

**Post Audit Management Report**

**Urbis Academy Trust**

Year ended 31 August 2022

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## Key Contacts

**Gumayel Miah**

**Engagement Director**

Tel: 020 7556 1365

Email: [miahg@buzzacott.co.uk](mailto:miahg@buzzacott.co.uk)

**Ollie Talbot**

**Engagement Manager**

Tel: 020 3972 6586

Email: [talboto@buzzacott.co.uk](mailto:talboto@buzzacott.co.uk)

Buzzacott LLP, 130 Wood Street,  
London, EC2V 6DL

## Executive summary

### Purpose of the external audit

Our work was performed with a view to expressing an opinion on the financial statements of Urbis Academy Trust (the Academy Trust) for the year ended 31 August 2022 and to draw a limited assurance conclusion concerning regularity and propriety in the application of government funding.

Our audit work also included consideration of the internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters being reported are limited to those that were identified during the audit and that we conclude are of sufficient importance to merit being reported to those charged with governance and/or to the Education and Skills Funding Agency (ESFA) in accordance with their requirements.

We appreciate that you will already be aware of some of the matters contained in this report. However, in accordance with the ESFA's requirements and International Standards on Auditing (UK) (ISAs) we are communicating them to you formally.

This report and its contents were submitted in draft form to Lorraine Barella (Business Manager) for comment prior to finalisation.

### Audit progress

We are pleased to report that the audit, from our perspective, ran smoothly and that the timetable for the overall completion of the audit has been met. We would like to take this opportunity to thank all those with whom we dealt during the audit for their assistance and co-operation, in particular Lorraine Barella and Kerry Day.

## Our opinions

### Financial statements opinion:

In our opinion the financial statements give a true and fair view and have been properly prepared in accordance with the Academies Accounts Direction 2021 to 2022 and supplementary bulletin (July 2021) issued by the ESFA, and Companies Act requirements.

Without qualifying our opinion, we will modify our conclusions in relation to going concern within our auditor's report to draw attention to the disclosures made by the trustees in relation to their assessment of going concern. Within the assessment of going concern contained within the principal accounting policies, reference is made to the challenging economic conditions, the uncertainties which exist around future funding, and that the reserves at 31 August 2022 were significantly below target levels as determined by the trustees. Whilst, in line with the trustees' assessment, the financial statements have been produced on a going concern basis (and our opinion is not modified in this regard), the disclosure notes that the circumstance described provides material uncertainties in respect of the going concern assessment.

### Regularity assurance conclusion:

In the course of our work nothing has come to our attention which suggests that in all material aspects the expenditure disbursed and income received during the year ended 31 August 2022 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

## Key audit findings

### Key audit issues and outcomes

As part of our pre-audit planning process, we identified those areas where we believe there is a higher probability that a material error may appear in the financial statements as well as areas of significant interest or concern for management and those charged with governance. In the pages which follow we have provided a brief summary of the original risks we identified as part of our initial planning discussions, as well as any changes

| Area   | Issue and response  |
|--|---|
| <b>Financial climate, reserves policy and going concern assessment</b> | <p><b>Risk:</b> The current financial climate is challenging for the sector, particularly in the context of cost inflation, which is increasing the importance of carefully managing reserves and financial forecasting.</p> <p>Schools are facing rising costs in particular in key areas including staffing, fuel and construction. The level of cost inflation exceeds the rate at which funding has increased, increasing the challenge for trusts in ensuring financial stability.</p> <p>When approving the financial statements, the Trustees must consider whether it is appropriate for the financial statements to be prepared on the going concern basis and whether the disclosures in connection with the financial viability of the Academy are adequate. The Trustees must therefore see financial information covering a period of not less than one year from the date of approval of the financial statements (i.e. to December 2023) in order to make their assessment of whether it is appropriate to prepare the financial statements on the going concern basis.</p> <p><b>Results:</b> The Academy Trust incurred an operational deficit of £18,000 (as set out within the ‘financial position and performance’ section of our report below), which has resulted in a the Academy Trust’s revenue reserves falling to £49,000 (2021 - £67,000). This reserves balance remains significantly short of the Academy Trust’s stated reserves policy of £100,000. As a result of this, and the wider uncertainties that could impact the budget going forward (e.g. pupil numbers, high and fluctuating levels of inflation, and rising staff costs), the Trustees have disclosed within the financial statements that there is a material uncertainty in relation to its financial viability.</p> <p>We have taken account of the impact of rising costs within the economy on the financial results as part of our analytical work on the Academy’s income and expenditure. Whilst in the current year, there has been no significant impact relating</p> |

## Area

## Issue and response

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to the energy costs as the Trust is under a fixed price agreement until at least 2023, this may impact the Academy when this contract is subsequently re-negotiated.

The balance sheet and year end reserves position were considered by the Trustees in conjunction with the available budgets and forecasts and their knowledge of the Academy's future plans. The Academy Trust's management have prepared a going concern summary for approval by the Trustees which we have also reviewed alongside supporting documents which include the three-year budget forecast return, post year-end bank statements, funding remittances, payroll reports and student numbers. We have considered this various financial information and the adequacy of the disclosures made by the Trustees pertaining to the application of the going concern assumption in the preparation of these financial statements and their assessment of the associated uncertainties. We also considered the Academy's reserves policy disclosed within the Trustees' report as well as accounting policy on going concern that is included within the financial statements.

We consider the disclosures regarding going concern within the financial statements are appropriate and adequate. Within our audit report we have referred to the Academy Trust's disclosures as well as the uncertainties relating to the going concern assessment.

The Trustees' Report sets out the key elements the Trust has considered in arriving at this conclusion. The short and long term challenges, key contributors to the financial results for the year, and the key future risks as assessed by the Trust are set out under the "achievements and performance", "financial review" and "risk management" sections of the Trustees' Report. Where required, accompanying disclosures are also made within the governance statement and accounting policies.

We have reviewed the Trustees' Report together with the disclosures made in the governance statement and accounting policies and confirm that the requirements of the Academy Accounts Direction have been met.

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| Area                   | Issue and response   |
|------------------------|--|
| <b>Fund accounting</b> | <p data-bbox="656 323 2121 435"><b>Risk:</b> Details of any restricted revenue funds as well as capital funds are reported within the notes to the financial statements. There is a risk that any unspent capital funds are not correctly captured within the fixed asset fund or that other restricted funds (e.g. Pupil Premium) are not correctly identified and reported within restricted revenue funds.</p> <p data-bbox="656 475 2121 547">If these restricted funds are not correctly reported, there is a risk that the Academy’s free reserves are therefore also not correctly reported and as a result the trustees could make decisions based on incorrect information about available funds.</p> <p data-bbox="656 587 2121 699"><b>Results:</b> At 31 August 2022, the Academy held revenue reserves totalling to £49,000, of which £15,000 was in respect of restricted funds and £34,000 in respect of unrestricted funds. Movements on restricted revenue funds including ESFA GAG funding are shown within the notes to the financial statements.</p> <p data-bbox="656 738 2121 850">As part of the responses to our regularity questionnaire, the Academy Trust has detailed how the use of restricted funds has been monitored. We have reviewed the unspent restricted funds detailed within the financial statements and confirmed that amounts are consistent with the underlying financial records of the Academy Trust.</p> <p data-bbox="656 890 2121 957">The Academy had no unspent capital funds as at 31 August 2022 and therefore the net book value of the fixed asset fund is equal to the net book value of tangible fixed assets.</p> |

| Area                     | Issue and response   |
|--------------------------|--|
| <b>Staffing disputes</b> | <p data-bbox="658 325 2114 496"><b>Risk:</b> During the autumn of 2018/19, two senior members of staff were suspended on various grounds, which included concerns over safeguarding. Both members of staff have filed counter-claims against the Trust. The Academy Trust continued to pay their salaries in full following the suspension, which, together with the cost of employing replacements to cover the positions, has had a significant impact on its financial performance. Both members of staff have since been dismissed from the Trust, which started to ease the financial burden from the 2020/21 financial year.</p> <p data-bbox="658 523 2078 667">As a result of the counter-claims against the Academy Trust, there is a risk that the Trust may be subject to liabilities (either actual or contingent) at the year-end date. There is also a possible risk that the use of the going concern assumption in the preparation of the financial statements may be more difficult to support given the additional staffing and legal costs arising from the disputes.</p> <p data-bbox="658 711 2101 815"><b>Results:</b> We reviewed the detailed correspondence and legal advice in relation to the investigations and hearings in order to assess whether there are any undisclosed liabilities, whether actual or contingent, which should be included in the financial statements and found no evidence of any such items.</p> <p data-bbox="658 863 2107 1086">In the 2020/21 financial statements, the Academy Trust disclosed a contingent liability of £35,526 , which would only crystallise should the on-going dispute be resolved in favour of the former Headteacher. On 30 November 2022 a reserved judgement was issued, ruling against the claimant and dismissing all claims against the Academy Trust. Although the case regarding the second staff member remains in progress, this is fully covered by their RPA insurance and following our review of the Employment Tribunal summary document, we are in agreement with the Academy Trust that there is no contingent liability to disclose in this year's financial statements.</p> |



| Area                                      | Issue and response   |
|---|--|
| <b>Income and expenditure recognition</b> | <p><b>Risk:</b> There is an inherent risk in all organisations in relation to revenue recognition, i.e. that income may be accounted for in the wrong period or at artificially inflated or suppressed amounts.</p> <p>In addition, there is a risk- that expenditure accruals and prepayments are not fully captured in the financial statements.</p> <p><b>Results:</b> We carried out detailed analytical review against expectations based on our understanding of the Academy Trust and against the prior year. Reasonable explanations were obtained from management and significant variances were substantiated as appropriate. No significant issues arose during our audit testing and sample based checks including on our work on ESFA and non-ESFA income.</p> <p>The Academy Trust received £14,000 in relation to the School-led Tutoring Grant income. The Trust was required to submit to the ESFA a return detailing the related costs in September 2022. We have reviewed these returns and we have not identified any amount which could be subject to clawback.</p> <p>Whist reviewing the expenditure, we have noted a transaction which should have been recognised as prepayment and should be amortise over the term of the transactions, however, this has been expensed outright by the Academy. The (immaterial) misstatement has been left unadjusted, and is included it in the summary of unadjusted items at Appendix 1.</p> |

| Area              | Issue and response  |
|-------------------|---|
| <b>Regularity</b> | <p><b>Risk:</b> Regularity and the use of government funding continues to be a substantial focus of the ESFA and National Audit Office. Ensuring regularity within the Academy Trust is the responsibility of the Board and all of the current focus on regularity in the academy sector has only increased the level of responsibility for the Board to monitor and document management of risk including risk of irregularity. ESFA expects all academies to implement appropriate procedures and policies at all times, including during periods of school closure, which mitigate the risk of irregularity in (but not limited to) the following areas:</p> <ul style="list-style-type: none"><li>• Procedures and policies in relation to risk management and ensuring that these are regularly considered;</li><li>• Procedures and policies in relation to general procurement, use of credit cards and expense claims;</li><li>• Procedures and policies in relation to the appropriate remuneration of payroll staff, agency staff and consultants; and</li><li>• Procedures and policies in relation to the management of conflicts of interest and related party transactions.</li></ul> <p><b>Results:</b> The regularity self-assessment was provided for audit, which was completed by the Academy Trust’s finance team and reviewed by the Accounting Officer. The regularity self-assessment confirms the processes in place to ensure regularity, propriety and compliance within the Academy Trust in relation to the above areas and the other requirements set out in the Academy Trust Handbook.</p> <p>The Academy Trust has not informed us of any material control weakness or irregularity. Based on our review of the self-assessment questionnaire, the work undertaken to verify the responses provided, and our consideration of the regularity and propriety of transactions selected for our sample based testing, we are satisfied that the conclusion reached in our regularity assurance report is appropriate.</p> |

| Area                                   | Issue and response   |
|--|--|
| <b>Related party transactions</b>      | <p><b>Risk:</b> In all organisations, there is an inherent risk that transactions with related parties could be undertaken on terms that benefit those who control the entity at the expense of other stakeholders or the entity itself. For this reason, UK Accounting Standards and the ESFA Academies Accounts Direction require transparent disclosure of all transactions and balances arising between the Academy Trust and its related parties. In addition, the ESFA Academy Trust Handbook places restrictions on the permissibility of certain related party transactions and required certain transactions to be reported to the ESFA in advance of being entered in to.</p> <p><b>Results:</b> The Academy Trust’s procedures for identifying related parties and associated transactions were reviewed. This includes the requirement for each of the Trustees and member of the Academy Trust Senior Management Team to update their declaration of interests annually, and to declare any interests they have at the commencement of business meetings. Based on the work undertaken, we have no concerns over the completeness of related party transaction disclosures. We will obtain written representations from you also, asking the Trustees and management to confirm their satisfaction with the completeness of the disclosures made.</p> |
| <b>Management override of controls</b> | <p><b>Risk:</b> There is an inherent risk in all organisations that management may be in a position to override controls or agreed protocol. Such actions may be taken in order to conceal or process unauthorised or inappropriate transactions, or may occur due to weaknesses in the control environment. Such actions could lead to either deliberate or inadvertent misstatement of the results portrayed by the financial statements.</p> <p><b>Results:</b> Our sample based substantive testing on expenditures and payroll was undertaken with the view of identifying possible deviations from agreed protocol and key authorisation requirements. All exceptions identified were investigated and adequate explanations were obtained.</p> <p>Journal entries were reviewed, particularly those surrounding the year end and explanations were sought for any large or unusual items. All items tested and discussed with management were deemed appropriate. No suspense accounts were noted as being used during the year.</p>  |

| Area                        | Issue and response  |
|-----------------------------|---|
| <b>Accounting estimates</b> | <p data-bbox="658 328 2085 512"><b>Risk:</b> Certain accounting entries within the financial statements are made on the basis of an estimate and changes in the underlying assumptions could lead to a shift in the reported results. The most material estimates within the Academy Trust's financial statements include the estimate of the useful economic life of tangible fixed assets (and hence the depreciation charges), and the estimation of the pension liability made by the actuaries in respect to the Local Government Pension Scheme.</p> <p data-bbox="658 560 2085 624"><b>Results:</b> We are satisfied with the estimation techniques utilised. Testing of depreciation was satisfactory with all items tested being depreciated at the approved rate.</p> <p data-bbox="658 671 2085 855">The Academy Trust has considered the guidance provided by the ESFA on the treatment of donated fixed assets and has concluded that the donation constituted a gift in kind and has therefore been included as a donated fixed asset of £9,812 in the financial statements, based on the estimated market value of comparable devices. The treatment of the machines as fixed assets is considered to be suitable on the basis that the Academy has retained the ownership of the laptops, rather than donating them to pupils.</p> <p data-bbox="658 903 2085 1046">The year-end liability in respect of the Local Government Pension Scheme is consistent with the estimate provided by the scheme's actuary and the assumptions used appear reasonable. Although the CPI assumption of 2.8% does not directly reflect the recent increase in inflation during the period to 31 August 2022, the actuary has provided for this impact through an experience loss movement during the year amounting to £144,000.</p> <p data-bbox="658 1094 2085 1158">We have referenced the judgements made around the ongoing legal cases within the risk relating to 'staffing disputes' earlier in this report.</p> |

## Accounts format and compliance

The financial statements follow the principles and format prescribed by the ESFA in the Academies Accounts Direction 2021 to 2022 (the Accounts Direction) and the supplementary coronavirus bulletin. Compliance with the Accounts Direction also ensures that the requirements of companies and charities legislation are met. There were only a small number of changes introduced by the 2021/22 revision of the Accounts Direction. The notable changes were as follows:

- **Trustees' report – group structure**

It has been clarified that within the 'Structure, Governance and Management' section of the trustees' report, trusts should describe the organisational structure of any subsidiaries within the Trustees' Report as is required by the Charities SORP, as well as the organisational structure of any joint ventures or associates.

- **Governance statement – conflicts of interest**

The introduction of a new section in the Governance Statement in which trusts should explain the processes they have in place to manage conflicts of interest. Trusts should also describe how the above is achieved in relation to subsidiaries, joint ventures and associates. The guidance included a link to the Charity Commission guidance on managing conflicts of interest. [Conflicts of interest: a guide for charity trustees - GOV.UK \(www.gov.uk\)](#)

- **Notes to the accounts – severance payments**

The direction includes a new disclosure requirement on severance payments – requiring that the value and quantity of any severance payments are disclosed in set bandings. This is in response to guidance published by the HM Treasury, and does not replace the existing disclosure requirement on special staff severance payments.

The disclosure **example** is detailed below:

The academy trust has paid 8 severance payments during the year, in the following bands.

| Band                | # Employees |
|---------------------|-------------|
| £1 - £25,000        | W           |
| £25,001 - £50,000   | -           |
| £50,001 - £100,000  | X           |
| £100,001 - £150,000 | Y           |
| £150,001 +          | Z           |

- **Notes to the accounts – service concession arrangements e.g. PFI contracts**

Trusts are encouraged to include narrative to support any numerical disclosures around long-term commitments in respect of such arrangements. An example long-term commitments note with suggested example narrative underneath is included in the AAD for illustrative purposes

- **Key accounting treatment – business rates**

From 1 April 2022, for academies whose billing authorities have opted into the new process, the ESFA will pay the cost of rates directly to the billing authority. Despite no longer making the cash payments, these academies will retain liability for their business rates so academy trusts will still need to account for their business rates within their accounts, by grossing up the value of GAG received by the value of their business rates bill(s) and include a matching expense. There is no change where billing authorities have not opted in to the new process.

- **‘Feedback to the sector from the ESFA’:**

The AAD includes this section for the second time this year, which details where trusts’ compliance with the AAD could be improved. The key areas highlighted by the ESFA this year include:

- Reference again to inappropriate use of ‘boilerplate’ text which has been copied and pasted from the Coketown model accounts without consideration given as to whether it’s accurate for that specific trust and in that specific year, particularly:
  - When an academy trust has significant governance, control or financial management issues but the annual report paints a conflicting picture of the academy’s performance because the text has been copied from model accounts without amendment.

- Where the governance statement states that the internal scrutiny function has conducted a review during the year of a key process or risk area; but this is not listed in the areas reviewed in the internal scrutiny report submitted with the accounts.
  - Where the governance statement states that the board of trustees have met a given number of times a year yet attendance records for individual members implies a different number of meetings being held.
- Emphasis that where the AAD or model accounts state that points must be covered, the trust must not omit those sections, with the following common instances given:
- Omission from the 'Governance reviews' section of the Governance Statement, the following: details of actions taken to review the effectiveness of the Board, indications of when a governance review is scheduled if one has not been recently undertaken, and details of how effective oversight has been obtained where Boards have met less than six times in the year.
  - Omission from the 'The Risk and Control Framework' section of the Governance Statement of details of the frequency of internal scrutiny activity being conducted.
  - Omission from the salary and (personal) name of a staff member who is also a Trustee in the related party transactions / trustees' remuneration and expenses disclosure.

In all respects, the Academy Trust's annual report and financial statements have complied with the new requirements.

## Accounting policies, estimates, and disclosures

Our work included a review of the adequacy of disclosures included in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the Academy Trust. We believe that the disclosed accounting policies, significant accounting estimates and the overall disclosure and presentation to be appropriate for the Academy Trust and in compliance with the Accounts Direction.

## Revised auditing standards 2022/23

The audit work we perform must comply with all relevant International Standards on Auditing (UK) ('ISAs') which are set by the UK's Financial Reporting Council ('FRC'). ISA (UK) 315 *Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment*, ('ISA 315') has recently been reviewed and amended by the FRC and the revised version introduces major changes in the approach auditors must follow to risk identification and assessment in all audits. This will be applicable to your audit for the year ending 31 August 2023.

The key impacts on your audit will be as follows:

- We will ask more questions about your own risk assessment process, including how you identify business risks relevant to the preparation of the financial statements, estimate their significance, assess the likelihood of their occurrence, and decide upon actions to manage them and the results thereof.
- We will place more emphasis on the controls relevant to the audit compared to previous years, therefore we will review your internal controls in more detail during the audit. This includes, amongst other things, your controls over significant audit risk areas and controls over journal entries.
- We will look in much greater detail at your IT environment and related controls and, as a result we will need to speak to you about your systems and perform additional tests on these where appropriate.

If and when possible, we shall minimise the impact on you and the audit process of these revised and additional requirements of ISA 315, although it is likely that the revised standard will require extra work for both parties in the future. You can prepare for this by formally documenting your controls around your accounting and process (including the IT elements of the system). These notes will help the audit planning process next year.



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## Professional ethics

In accordance with our profession's ethical guidance and further to our letter to you confirming audit planning arrangements there are no further matters to bring to your attention in relation to Integrity, Objectivity and Independence.

## Audit adjustments and unadjusted misstatements

Under Auditing Standards, we are required to provide you with details of any adjustments identified during the course of our audit work which have been made to the figures presented to us for audit.

**Total impact of audit adjustments** **£nil**

Other than presentational amendments which have no impact on the reported results for the year, there were no adjustments made to the figures presented to us for audit.

**Potential impact of unadjusted misstatements** **£3,207 increase in funds**

Details of the misstatement identified during our audit which remains unadjusted is provided at Appendix 1. We will obtain written representations from you, as Trustees, that this is not to be adjusted due to its lack of significance to the overall result portrayed by the financial statements.

## Materiality

**Materiality threshold** **£48,880**

**Reporting threshold:** **£2,400**

You will note that our report refers to 'material misstatement'; materiality refers to the relative significance of a particular matter in the context of the financial statements as a whole. An item would be considered material if its omission or its erroneous inclusion would reasonably influence the decisions of those using the financial statements.

We are required to report corrected audit misstatements, and uncorrected audit misstatements in excess of our reporting threshold which is set at 5% of overall materiality.

Our materiality threshold is typically based on 2% of operational income. A lower level of materiality may be selected for specific areas of the financial statements. For many disclosure items however, materiality is an absolute and not a relative concept. This specifically applies to transactions and other financial arrangements with Trustees and their connected persons, which would usually be considered material regardless of relative value.

When considering the impact of misstatements discovered during the course of our audit and considering the implications for our report of such misstatements, we will refer to this level amongst other things. Whether a misstatement is 'material' or not is ultimately down to the auditor's judgement.

## **Audit observations and recommendations**

We are pleased to report that we found no significant deficiencies in the accounting and internal control systems during our audit.

## Financial performance and position

### Audited results

The results reported within an academy trust set of financial statements include a number of non-cash movements including Local Government Pension Scheme adjustments and depreciation charges, which do not usually appear within the management accounts. The analysis below shows the financial performance reported in the financial statements excluding these items so that the results can be more easily related to figures that are being reported in-year. Excluding movements on tangible fixed assets, the defined benefit pension liability, and other non-recurring items, the Academy Trust's "operational" deficit for the year was £18,000 (2021: surplus of £11,000), as reconciled below.

|   | 2022<br>£'000 | 2021<br>£'000 |
|---|---------------|---------------|
| <b>Overall net movement in funds</b>  | 525           | (564)         |
| Less: net income attributable to the fixed assets fund (note 1)   | 292           | 298           |
| (Less) / Add: LGPS actuarial (gain) / loss (note 2)   | (963)         | 197           |
| Add: LGPS service cost adjustment (note 2)  | 101           | 65            |
| Add: LGPS interest cost adjustment (note 2)   | 31            | 27            |
| <b>Operational (deficit) / surplus for the year excluding fixed asset purchases from revenue reserves</b> | (14)          | 23            |
| Less: fixed asset purchases from revenue funds (note 3)   | (4)           | (12)          |
| <b>Operational (deficit) / surplus for the year after fixed asset purchases from revenue reserves</b>     | (18)          | 11            |

|   | 2022<br>£'000 | 2021<br>£'000 |
|---|---------------|---------------|
| <b>Reconciliation of revenue reserves (note 4)</b>                  |               |               |
| Revenue reserves brought forward                                    | 67            | 56            |
| Operational (deficit) / surplus for the year (as referred to above) | (18)          | 11            |
| <b>Revenue reserves carried forward</b>                             | 49            | 67            |

#### Note 1: Movement on fixed assets fund

For the purposes of determining the “operational” deficit, the net income in respect of the fixed assets fund has been disregarded on the basis that the principal movements within this fund relate to capital funding received and the depreciation applied on assets purchased from such funds, and therefore are not in relation to the day-to-day operation of the Academy Trust.

#### Note 2: LGPS (Local Government Pension Scheme) adjustments

The Academy Trust is one of several employing bodies included within the London Borough of Waltham Forest Pension Fund. The scheme’s actuaries, Mercer, have prepared a valuation of the assets and liabilities which are specific to Urbis Academy Trust so that the net liability may be included on the balance sheet. For the purposes of determining the “operational” deficit, the non-cash adjustments necessary in accounting for the change in the liability since 1 September 2021 have been excluded.

#### Note 3: Fixed asset purchases from the revenue fund

The purchase of fixed assets from revenue (operational) funds is shown in the accounts as a transfer from [unrestricted and] restricted general funds to the restricted fixed asset fund. This additional investment in fixed assets is in addition to the restricted capital funding that the Academy Trust received.

## Note 4: Revenue reserves

The revenue reserves of the Academy Trust exclude the tangible fixed asset fund and Local Government Pension Scheme reserve. The revenue reserves therefore represent the funds available for the day-to-day operation of the Academy Trust.

## Comparison of key financial ratios

For your information, we have included at Appendix 2 to this report a comparison of the Academy Trust's key financial ratios for 2020, 2021 and 2022 and also against the sector averages for 2020 and 2021.

Note that the ratios presented in the Appendix may differ from your own ratios where a slightly different formula is used. In addition, the population is drawn from data on approximately 100 academies based in the South East of England and Greater London and whilst they may provide a guide as to how the Academy Trust compares to the sector, there is a substantial amount of diversity across the sector depending on the individual circumstances of each academy.

## Other information

### Letter of representations

We take this opportunity to enclose a final draft of the letter of representations which we will ask management and the Trustees to sign at the same time as the approval and signature of the annual report and financial statements.

This includes acknowledgement of the Trustees responsibility for the design and implementation of internal controls to prevent and detect fraud.

As set out in our planning letter, we understand the following applied to the year ended 31 August 2022.

- The Board of Trustees of the Academy exercised effective oversight of management's processes for identifying and responding to the risks of fraud in the Academy and a system of internal controls was in place to mitigate these fraud risks.
- The key areas at most risk of fraud at the Academy relate to the possibility of losses through internet fraud and online phishing scams due to the noticeable rise in these types of frauds and their increasing sophistication.
- The Board of Trustees were not aware of any instances of actual, suspected, or alleged fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets.
- There have not been any out of the ordinary transactions.

If the above information is no longer correct, please contact Gumayel Miah or Oliver Talbot.

## **Integrity, objectivity and independence**

In accordance with our profession's ethical guidance and further to the External Audit Strategy document issued to you as part of the pre-audit planning process, we confirm that there are no further matters to bring to your attention in relation to our integrity, objectivity and independence as auditors.

## **Other work undertaken as part of the 2021/22 audit cycle**

As set out in our External Audit Strategy to you we have also been engaged to provide you with the following services:

- **Teachers' Pension End of Year Certificate (EOYC) assurance**  
We can confirm that we have concluded our work on this area. Our assurance report was issued to Teachers' Pensions along with the final End of Year Certificate. Our work did not raise any significant concerns which need to be drawn to your attention.
- **ESFA Accounts Return assurance**  
Our work on the Accounts Return assurance will begin in December. We do not have any concerns at this stage and we will work with management to ensure that the Accounts Return together with our assurance report is filed ahead of the 19 January 2023 deadline.



## Use of this report

This report has been prepared for your private use only. It has been prepared on the understanding that it will not be shared with any third party, other than the ESFA, without our prior written consent and we can therefore assume no responsibility to any other party. The advice contained herein is based on the information you have provided and UK law and judicial and administrative interpretation as of the date of this report. Should the facts provided to us be incorrect or incomplete or should they change, our advice may be inappropriate. Buzzacott LLP accepts no liability for losses arising from changes in UK law, interpretation or practice or in public policy that are first published after the date of this report.

A handwritten signature in black ink that reads "Buzzacott LLP". The signature is written in a cursive, flowing style with a long horizontal stroke extending from the end of the "p".

**Buzzacott LLP**

**Date:** 14 December 2022

## Appendix 1: Unadjusted item

### Unadjusted item

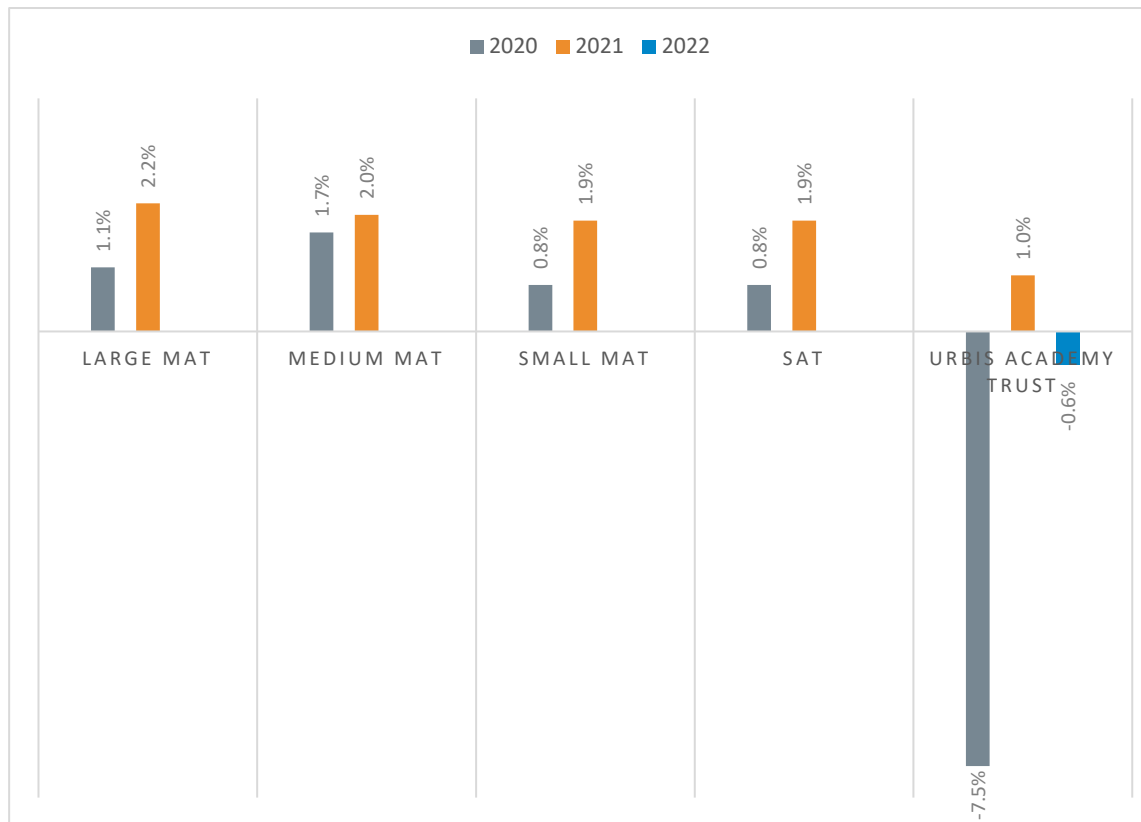
|   |   | Statement of financial activities |             | Balance sheet |             |
|---|---|-----------------------------------|-------------|---------------|-------------|
|   | Description   | Debits (£)                        | Credits (£) | Debits (£)    | Credits (£) |
| 1 | DR Prepayments  |                                   |             | 3,207         |             |
|   | CR IT Support Services  |                                   | 3,207       |               |             |
|   | <i>Being the prepayment of the annual fibre fee which has been expensed outright.</i> |                                   |             |               |             |

The above item, if it were to be adjusted, would increase the Academy's overall reserve balances by £3,207.

## Appendix 2: Comparison of financial ratios

The analysis of ratios is split between Single Academy Trusts and Small (fewer than 2,500 pupils), Medium (2,501- 9,000 pupils) and Large (9,001+ pupils) MATs.

### Operational margin after transfers from revenue funds



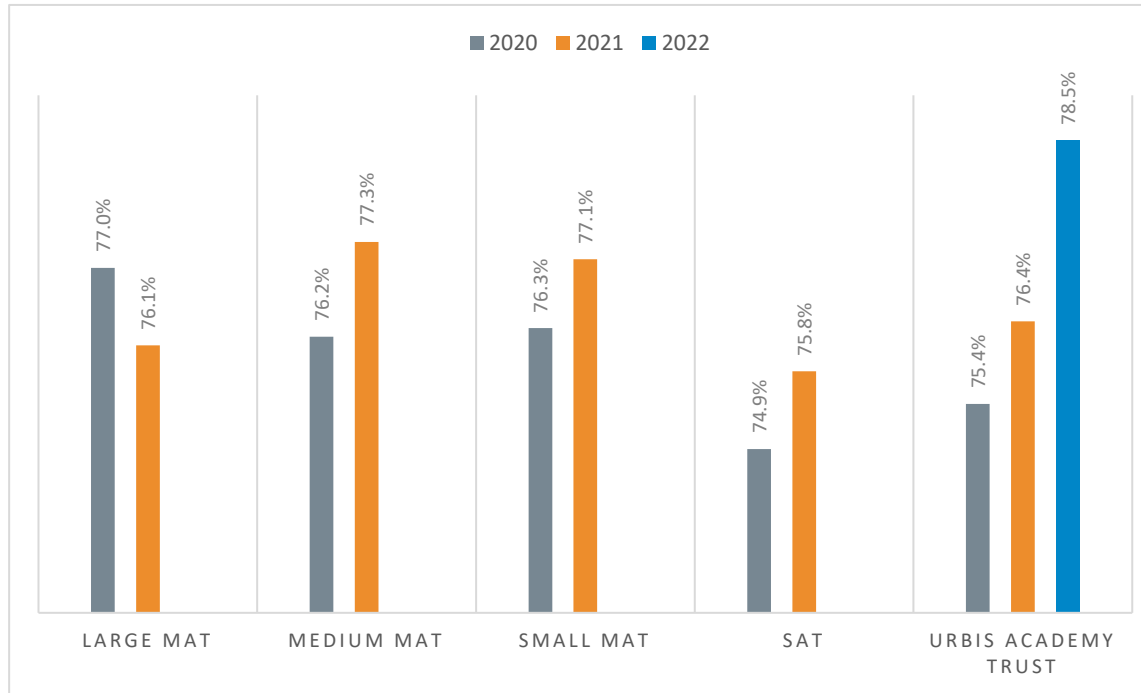
**Formula: Surplus (deficit) for the year excluding fixed asset fund, LGPS adjustments and amounts donated on conversion ÷ Total income excluding fixed asset fund income and amounts donated on conversion.**

The aim of an academy trust is not to generate profits on trading or capital gains, but to provide quality education and fully utilise its resources in so doing.

The most significant factor on the operations margin of trusts is payroll, the largest of a trust's costs. Though schools set their teachers' pay, these are determined by national pay scales, which along with employer pension and national insurance contributions are not within the control of an academy trust.

Although operational margins typically improved between 2020 and 2021, the impact of rising costs relative to funding levels is likely to result in a future squeeze on budgets.

## Payroll as a % of operational income



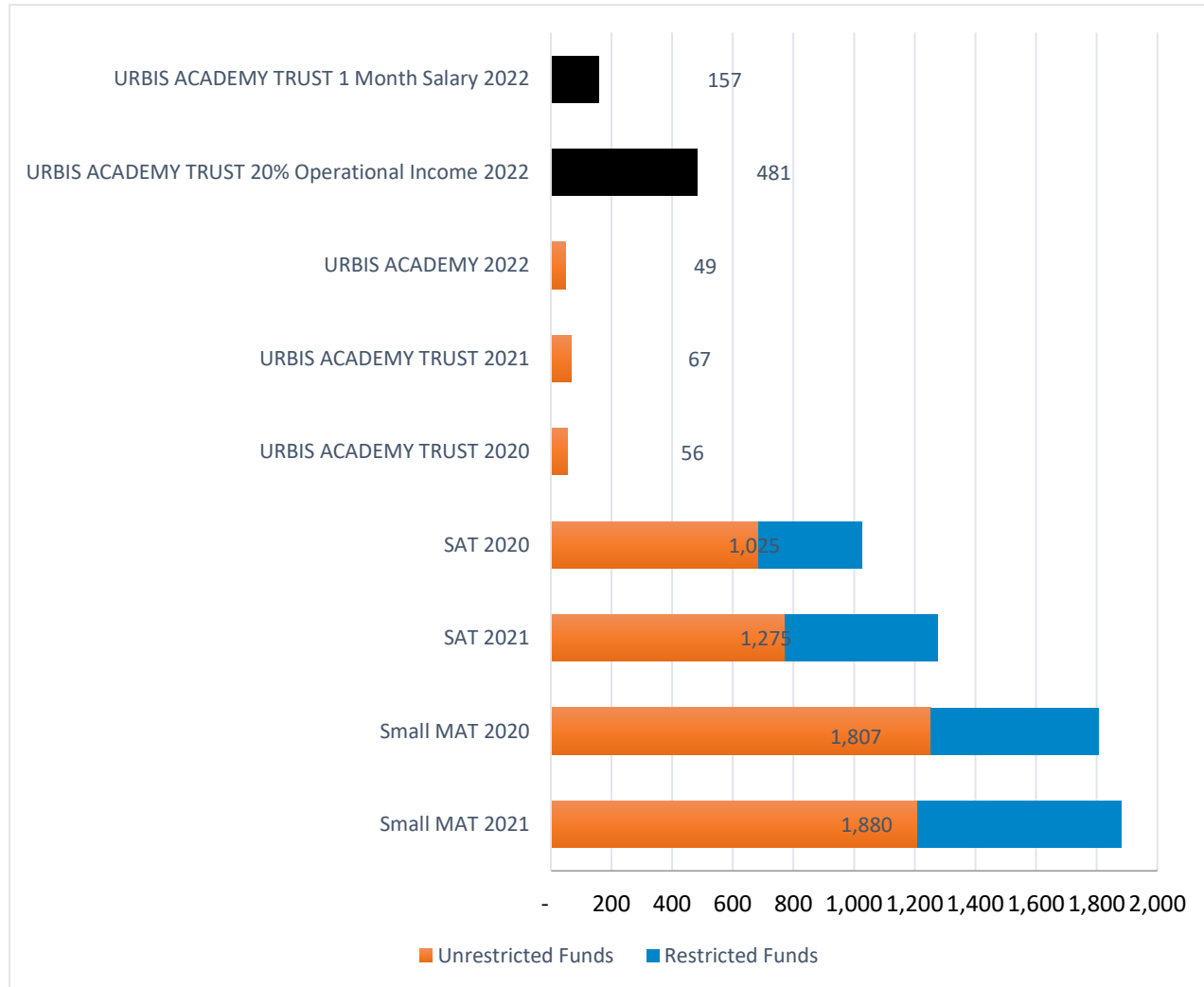
**Formula: Total payroll costs (including agency costs but excluding defined benefit pension scheme adjustments and one-off severance payments) ÷ Total income (excluding capital grants, conversion balances, sponsorship and start up grants)**

Staff costs represent the most significant area of expenditure for all academies and are viewed by third parties as a critical indicator of financial and operational efficiency. Typically, staff costs make up 65% - 80% of both total costs and total income. As an average, across most Academy Trusts we have seen an increase in payroll costs. Despite SATs, Small MATs and Medium MATs seeing increased staff costs, cost reductions on average in other areas in 2021 meant that operational margins still reduced (as seen on the previous page).

Using the data for 2020/21, we also considered the overall payroll ratio by banding, which demonstrates a continued overall trend towards a higher payroll ratio.

| Payroll banding | % Trusts 2021 | % Trusts 2020 |
|-----------------|---------------|---------------|
| < 70%           | 10.0          | 10.6          |
| 70 – 75%        | 21.9          | 25.7          |
| 75 – 80%        | 41.2          | 41.6          |
| 80 - 85%        | 23.5          | 18.6          |
| > 85%           | 3.4           | 3.5           |

## Revenue reserves



The graph to the left shows the split of the Academy Trust’s reserves between unrestricted funds (including designated funds) and restricted funds (excluding the fixed assets fund and pension reserve) shown in £’000.

The government recommend that the amount an academy trust set aside is based on the type and size of the academy trust as well as the particular risks that it faces (for instance, if they are locked into a PFI contract). They encourage academy trusts to ensure that they keep at least one-month’s salary cost as a revenue reserve.

When considering a reserves policy, academy trusts should consider wider financial risks and future plans to determine the appropriate level of reserves in the academy trust’s own context. MATs should also consider how the reserves policy applied across constituent schools and to what extent risk can be spread across the trust. As a trust grows in size, the reserves held on a per school basis will typically be lower. In 2021 a “Large MAT” held on average around £200,000 of revenue reserves per school compared to £700,000 for a “Small MAT”.

## LGPS liability as a percentage of GAG income

As for all academy trusts, Urbis Academy Trust's support staff are eligible to participate in a relevant Local Government Pension Scheme, a multi-employer defined benefit scheme. In accordance with the requirements of the reporting standards, the Academy Trust has included its share of the liability in the scheme on its balance sheet, as estimated by the scheme actuary. As slight changes in the actuarial assumptions used can have a substantial impact on the overall net pension liability, we have provided in the table below a comparison of the Academy Trust's 2021/22 LGPS retirement benefit assumptions against those of other educational organisations.

| <b>Assumptions</b>  | <b>Sector Average</b> | <b>Urbis Academy Trust</b> |
|---|-----------------------|----------------------------|
|   | %                     | %                          |
| Price increases   | 3.0                   | 2.8                        |
| Salary increases  | 3.8                   | 4.3                        |
| Pension increases   | 3.1                   | 2.9                        |
| Discount rate   | 4.2                   | 4.3                        |
| <b>Decrease in LGPS liability from 01/09/21 to 31/08/22</b> | <b>55.8</b>           | <b>51.0</b>                |
| <b>LGPS liability as a percentage of GAG income</b>         | <b>68.3</b>           | <b>47.3</b>                |

## Appendix 3: Sector developments

### Policy and compliance

#### Schools Bill

Introduced to Parliament in May 2022, the Schools Bill provides the legislation required to enable the Government to put into action proposed policy changes included within the Schools White Paper.

[Schools Bill \[HL\] - Parliamentary Bills - UK Parliament](#)

Although still under consultation, the draft bill includes measures in areas including:

- Support for children falling behind in English or maths, and the ambition that by 2030, 90% of children will leave primary school at the expected standard in reading, writing and maths;
- Imposing stronger measures against those suspected of criminal activity within the education sector, in particular against individuals who refuse to provide information or assistance to Ofsted inspectors;
- A requirement for local authorities to maintain a register of children not in school;
- New statutory academy standards to help make sure trusts command public confidence;
- Introducing a clear and consistent approach to dealing with failures in academy trusts.

#### Schools White Paper

The Schools White Paper, “Opportunity for all: strong schools with great teachers for your child” was published in March 2022. The Department for Education is consulting a range of views on the proposals outlined within the paper.

[Opportunity for all: strong schools with great teachers for your child - GOV.UK \(www.gov.uk\)](#)

Each chapter of the paper explores a key element of the paper:

- Chapter 1 An excellent teacher for every child: The intention to deliver half a million teacher training and professional development opportunities across ITT, Early Career framework and National Professional Qualifications by 2024 and consideration of how the right applicants and employees can be attracted and retained within the profession.
- Chapter 2 Delivering high standards of curriculum, behaviour and attendance: Establishing new bodies, and working more closely with existing bodies including Ofsted to ensure best practice is shared and revising behaviour, suspension and permanent exclusion guidance.
- Chapter 3 Targeted support for every child who needs it: Providing tutoring courses and intending to cement tuition as a permanent feature in the school system and equipping schools with the resources needed to routinely identify children who need support, including those with SEND.

- Chapter 4 A stronger and fairer school system: A focus on the strengthening and growth of Multi-Academy Trusts, with new powers to enable the Secretary of State to bring a local authority maintained schools in to the academy system where a local authority has requested this as part of their local strategic plan and an expectation that most trusts will be on a trajectory to serve a minimum of 7,500 pupils or run at least 10 schools.

Elements of proposed policy, designed to support these proposals will be consulted on and includes:

- Changes to the mandatory qualifications required for SEN Coordination;
- A framework to govern children's movements so that school placements, including alternative provision, are made in the best interests of the child at all times;
- Moving schools that have received two consecutive below 'good' judgements from Ofsted into stronger trusts;
- Providing for circumstances in which good schools could request that the regulator allow them to move to a stronger trust;
- Powers for local authorities to direct academy trusts, and for local authority maintained specialist providers to move in to trusts, based on individual and local circumstances.

## Academy Trust Handbook

In August 2022, the ESFA issued the Academy Trust Handbook 2022 (ATH 2022).

[Academy Trust Handbook - Guidance - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/111421/ath-2022-guidance.pdf)

All academy trusts must comply with the handbook as part of the conditions of their funding agreements. ATH 2022 applies from 1 September 2022 and includes only minimal updates from the previous iteration of the ATH, these being:

### Financial Reporting

The Handbook confirms withdrawal of the Budget Forecast Return Outturn (paragraph 2.15).

There will now only be a single budget forecast return (BFR). Academy trusts are no longer required to submit a separate budget forecast return outturn. The outturn information is now permanently included within the budget forecast return.

### Special Payments

Clarification is included to state that prior approval of staff severance payments in line with HM Treasury's Guidance on Public Sector Exit Payments only applies to special i.e. non-statutory or non-contractual payments. (paragraph 5.12).



Academy trusts must obtain prior ESFA approval before making a special staff severance payment where:

- an exit package which includes a special severance payment is at, or above, £100,000; and/or
- the employee earns over £150,000.

## **Indemnities**

The Handbook confirms that trusts are able to enter into indemnities under the normal course of business without seeking approval. (paragraph 5.19)

The ESFA has also published additional guidance with respect to handling contractual indemnities, which includes examples of typical contracts which may contain such indemnities, at the following location: Handling contractual indemnities - GOV.UK ([www.gov.uk](http://www.gov.uk))

## **Religious Character**

The scope within paragraph 5.57 which details specific services which may be provided to an academy by their religious authority while being considered to meet the “at cost” requirement has been broadened to include all religious authorities, where previously it referred to dioceses.

## **Employment law: Term time employees and holiday pay**

The conclusion of the Harpur Trust v Brazel case deemed “the Percentage Method” for calculating holiday pay to zero-hour workers no longer appropriate and confirming that an averaging method should be adopted.

Academy trusts should review their employment practices to ensure that holiday pay provided to employees is consistent with the relevant legislation.

Further details are available at: [Harpur Trust v Brazel | Potential implications on 2022 financial statements \(buzzacott.co.uk\)](#)

## New Local Government Pension Scheme Valuation

The latest Local Government Pension Scheme (LGPS) valuation was on 31 March 2022, with the outcome including revised employer contribution rates coming into effect from 31 March 2023.

The results of the LGPS triennial valuations are expected in Autumn 2022. Participating organisations can prepare for the results by ensuring Board and Finance Committees are aware that LGPS contributions could change from April 2023 as well as checking whether there have been any changes in circumstances that could mean increased contributions.

The valuation does not impact the pension liability reported in the 2021/22 financial statements for academy trusts.

## Reporting

### Budget Forecast Return

This year the ESFA requested additional information for any academy trust with reserves equivalent to more than 20% of their income. The calculation is a ratio of line reserves in comparison to operational income. The ESFA will utilise this information to assess the impact of financial pressures on schools at local level.

<https://www.gov.uk/government/publications/academies-budget-forecast-return-guide-to-using-the-online-form/academies-budget-forecast-guidance-for-completing-the-online-form>

If a trust has a ratio of 20% or more, they were asked some follow up questions. Trusts were required to provide more details about the minimum amount they want to keep in reserves along with a narrative. Trusts provided additional details, including the main purposes the trust is holding its reserve balance for from the following list of options:

- 'specific building/estates projects' (site development or maintenance e.g. new classrooms, sports facilities, CIF contributions)
- 'other non-building capital expenditure' (curriculum development, ICT infrastructure)
- 'staff retention and development' (planned training commitments)
- 'strategic development of the trust' (increase in schools, conversions or transfers in)
- 'growth of existing schools in the trust' (increase in pupil numbers/age range changes)
- 'future change/uncertainty' (reduce income due to decreasing pupil numbers or a future in-year deficit)
- 'other' not listed above

### Automation processes

The ESFA is continuing to develop automation processes with the intention of assisting academy trusts with their financial reporting.

In addition to ongoing development of enhanced automation within the Budget Forecast Return and Academies Accounts Return

processes, in 2021/22 the ESFA is piloting automation of the trust financial statements.

This is an area in which the ESFA appear to be continuing to invest, however many of the processes require an academy trust to adopt the academies standard chart of accounts. Trusts may wish to consider mapping their chart of the accounts against the standard chart of accounts so that they are well prepared to make a switch if it materialises that the automated processes prove to be more efficient.

[Academies chart of accounts and automating the accounts return - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/111111/academies-chart-of-accounts-and-automating-the-accounts-return-2021-22.pdf)

## Safeguarding

### Keeping Children Safe In Education

The latest version of the Keeping Children Safe in Education (KCSIE) guidance was published on, and applies from, 1 September 2022. The full guidance is available here: [Keeping children safe in education - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/111111/keeping-children-safe-in-education-2022.pdf)

As in previous versions, the guidance emphasises that it is essential that everybody working in a school or college understands their responsibilities with respect to safeguarding. All staff at academy trusts must therefore read Section 1 of the document at the very least.

The substantive changes to the guidance this year, excluding minor clarifications and presentational changes, are as follows:

- The incorporation into the guidance on the DfE's advice with respect to sexual violence and sexual harassment between children in schools and colleges;
- Prompting schools to include an online search, including of social media, on prospective employees as part of the vetting process;
- Stipulating that governing bodies and proprietors should ensure that all governors and trustees receive appropriate safeguarding child-protection training at induction and such training should be regularly updated;
- The inclusion of the safeguarding implications for schools of human rights and equality legislation;
- Providing more information on the management of low-level safeguarding concerns; and
- Reinforcing the need for parents to be aware of the safeguarding risks of allowing children access to the internet without moderation when not at school.

### RPA Cyber Cover

In response to member demand, and high-profile breaches in cyber security within the sector, the RPA now includes cover for Cyber Incidents as standard from the 2022/23 membership year.

To make sure schools are covered for Cyber Incidents the DfE has reminded all RPA members that the following four conditions must be met:

- The trust must have offline backups
- All employees or Governors who have access to the trust's information technology system must undertake NCSC Cyber Security Training
- The trust must register with Police CyberAlarm
- The trust must have a Cyber Response Plan in place

More information is available within the RPA Cyber Cover note at [RPA Cyber Cover \(office.com\)](#)

## Cyber security breaches in larger charities

The government's Cyber Security Breach Survey has found that 62% of charities with income over £500,000 reported having some form of cyber security attack in the year to March 2022. This increased to 76% for charities with income over £5,000,000. Whilst businesses continued to be targeted more than charities, about a quarter of charities said they faced cybercrime at least once a week in the form of phishing emails. In addition, 9% of charities said a cyber-attack had left them unable to access files temporarily. These findings are from responses from 424 charities and 1,200 business located in the UK.

The detailed government report can be read at:

<https://www.gov.uk/government/statistics/cyber-security-breaches-survey-2022/cyber-security-breaches-survey-2022>

## Financial updates

### Environmental capital financing

Phase 3b of the Public Sector Decarbonisation Scheme has been launched, with up to £635m of funding available to public sector organisations to be spent between 1 April 2023 and 31 March 2025.

The scheme provides grants for public sector bodies to fund heat decarbonisation and energy efficiency measures and is designed to help upgrade heating systems to ones often powered by cleaner, cheaper and renewable energy; most typically heat pumps.

To be eligible for the funding, applicants must have a fossil-fuelled heating system which is coming to the end of its useful life and must be able to contribute a minimum of 12% of the total project costs.

Applicants are encouraged to take a 'whole building' approach to decarbonising their heating. This is where all the factors that contribute to a building's energy consumption are considered together to identify the most cost-effective way to achieve the objective. For example, investment in improving the insulation levels of the building fabric will reduce the overall size of the low carbon heating plant required, as well as save on fuel bills. Also, investment in reducing the peak electricity consumption, such as through installation of more energy efficient lighting, can reduce the need to upgrade a building's electrical infrastructure to accommodate the installation of a heat pump

[Phase 3b Public Sector Decarbonisation Scheme | Salix Finance](#)

## Energy Bill Relief Scheme

The Government has outlined plans for the new Energy Bill Relief Scheme, which will give early years settings, schools, colleges, and universities a discount on wholesale gas and electricity prices.

This will automatically be applied to bills for energy usage between 1 October 2022 and 31 March 2023, setting the price of electricity to £211 per megawatt hour, and gas to £75 per megawatt hour. These levels are a discount of the expected wholesale prices of energy. Further information on how this discount is applied, as well as

examples of how this impacts customers on variable or fixed rate agreements is available at:

[Energy Bill Relief Scheme: help for businesses and other non-domestic customers - GOV.UK \(www.gov.uk\)](#)

## National Funding Formula changes

The Minister of State for School Standards set out the National Funding Formula (NFF) for 2023 to 2024 on 19 July 2022. This announcement was followed by the publication of provisional allocation tables and the annual NFF policy document.

The document gives details of the changes to the funding regime for the next accounting year, which include:

- An overall increase to school funding of 2.4% and an increase to high needs funding of 6.3%;
- An increase in the minimum per pupil funding level of 0.5%;
- A continued targeting of a greater proportion of schools NFF towards deprived pupils, with 9.8% allocated to target deprived pupils.

From 2023/24, the Schools Supplementary Grant (SSG) will also be rolled into the National Funding Formula and will therefore no longer be administered as a separate grant.

The NFF Policy document for 2023 to 2024 can be downloaded here: [National funding formula for schools and high needs - GOV.UK](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/114114/nff-policy-2023-2024.pdf) ([www.gov.uk](https://www.gov.uk))

Funding formula tables are available here: [National funding formula tables for schools and high needs: 2023 to 2024 - GOV.UK](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/114114/nff-policy-2023-2024.pdf) ([www.gov.uk](https://www.gov.uk))

School level allocations can be viewed here: [View national funding formula allocations for schools: 2023 to 2024](https://skillsfunding.service.gov.uk/nff/2023-2024) ([skillsfunding.service.gov.uk](https://skillsfunding.service.gov.uk))

## Finance leases

The Department for Education continues to work with the sector to develop a new approach to leasing approval. This is linked to the implementation of IFRS 16 for central government accounts, which will require the Government to disclose all leases as finance leases in the future.

The proposed changes mean that in the future assets in the following categories will not require separate Secretary of State approval, regardless as to whether they would be considered an operating lease or finance lease from the perspective of the academy trust.

- all existing leases already in place by 1 April 2022 (maintained schools) and 1 September 2022 (academies);
- IT equipment;

- telephony;
- catering equipment;
- furniture;
- bathroom/sanitary equipment;
- gym equipment;
- grounds keeping equipment;
- minibuses and other vehicles for the use of the school; and
- temporary classrooms and equivalent structures

Leases not included on the above list (for example leases of land or buildings) will still need to be submitted for consent. We anticipate that further guidance on this will be released in the course of 2022/23 by the ESFA.