dates of next meetings confirmed and all should have received invites.

4. Finance

Peter presented a slideshow to the group outlining the results of the consolidation and reviewing lessons learnt from the process.

The consolidation accounted for 2108 academy trusts representing 2823 academies and these are some of the issues the EFA has identified:

- Academy trusts' (ATs) legal entity – establishing which academies report through which ATs and at which date.
- The proxy – being able to demonstrate that ATs' recurrent income and expenditure was comparable for academic and financial years, although this didn't work for capital.
- Recognition and valuation of non-current assets and liabilities – obtaining valuations of all LGPS transactions and balances at 31 March 2013 and of ATs' land and buildings for openers in 2012-13.
- Quality of returns and validation – getting it right first time and improving the validation process.
- Accounting for capital – a net overstatement of income by over £200 million and a reduction in net capital expenditure affected the department's capital outturn for 2012-13.
- Consolidated budget forecast- used for financial health assessment and to prepare the in-year supplementary estimate relating to ATs' spend.

Peter concluded his presentation and the group discussed in more detail some issues around capital as this appears to be where the ATs had most queries. Peter explained to the group that they would be approaching a sample of academies, 50 multi-academy trusts and 65 single academies reporting capital projects, to run another comparison of academic year and financial year results in 2014.

Peter is holding a meeting with new academies on 17 February to discuss common errors that were made in the previous Accounts Return.

Action 1: Peter to provide feedback to the Steering Group in May on how the meeting went and what was discussed. Chris Patterson will circulate the report that identified common errors made on the budget forecast return (ref SG8).

5. Working Group 1 – update

Steve Lester provided an update to the group on the recent meeting held on 7 February 2014:

- The group shared the results of the most recent AFH questionnaire. The response rate was good and the results were generally positive. The group was confident it was representative of the sector.
- The first draft of the revised AFH had been discussed in detail at the meeting.
- The new AFH will have three parts making it easier for academies to navigate around: Roles and Responsibilities; Governance; and Internal Scrutiny.
- The group discussed the issues of severance payments, audit committee and not for profit by developing the narrative within the AFH to provide further clarification and guidance on these areas.
- The group also looked at how the AFH had been used to develop the FMGS, and comments were made on whether the use of certain terminology is causing some confusion where the word 'must' adds significant value to the AFH but the word 'should' is being overlooked and academies are missing out on best practice recommendations.

Action 2: David Massey will forward the minutes of the meeting (07/02/14) to Christina who will share with the Steering Group by Friday 07 March (ref SG9).

Action 3: David Massey will share the second draft of the AFH with Steering Group members for comment during March (ref SG10).

6. Working Group 2 – update

Mike White and Donna Lewis provided an update to the group on the recent meeting held on 30 January 2014:

- It was an excellent turnout for the meeting.
- Deloitte were in attendance for the first part of the meeting for the group to receive feedback on the budget forecast process and accounts return.
- The group discussed with Deloitte the issues with accessing the submission site to upload the accounts return and requested that AT auditors were given their own login details to submit returns on behalf of academies.
- It was highlighted that academies do not receive acknowledgment from the site that they have uploaded the return successfully and the group agreed this would be most useful.
- A revised version of the budget forecast form was recommended to the Steering Group for approval. The group discussed the new template and a few amendments were noted.
- The group discussed the implications of moving the submission deadline for the next budget forecast from July to June but this was not agreed and the deadline will remain as 31 July for this year.
- The next WG2 meeting on 17th February will focus on the March Accounts Return.

Action 4: Donna Lewis will forward the minutes of the meeting (30/01/14) to Christina who will share with the Steering Group by Friday 07 March (ref SG11).

Action 5: The Steering Group endorsed the work of WG2 on the budget forecast return (BFR) and the group will identify academies to test the new template (ref SG12).

Action 6: Donna to present a paper at the May Steering Group covering the following items (ref SG13):

- Issues raised and actions on recent submissions
- The communication process for the next submission
- Outlining what is happening with digitalisation
- Introducing customer exchange
- Sharing the questions and parameters that Deloitte used during their validations.
- Parameters around primary and secondary academies
- Cash balances

7. Working Group 3 – update

Adrian Bowater provided an update to the group on the recent meeting held on 22 January 2014.

- The group discussed how to market the FMGS return as an aid for academies on route to conversion rather than it being seen as a return used for assurance.
- The submission deadline will remain as within 4 months of converting for the foreseeable future.
- Members considered that issues identified around 'not for profit' in the FMGS return have caused difficulties for academies in retaining governors and possibly obtaining value for money.
- The group continue to seek options for obtaining alternative regularity assurance for new academies as the number converting continues to grow significantly.
- They are exploring whether auditors could sign off the FMGS as part of their remit of work. NAO and audit firms are being consulted about this.
- As a form of best practise and self-evaluation, the group suggested that established academies should review their FMGS at an annual governors meeting to ensure they are still compliant.
- Pete Glover provided an update on fraud for the working group.
- Concerns were raised as to whether the work being carried out on academies was out of context with the rest of the sector as similar information was not gathered and publicised for maintained schools.
- The group are working with the sector to identify recommended practices for anti-fraud solutions.
- The main areas of concern highlighted in the report were around staff payments, irregular payments and procurement.

Action 7: Phil Eames will forward the minutes of the meeting (22/01/14) to Christina who will share with the Steering Group by Friday 07 March (ref SG14).

Action 8: Pete to see if his results on fraud can be put in to context with the rest of the sector (ref SG15).

8. Any other business

A question was raised about the current working group and steering group membership and whether it remained reflective of the sector.

Action 9: Claire and Christina to review the current group membership for both the working groups and steering group and feedback at the next Steering Group meeting (ref SG16).

Phil Eames provided a brief overview of the submission results of the audited financial statements due by 31 December 2013.

91% had been received by this date which is an improvement from last year where 87% had been received on time. Credit was given to academies and their auditors.

Issues identified during the reviews to date:

- Disclosure of management recharge in multi-academy trusts (MATs)
- Related Party Transactions

9. Date of next meeting – 6th May 2014.

The meeting ended at 13:15.