

# Academy Helpdesk

At Price Bailey, all of our Academy clients have access to our Academy Helpdesk.

We offer this service for **free**, by phone or by email, if we either know or should know the answer to your query (and our experience is such that this is no longer confined to just financial and reporting matters).

As much as you need and as often as you like, for all external and internal audit clients.

If you are an existing client and have any academy related queries, **please contact:**

[academy.helpdesk@pricebailey.co.uk](mailto:academy.helpdesk@pricebailey.co.uk)

"We saved our clients

# £ 2,800

in advisory fees during Q2 2024"

Take a look at some of the key topics our Helpdesk covered below during Q2 April - June 2024.

## Reserves

In line with the [Academy Trust Handbook](#) (section 2.8) academy trusts **must** have in place a reserves policy and explain it in their annual accounts.

Trusts will hold reserves for various reasons including: cashflow; minimum trust reserves; building/ estates/non-building capital projects; development and growth and future change and uncertainty.



### Is there a right level of reserves?

The ESFA does not set a required level of reserves.

Trustees and trust leaders are best placed to set the level of reserves that reflects the needs and particular circumstances of their individual trust and agree a reserves policy and plan. MAT trustees should consider and agree the treatment of any reserves when a new academy joins the trust and whether pooling of reserves is suitable for them.

### What is the ESFA's view?

Around 90% of trusts hold reserves of at least 5% of total income and many choose to hold around one month's salary costs or expenditure as a minimum to protect cashflow (around 6-8% of income), but some trusts may decide to maintain reserves below this level, such as larger trusts or trusts without significant investment or growth plans.

### What should a reserves policy include?

A well-developed reserves policy will help trustees mitigate financial risks.

The ESFA [Academies Accounts Direction](#) sets out what information trusts **must** include about their reserves policy in their annual accounts (within the trustees' report), in particular stating:

1. the level of reserves identified by the trustees as being appropriate, and
2. the reason for holding reserves.

The disclosure should also contain a review of the academy trust's reserves which:

- states the amount of total funds held at the balance sheet date
- identifies where funds are restricted and not available for the general purpose of the trust
- identifies any amounts that have been designated and the reason why (when material)
- any amount that can only be realised by disposing of a tangible fixed asset
- the amount of reserves held after making these allowances, what plans are in place for the future use of these reserves, and a likely expenditure date
- how the amount of reserves held compares to the trust's reserves policy and explains any steps being taken to bring the level of reserves held into line with that set out in the policy.



### What if we are holding low levels of reserves?

For trusts actively choosing to hold low levels of reserves, trustees should ensure there is sufficient contingency in case of anything unforeseen as, for some trusts, low reserves could suggest financial vulnerability.

### What if we are holding high levels of reserves?

For trusts choosing to hold high levels of reserves, trustees should have a plan and be clear on the purpose for these funds without holding back too much that could otherwise be used to benefit pupils. It is important for academy trusts to find a balance.

## Related Party Transactions

### Why are auditors concerned with related party disclosures?

Audits are carrying an ever-increasing amount of regulation, especially within public funded organisations. With this in mind, the reporting of related parties is under more scrutiny than ever before and is a key area of focus for auditors and regulatory bodies alike.

We need Trustees, Members and Key Management Personnel to declare their related parties (including close family/ connected parties) to us as their auditors. This involves the completion of a related party declaration form or access to a register maintained by the trust which contains this information.

### What are the statutory disclosure requirements?

#### Within the statutory accounts:

Section 9.15 of the Charity SORP states:

*"Related parties include the charity's trustees (and members), their close family members, and those entities they control or in which they have a significant interest. Entities related to a charity include any subsidiary, joint venture, or associate of the charity".*

Academy trusts must report all related party transactions (income and expenditure), regardless of value, in their annual statutory accounts.

→ See our recently published [blog](#) for more detail on related party transactions.

#### ESFA reporting requirements:

The Academy Trust Handbook 2023 states:

*"Trusts must report all contracts and other agreements with related parties to ESFA in advance of the contract or agreement commencing or being renewed, using ESFA's related party on-line form".*

*"Trusts must obtain ESFA's prior approval, using ESFA's related party on-line form, for contracts and other agreements for the supply of goods or services to the trust by a related party agreed on or after 1 September 2023 where a contract or other agreement exceeds £40,000 in the same financial year ending 31 August."*

The £40,000 approval threshold applies to single transactions with the same supplier, the transaction value is not aggregated by supplier. Academy trusts do not need to declare income transactions with related parties to the ESFA.

### Importance of completing a declaration form (including stating close family)

We need Trustees, Members and Key Management to declare their related parties including details of close family members. This information needs to include details of the trustee/member/key management, their business interests, the natural persons connected to them (close family) and any connected entities of any of these persons where there is a substantial interest or substantial influence.

It is important that the names of connected persons (close family) are recorded, even if they do not have any substantial interests or influences.

#### Q: Which family members constitute 'close family members' and therefore should be included in the declaration form?

**A:** Spouse, children (over 18), grandchildren, parents, in-laws, grandparents, and siblings (including step). *Please note, friends with companies who supply services to the school should not be included.*

#### Q: Is it just trustees and members who need to complete declaration forms?

**A:** It is best practice to also include the interests and close family of a trust's key management with significant influence over finances and spending decisions – as a minimum the Accounting Officer and Chief Finance Officer should complete declaration forms.

#### Q: How much information needs to be disclosed on our website?

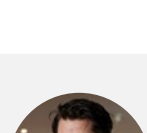
**A:** Only disclose relevant business interests on your website. Please do not list the names of family publicly – you only need to keep individual's names on an internal register.

## Our Helpdesk has also answered ad hoc queries regarding:

- Fixed assets
- Financial regulations
- Leasing
- Novel transactions
- Chart of accounts
- Change in Accounting Officer



## Contact Us

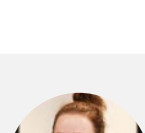


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