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ACADEMIES PLUS (A+)

WELCOME TO THE LATEST EDITION OF MOORE KINGSTON SMITH'S ACADEMY SECTOR SUPPLEMENT, ACADEMIES PLUS (A+)

It's fair to say that this year will not be forgotten and will be remembered by many, but for all the wrong reasons. But here we are – almost four months into lockdown and as we slowly get back to normal, what will be the 'new normal'?

At Moore Kingston Smith our focus is always on our clients and lockdown has not been any different. With so much information from the government and other sources it can be

overwhelming and keeping on top of things has proven to be challenging, so it's important we stay close to our clients.

This is still a very uncertain time, so it seemed fit to include articles on Coronavirus in this edition of A+. These articles I hope will act as guide for you and if you would like to discuss these topics in more detail, please get in touch with the team directly.



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ACADEMIES ACCOUNTS DIRECTION 2019 TO 2020

The Education and Skills Funding Agency (ESFA) have now published the new Academies Accounts Direction (AAD), their guidance for preparing academy 2020 financial statements. The majority of the AAD remains consistent with last year, and it again includes a helpful summary of the main changes within it. Key changes are outlined below, with larger MATs being most impacted by new disclosure requirements.

NB: it should be noted also that separate additional guidance regarding the impact of Coronavirus on the financial statements is expected to be released shortly.

Disclosure updates for all

Governance statement	<ul style="list-style-type: none"> Where trustees have reviewed and taken account of the guidance in the Governance handbook (updated in March 2019) and competency framework for governance, they are strongly encouraged to explicitly state this in the governance statement. External auditors can no longer perform internal audit services. Where affected, trusts need to describe how their internal scrutiny arrangements have been affected. The internal auditor/reviewer's reporting arrangements to the Board have been expanded to include the preparation of the annual summary report, in line with the new requirement for this to be submitted to the ESFA by 31 December together with the accounts and external auditor's management report.
Regularity	<ul style="list-style-type: none"> There is clarification that instances of irregularity, impropriety or non-compliance reported should state the relevant monetary amounts when disclosed in the accounting officer's statement on regularity, propriety and compliance, and in the reporting accountant's report on regularity.
Notes	<ul style="list-style-type: none"> It has been clarified that legal costs should be separately identified in the expenditure note to the accounts. A change has been made to the cash flow statement notes, adding an analysis of changes in net debt. The pensions note narrative has been updated to reflect the Teachers' Pensions 2019 valuation report.

Trustees' report additional requirements for large trusts which meet two or more of the following criteria have additional disclosures to make in the trustees' report

<ol style="list-style-type: none"> Gross income more than £36m Balance Sheet assets more than £18m More than 250 employees (average headcount) 	<p>For these trusts, the trustees' report needs to include new narrative covering:</p> <ul style="list-style-type: none"> the success of the trust employee engagement; and business relationships
<p>In addition, where these large trusts also consume more than 40,000 kWh of energy in the reporting period, then energy and carbon information must be disclosed in the trustees' report. The ESFA further encourages these disclosures to be reproduced in a readily accessible format on the trust website by 31 March each year.</p>	

Good practice guides

<p>The ESFA make specific reference to three of their useful "Academy trust financial management good practice guides":</p>	<ol style="list-style-type: none"> Going concern – a very useful guide explaining the concept of going concern and how trustees should challenge management and themselves as a Board. This will be of utmost importance this year due to the increased focus on going concern as a result of the pandemic. Prepare for external audit – a generic checklist to help prepare for the year end audit which can be useful if your external auditor does not already provide a bespoke checklist. Streamlined Energy and Carbon Reporting (SECR) – to help large trusts which fall into the additional reporting requirements in this area (see above).
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In conclusion

Overall you should expect to see few significant changes to the accounts this year unless you are a large trust. If you fall in to this category then we recommend that you review the requirements and consider drafting these in advance of the year-end audit process.

Understanding going concern will be particularly important for all trusts, in light of the extraordinary year that is unravelling after the emergence and spread of the pandemic. You must remember that your going concern considerations need to look forward to December 2021 (being 12 months from the expected date of approval of the accounts) as an absolute minimum.



STRATEGY IN A CRISIS – CHANGING THE ROADMAP BUT KEEPING THE DESTINATION

James Saunders, Education and Not for Profit Partner, Moore Kingston Smith

Academy trusts have been heavily affected by the Coronavirus crisis in the same ways as most businesses and entities around the world and yet also there have been some utterly unique issues that they have had to deal with.

Lockdown has meant that operations have had to be adapted to cope with remote working and studying, shielding and social distancing. Finances have had to be monitored with almost daily attention to accommodate the moving parts of governmental and sector efforts to manage the country through the crisis. And governance has had to be adapted to ensure that resources continue to be used efficiently while accountability for the good stewardship of those resources remains in place.

These types of reactionary activity have been commonplace across most businesses. The big additional factors for academy trusts have included:

- Many of the 'businesses' in this case have had to continue to operate onsite in small pockets, at the direction of the government, to continue to educate children of key workers
- Moving teaching to remote learning (almost overnight)
- Central government GAG funding has remained in place
- The approach to 'return to work' has been directed by government rather than a trust's management team or board
- Pastoral care and safeguarding have taken on a new dimension with remote learning.

All of these factors, both general and specific, may now mean that academy trusts are looking at how they do things and working out if they should be doing them in a different way.

If the plan doesn't work, change the plan – but never the goal

Strategy, in its capacity as a roadmap, generally has a long-term focus and, while it has an overarching place in dealing with a crisis (i.e. stick to core principles, keep the overriding focus despite operational changes), it has a different – but still practical – role in managing an organisation through and out of a crisis. An organisation will reap benefits from reviewing its strategy during a crisis and adapting it to first deal with the crisis, then exit the crisis, and lastly be prepared for whatever is coming next and plan to thrive.

First review

The first review of an organisation's longer-term strategy should be at the fundamental level – does this crisis teach us anything about our core purposes? This is an area where strategic thinking is somewhat different in academy trusts when compared with commercial businesses – trusts generally have similar fundamental goals (i.e. educate pupils to a high standard) and differences in strategy tend to become apparent only when the more detailed elements of strategy start to be fleshed out.

However, the fundamental review of strategy should still be undertaken, not least because it is always useful to remind the major stakeholders of the big question – what are our fundamental goals?

Next steps

Following the basic review of the core conceptual ethos of the organisation, it is time to get down to the constituent parts of strategy – that combination of what you want to do, how you need to do it, and how you want to go about doing it. This is more likely to be where some major changes might be considered – such upheaval as we have seen in these early and middle months of 2020 is unlikely to allow us to go back to the way things were before.

Academy trusts are quite limited in making widespread changes to the location of their teaching operations – with the best will in the world, schooling is likely to remain in and at a school. However, many other factors will be external, and there are a number of effective tools which can help inform this stage review and assist the organisation with looking beyond its own location boundaries. SWOT (Strengths, Weaknesses, Opportunities, Threats) and PESTLE (Political, Economic, Social, Technological, Legal, Environmental) analyses may well produce very different results in and immediately after a crisis compared with those carried out pre-crisis, with the opinions and activities of external stakeholders being important factors to bring in to considerations. As such, the ethos of an organisation may see some significant changes at this stage.

It is important to also reference the current socio-political developments that the UK is seeing during the Black Lives Matter (BLM) movement. In a somewhat different way, all organisations are quite rightly asking searching questions of themselves at a fundamental level in light of the BLM's focus on equality and diversity – and these questions have to be asked of an organisation's strategy as well as its governance and operational arrangements and activities.

Identifying opportunities

In all operations, the Covid crisis has driven some positives. They can be difficult to identify and may not be universally felt or acknowledged - but all organisations have key drivers which reflect their core purposes, and there will be opportunities for change and evolution of these in areas such as:

- target areas of operation
- supplier and beneficiary channels (notably for academy trusts, avoiding over-reliance on any single supplier, which may have become apparent in this period if that supplier is no longer operating post-crisis)
- non-GAG income generation methods and sources, and their respective reliability and diversity
- core long-term sustainability
- innovation, thought leadership, and brand strength.

Fundamentally, your value proposition (that is to say, how your trust benefits its stakeholders) can, and should, differentiate your academy trust in what could be seen as a somewhat homogenous field. That value proposition may well have changed markedly in a post-crisis world.

Plan for exit and prosperity

Every crisis has an end. If managing the initial response and then operating during a crisis is predominately an executive or management function, planning for what comes in the aftermath needs to have much more of a strategic consideration - for all of the reasons above and for many more. There will be top-level decisions required throughout a crisis, but the main strategic decisions will be around the period immediately after the crisis and then in the months and years afterwards, because that is when the negative impacts of the crisis will need to be avoided and the opportunities for improvements, growth, development and drawing positivity will be most readily available.



SCHOOLS MAY BE BACK FOR SUMMER – BUT ARE THEY SECURE?

Maritz Cloete, Director, CS Risk Management

Following 39 notifications of fraud and theft in 2018, the ESFA issued a **hard-hitting warning** to academies in March 2019: “We are aware of a significant increase in incidents of cyber crime against academy trusts in the past year... You should therefore have addressed potential internal control and procedural weaknesses to reduce further risks arising.”

Six months later, less than half of schools polled by the London Grid for Learning and the National Cyber Security Centre (NCSC), a part of Government Communications Headquarters reported that they felt confident that they would be adequately prepared in the event of a cyber attack. Now, despite the ESFA [Guide for Academies](#) outlining the minimum steps needed to comply with the [Academies Financial Handbook](#) requirement for addressing the risk of fraud, theft and/or irregularity, such as using firewalls, installing antivirus and training staff, many schools are still falling victim to cyber crime.

THE REAL RISKS FOR SCHOOLS

The recently published [Cyber Security Breaches Survey 2020](#) incorporated findings from a small number of schools, including academies. It found that the most common types of breaches or attacks on schools are fraudulent emails and others impersonating an organisation online via email, viruses, spyware or malware.

The survey found that its sample of secondary schools were much more likely to have identified any cyber security breaches or attacks in the last 12 months than the typical business (76% versus 46%). This places secondary schools on a par with large businesses (75%). Primary schools, which suffer less from unauthorised use of computers, networks or servers by students, are in line with micro businesses, 43% of whom identified breaches or attacks.

THE CORONAVIRUS EFFECT

In the early days of the pandemic, it would have seemed ludicrous to claim that coronavirus posed as significant a risk to IT infrastructure and operations as it did to human health. However, IBM X Force, the threat intelligence group, reported that coronavirus-themed spam **increased 14,000%** from the middle to the end of March. By mid-April, Google claimed to be blocking over 18 million coronavirus scam emails each day as cyber attackers and hackers around the world took advantage of the outbreak to send phishing emails, spam and malware to businesses and individuals. Unwitting recipients were tricked into making fraudulent payments, disclosing sensitive information and installing malware which harvests email contacts and data.

Figures from [Action Fraud](#) in mid-April indicated that approximately £2 million had been lost to coronavirus-related fraud in the UK. Again, schools proved to be far from immune, with over 1,900 blocked attacks reported to the NCSC in just 30 days.

PROACTIVE WAYS TO PROTECT YOUR SCHOOL

It's vital that each academy takes proactive measures to protect its IT assets and avoid the financial losses, data losses, reputational damage and disruption to students' education that are part and parcel of a successful cyber crime attack. Here are six ways to mitigate your risks:

1. Strengthen your frontline defences

Your users are your biggest weakness, even when it's business as usual. Now, with their attention at least partially diverted away from their day-to-day jobs, your vulnerabilities are higher than ever. However, your users are not defenceless! You can help them protect your school by taking the following steps:

- a. Warning users (teachers, students and support staff) about new phishing scams.
- b. Reminding them to remain alert, especially when receiving unexpected messages by email, instant messaging apps, text and conference call apps.
- c. Discouraging them from clicking on links in messages or opening attachments without first verifying that they are legitimate and safe.
- d. Asking front-line staff to send any suspicious emails to the school admin team (so they can be forwarded to report@phishing.gov.uk for investigation).
- e. Asking staff to complete the [NCSC's free online training](#).

2. Strengthen your remote working technology

Technology can help teachers stay secure while delivering lessons from home, but only if you ensure that their laptops are kept up-to-date with the latest security patches and anti-malware software. You also need to turn up the sensitivity of your web and email filters and ensure that any remote access technologies such as VPN and remote desktop services remain tightly secured.

Now is a good time to consider using a third party to perform regular external vulnerability scans to make sure attackers cannot find an easy foothold into your IT infrastructure.

3. Encourage pupils to further their understanding

Educating your pupils about cyber security will not only protect your school now, it will also have benefits for society in the long-term. Jim Stokley, Deputy Director of the National Crime Unit at the National Crime Agency (NCA), commented in an article, "The age of individuals arrested by the NCA for cyber crime offences is often much younger than other crime types, with children as young as 12 having been known to engage in such offences. Analysis shows that teens with an interest in technology can drift into cyber criminality without having full knowledge of the law." Read the full article [here](#).

There is a wealth of teen-friendly resources available to help schools educate pupils and keep them on the right side of the law. Career advisers in particular may be interested to note that there is a growing skills shortage in cyber security, not only in general business but in the cyber sector itself, as reflected in the government's [Cyber Security Skills in the UK Labour Market Report 2020](#). This report estimates that 48% of businesses (approx. 653,000) in the UK have a basic skills gap and 64% of cyber firms have faced problems with technical cyber security skills

gaps either among existing staff or among job applicants.

Academy students can test their aptitude for a career in cyber security by participating in free online cyber training schemes aimed at teens, including:

Virtual Cyber School: students can participate in over 200 free online cyber security challenges including cracking codes, finding security flaws and dissecting criminal trails. They can also try programming and attend webinars delivered by industry experts. [Registration](#) closes on 1st August 2020.

CyberFirst: offers a programme of opportunities to help young people explore their passion for tech by introducing them to the world of cyber security. Inspired and led by the NCSC, its free summer school for 14 to 17-year-olds will run online from June to August. [Applications](#) are now open.

CyberLand: offers a series of 16 fun, interactive games for 12 to 18-year-olds which introduce cyber security concepts including firewalls and digital forensics. It's the brainchild of the NCA and Cyber Security Challenge UK. [Access](#) is free until the 31st August 2020.

4. Safeguard your on-line lessons

Recent press and social media coverage has brought the security of popular online meeting apps under scrutiny. In many cases, these risks are not new and are either acceptable or can be mitigated through configuration or secure working practices. You should:

- make sure that teachers know how to set up meetings with attendance controls, such as meeting passwords or PIN codes, to prevent 'zoom bombers' or frustrate their attempts.
- remind meeting facilitators to verify the authenticity of all attendees. Give them guidance on how to check attendee lists and explain what they should do if they identify any unauthorised attendees.
- ask students to be alert when clicking on links or downloading attachments within these apps. They should apply the same common-sense thinking as they do when handling emails.
- be aware that students have an 'exploratory' approach to new technology so you may need to disable functions, e.g. chat, to prevent inappropriate usage.



5. Manage the return to work

Make sure that you have a 'return to work' plan for any furloughed support staff which incorporates:

- bringing the IT estate up to scratch with anti-malware software, operating system updates and application security patches in a controlled and timely manner.
- communicating with users to ensure they exercise additional caution when using email and the web until they get the all clear from IT.

6. Consider certification

A number of academies have already achieved the government-backed Cyber Essentials certification which protects against 80% of the most common attacks. It also supports compliance with the NCSC's ten steps to cyber security which are the basis for the audit committee questions detailed in the ESFA [Guide for Academies](#). Well recognised within the commercial sector, Cyber Essentials certification provides much needed reassurance for pupils, parents and governors as well as guidance for school leadership teams.

IN SUMMARY

In September 2019, under half the schools polled by the [London Grid for Learning](#) and the NCSC featured core IT services on their risk registers. Now, in the wake of escalating cyber criminality and reliance on IT infrastructure and remote connectivity, every school can benefit from reviewing their risks and taking a more proactive stance to protecting their networks.

Losing access to technology, suffering a data breach or being subject to financial fraud can be devastating, both financially and to your reputation. However, the steps outlined above will provide some of the building blocks needed to maintain your school's cyber resilience.



SUPPORTING YOUR EMPLOYEES' WELLBEING

Holly Bateson, HR Consultant, Moore Kingston Smith HR Consultancy

Whether your employees have been in or out of work over the past few months, every individual will benefit from personalised support when returning to work and to their normal hours.

Communication with employees will be critical to understanding their concerns and issues – and to avoid an awkward 'one-size-fits-all' approach. Being transparent with employees about what you do and don't know will help build trust in a very difficult time, and sharing plans for the academy in advance can help reduce employee anxiety. Individual one-to-ones with line managers provide a platform to voice concerns, along with the opportunity to create a phased return-to-work plan or a wellness action plan to support differing needs.

Employers that have access to a formal Employee Assistance Programme (EAP) or who have trained Mental Health First Aiders (MHFA) should promote their contact details so employees can reach out for confidential support from trained individuals. Don't forget that the EAP line can be a great source of support for managers who need guidance or ideas for their employees' wellbeing.

The new normal in practice

As life returns to what resembles normality, consistently monitoring employee wellbeing will help support individuals as they come to terms with the impact of Coronavirus. How their family and friends have been affected may have a significant impact on their wellbeing, while those struggling with financial hardship or those that are grieving the loss of close family and friends through ill health may require further support.

In instances when a group of employees experience a traumatic event together, offering critical incident stress management workshops can help everyone process what they have been through via activities and group discussions. Allowing time for employees to have more social breaks throughout the day can provide essential interaction for those who have been isolating alone, and can also encourage healthy discussion.

With so much change, it is inevitable that plans and objectives at the start of the year will need to be reassessed. Setting reasonable objectives in light of the pandemic will help keep employees motivated and maintain their focus. Returning to 'normal' after Coronavirus passes will not be easy for trusts and their employees, but approaching each decision and update with employee wellbeing in mind will have a positive impact for all.

ACADEMIES TAX ROUND-UP

Jeremy Norman, Senior Tax Manager, Moore Kingston Smith

Not surprisingly, the current focus in the tax world is on Coronavirus related measures, with a summary of some of the developments.

The guidance on home-working expenses is relevant to any organisation. The other measures may be relevant for any Academy Trust in terms of their charitable dimension.

Home-working expenses

HMRC has published guidance on the tax status of expenses incurred by employees working from home due to Coronavirus. The guidance can be found at GOV.UK and you can view the guidelines [here](#).

The guidance explains what expenses are taxable if you are working from home due to Coronavirus; including who is affected and which services, supplies and equipment are applicable.

Gift Aid on cancelled events

Many charity events were cancelled during the pandemic. In many cases, attendees agreed to donate their refund to the charity (effectively converting it in to a gift instead). Following lobbying efforts from the charity sector, the government has agreed that Gift Aid can be claimed on that money without the need for the physical return of the money and a subsequent cash donation from the individual (as long as a valid Gift Aid Declaration is obtained). HMRC has confirmed that 'events' also includes challenge events; organised to raise money for which registration fees apply rather than tickets.

Gift Aid on donations during temporary suspension of membership subscriptions

Where a charity has suspended the collection of membership subscriptions due to Coronavirus, HMRC has confirmed that if a member freely makes a donation and receives no benefits in return (except for those falling within the permitted 'De Minimis' threshold; a minimal discount) the donation should be eligible for Gift Aid relief. As always, it is necessary that a Gift Aid declaration is obtained from the donor.

Where subscription rates have been reduced, amounts freely donated over and above the reduced amount should similarly be eligible for Gift Aid treatment.

This will be relevant to trust alumni networks and other membership groups.

Gift Aid and emergency fundraising

Many charities are undertaking emergency fundraising appeals to make up for falls in income during the Coronavirus period. Where possible these should be structured so as to be eligible for Gift Aid, so that the charity can claim a top-up payment from HMRC of 25% of the net donation.

Gift Aid Small Donations Scheme during Coronavirus

Gift Aid Small Donations Scheme (GASDS) is a special relief for small cash donations that enables charities to treat the donations as eligible for Gift Aid, without the need for the formalities of obtaining Gift Aid declarations from the donors. The scheme is limited to small cash donations of £30 or less and there is an overall cap of

£8,000 per annum on the donations that a charity can claim relief for under the GASDS.

An issue that some charities are facing is that donors who would normally have given small cash donations in person are no longer able to do so and have asked whether they could make their donations once the pandemic is over. If an individual's donations that they have saved up are more than £30, they would technically not be eligible for GASDS scheme treatment.

HMRC was lobbied on the point and has agreed that broadly, provided the donations are clearly marked as separate, then they will be eligible for GASDS. The mechanics of achieving this however could be somewhat involved and we would recommend careful treatment of this very particular issue.

Effect of Coronavirus on Gift Aid payments by HMRC

According to HMRC, after some initial IT hiccups, there should be no delays in processing and making Gift Aid payments.



NEWS IN BRIEF

Summer economic update 2020

In the recent summer briefing the government has announced a number of measures.

Some are specific to the education sector and you can read the briefing on our [website](#).

The Coronavirus job retention scheme – extension to October 2020 and other changes

The Chancellor has announced an extension of the furlough scheme and you can read the full update [here](#).

Reminder: clients with a Time to Pay arrangement who have also claimed the CJRS grant for furloughed staff

Important reminder on interaction expectations on time to pay and furlough grant. Read the update [here](#).

Returning to work – your HR checklist

Our HR experts have compiled a very useful checklist of the key areas of considerations upon returning to work as lockdown eases, which you can view [here](#).

Employment allowance for schools

The rules have broadly remained the same until now. The following changes can be found [here](#).

Coronavirus hub

Our Coronavirus hub provides you with all the latest updates from the government and our own insights which provide areas of key considerations we think you will find useful.

For further news, please [visit our hub](#).

If you would like to discuss any of the articles in this newsletter, please contact Anjali Kothari, quoting Academies+ July 2020 at akothari@mks.co.uk.



**Managing
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If you would like to receive our education updates, please email educationperson@mks.co.uk

SUPPORTING OUR EDUCATION TEAM



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James specialises in the not for profit sector, in particular the education sector and is a trusted adviser to academies, multi-academy trusts and independent schools. He is a regular presenter at education sector events and participates in governmental forums.



Maritz Cloete, Director, CS Risk Management

Maritz is a full member of the Chartered Institute of Information Security and a Certified Information Systems Security Professional. He has more than 15 years' experience in delivering information and cyber security consultancy across a wide range of industries, including implementing standards such as ISO27001.



Holly Bateson, HR Consultant, Moore Kingston Smith HR Consultancy

Holly is an HR professional who has gained her experience across the not for profit, hospitality and retail sectors. She has an HR generalist background, leading on projects to improve employee engagement and wellbeing while partnering with and advising senior leaders.



Jeremy Norman, Senior Tax Manager, Moore Kingston Smith

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