

**Post Audit Management Report**

**North Hampshire Educational Alliance (Queen Mary's College)**

Year ended 31 August 2021

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## Executive summary

### Purpose of the external audit

Our work was performed with a view to expressing an opinion on the consolidated financial statements of North Hampshire Educational Alliance (the Academy Trust) and its subsidiary company QM Leisure Limited, for the year ended 31 August 2021 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 Alison Foss (Chief Executive) and Jane Coleman (Director of finance) 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 Jane Coleman.

## Expected opinions

We intend to issue the following opinions:

### Financial statements opinion:

We express that in our opinion the consolidated financial statements give a true and fair view and have been properly prepared in accordance with the Academies Accounts Direction 2020 to 2021 and supplementary bulletin (July 2021) issued by the ESFA, and Companies Act requirements. Our audit opinion on QM Leisure Limited also expresses that the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 2006.

Following recent changes to the International Standards on Auditing (UK), our auditor's report has been revised to include:

- Further details within our report as to what extent our audit was considered capable of detecting irregularities, including fraud; and
- Revised wording for our conclusion relating to the **Error! Reference source not found.** use of the going concern basis of accounting and the identification of any material uncertainties that may cast significant doubt on the Academy Trust's ability to continue as a going concern. Based on our review of the information provided, we have concluded that the use of the going concern basis of accounting appears appropriate.

### Regularity assurance conclusion:

We state that 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 2021 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 since our initial planning, and the outcome of our audit work in relation to those areas.

Area	Issue and response
<b>Impact of COVID-19</b>	<p><b>Risk:</b> Coronavirus continues to present the Academy Trust with operational and financial challenges. The College has had periods of closure for many students but also period where they were operating with students on site.</p> <p>Coronavirus has had a similar impact on the Academy Trust's income and expenditure budgets for 2020/21 as experienced in the previous financial year, with a significant reduction of commercial income throughout 2020/21 although cost savings have been achieved in certain areas.</p> <p><b>Results:</b> We have taken account of the impact of COVID-19 on the financial results as part of our analytical work on the Academy Trust's income and expenditure. The notes to the financial statements disclose the financial support scheme funding. Catch up premium and the Coronavirus Job Retention Scheme income are separately disclosed and the note to the financial statements describes the utilisation of these funds as required by the ESFA's COVID-19 supplementary bulletin.</p> <p>The trustees' report sets out the continued impact of COVID-19 on the Academy Trust, including the detail set out under the "financial review" section of the strategic report. The impact is also disclosed within the governance statement.</p> <p>We have reviewed the trustees' report together with the disclosures made by the Academy Trust in connection with COVID-19 and confirm that these have been made in accordance with the ESFA's supplementary bulletin.</p>

Area	Issue and response
<b>Capital project</b>	<p><b>Risk:</b> During the year, successful capital funding bids have secured funds for the E-sports Hub and separate projects for LED lighting etc. All projects were completed by the end of the financial year.</p> <p>Given the significant financial value attached to the projects, it is important that the costs are correctly capitalised or expensed as appropriate. If it is envisaged that some work will continue over the summer, there is a further risk in relation to whether all relevant costs have been recognised in the correct accounting period and whether disclosures regarding any unaccrued capital commitments are complete.</p> <p><b>Results:</b> <i>Management have capitalised £0.7m in relation to the various projects during the 2020/21 financial year, the largest projects being the Esports centre and LED lighting at £0.5m. In addition, QMC received a number of donated assets (laptops, gaming machines and furniture) which have been recognised at fair value (equating to approximately £60k).</i></p> <p><i>We have reviewed the amounts expended in relation to the capital project and sample checked the expenditure to gain assurance over the accounting treatment. The amounts sample checked were considered capital in nature and the treatment was deemed appropriate. We also reviewed the repairs and maintenance expenditure for the year to identify potential costs expended on the project which may have been incorrectly written off. This review did not reveal any additional costs which should have been capitalised. We also reviewed cut-off, i.e. the financial period in which the expenditure has been recognised, and the disclosures made surrounding the year end capital commitment.</i></p>

Area	Issue and response
<p><b>Going concern, financial climate and reserves policy</b></p>	<p><b>Risk:</b> The current financial climate is challenging for the sector, particularly in the context of COVID-19, which is increasing the importance of carefully managing reserves and financial forecasting. The Academies Financial Handbook requires the Academy Trust to prepare a ‘balanced budget’ (which can draw on unspent funds brought forward from previous years). The ESFA further asks to be notified within 14 days where a cumulative deficit revenue budget is set. The Academy Trust must disclose its policy on reserves within the <b>Error! Reference source not found.</b> report including providing details on how the level of reserves set within the policy compares to the financial position at the balance sheet date.</p> <p>The results of the trustees’ assessment of the going concern status of the Academy Trust is provided in trustees report and within the principal accounting policies. This confirms that the trustees have given due consideration to the going concern status of the Academy Trust and that they conclude that the Academy Trust is a going concern (for at least 12 months from the approval of the financial statements). The trustees will be asked to confirm the same in the written letter of representations to us as auditors.</p> <p><b>Results:</b> <i>The balance sheet and year end reserves position were considered in conjunction with available budgets/forecasts, our knowledge of the Academy Trust’s future plans and the reserves policy determined by the Trustees. The Academy Trust has prepared a going concern summary for approval by the <b>Error! Reference source not found.</b> which we have reviewed alongside supporting documents which include the three year budget forecast return. We are satisfied that the Trustees have given due consideration to the going concern status of the Academy Trust and we are in agreement with the conclusion made in light of the evidence provided, this is reflected within our audit report.</i></p>
<p><b>Income recognition</b></p>	<p><b>Risk:</b> There is an inherent risk in all organisations in relation to income recognition, i.e. that income may be accounted for in the wrong period or at artificially inflated or suppressed amounts or that capital grants which are required to be recognised on receipt are deferred, hence delaying income recognition.</p> <p><b>Results:</b> <i>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.</i></p> <p><i>The Academy Trust has claimed £0.424m of funding in relation to financial support packages for COVID-19, we have reviewed the disclosure of the associated costs within the financial statements which appear consistent with the underlying accounting records.</i></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> <i>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.</i></p> <p><i>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.</i></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 requires transparent disclosure of all transactions and balances arising between the Academy Trust and its related parties. In addition, the ESFA Academies Handbook places restrictions on the permissibility of certain related party transactions. Since 1 April 2019, academy trusts must report all new agreements and other transactions with related parties to ESFA in advance of the transaction taking place. Academy trusts must also obtain ESFA approval for contracts for the supply of goods or services to the trust by a related party where certain limits apply (typically £20,000). A disclosure must be made confirming that all transactions are conducted in accordance with the requirements of the Academy Trust Handbook (ATH), including notifying the ESFA of all transactions made on or after 1 April 2019 and obtaining their approval where required as well as the existing requirement of obtaining a statement of assurance that supplies from related parties in excess of £2,500 were made at cost.</p> <p><b>Results:</b> <i>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 Board and management to confirm their satisfaction with the completeness of the disclosures made.</i></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> <i>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.</i></p>

Area	Issue and response
<b>Accounting estimates</b>	<p><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 included the estimate of the useful economic life of tangible fixed assets (and hence the depreciation charges), the estimation of the pension liability made by the actuaries in respect to the Local Government Pension Scheme, the cut-off of capital expenditure works on major capital projects, the valuation of assets received as a gift in kind and assumptions on future income and expenditure flows for going concern assessment.</p> <p><b>Results:</b> <i>We are satisfied with the estimation techniques utilised.</i></p> <p><i>Testing of depreciation was satisfactory with all items tested being depreciated in accordance at the approved rate.</i></p> <p><i>The Academy Trust has considered the guidance provided by the ESFA on the treatment of donated laptops and other electronic devices and has concluded that the donation constituted a gift in kind and has therefore been included as a donated fixed asset of £61,000 in the financial statements, based on the estimated market value of comparable devices.</i></p> <p><i>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 and consistent with those adopted within the Academy sector.</i></p> <p><i>Our review of the capital projects undertaken during the financial year did not identify any significant cut off errors.</i></p> <p><i>As noted in “Going concern, financial climate and reserves policy” we considered the key assumptions used within the budget forecasts (student numbers, staff pay increases and future pension contributions together withdrawal of government support) and found them to be reasonable based on the Academy’s experience and knowledge of the sector.</i></p>

## Accounts format and compliance

The financial statements follow the principles and format prescribed by the ESFA in the Academies Accounts Direction 2020 to 2021 (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 2020/21 revision of the Accounts Direction. The notable changes of relevance to the Academy Trust were as follows:

- Error! Reference source not found.' **report – financial review:**

Two changes to the Direction have been introduced which should be considered when composing the financial review section of the Annual Report. Firstly, additional clarity and guidance has been provided on the contents of the financial review section of the Annual Report, detailing specific items which should be included and that these should be referred to using terminology that a non-accountant would understand.

The following **must** be disclosed:

- The financial effect of significant events on the financial performance and position of the trust;
- The principal risks and uncertainties to which the trust is exposed and mitigating actions which are performed;
- Key factors likely to affect the trust's financial performance or position going forward;
- Explanation of the financial position of the trust at the reporting date with context and insight in to material or significant figures and balances.

In addition, the following **should** be disclosed:

- Explanation of the main causes and key factors underlying the trust's operational result for the year, including the impact of coronavirus;
- The key sources of funding of the trust and how resources support the key objectives of the trust;
- A description of the trust's fundraising practices.

The second requirement is relevant only to trusts who have received a Financial Notice to Improve (FNtI) from the ESFA and this notice has been in place for a proportion of the accounting period. In these instances, the financial review must also:

- State that a FNtI has been in place during the year, including which periods it was in place for;
  - Provide a link to the FNtI on ESFA’s website;
  - Explain the key actions the trust is taking to ensure the FNtI is lifted;
  - Where still open at the reporting date, to state when the trust expects to satisfy all the FNtI conditions.
- **Staff costs disclosure:**

Where the academy trust has entered into an “off-payroll” arrangement with someone who is not an employee, including but not limited to where the ESFA has exceptionally approved the appointment of an Accounting Officer or Chief Financial Officer, the amount paid by the trust for that person’s work for the trust in this role must also be included in this note as if they were an employee. The prior year figure should also be reported and restated if necessary.
  - **Note on funding received for the academy trust’s educational operations**

Additional clarification has been added to detail under which heading funding sources should be classified to ensure closer alignment with the Academies Accounts Return. Some grants previously reported under the heading “Other DfE Group grants” may no longer meet this definition. If this is the case, a disclosure to this effect should be included within the note to the financial statements.
  - **Leases**

A reminder has been added to ensure that trusts are able to correctly differentiate between the classification and treatment of operating and finance leases. The Direction draws particular attention to the possibility of embedded leases being present as part of larger contracts, including catering contracts.
  - **Long-term commitments**

Clarification has been added to confirm that service concession commitments (most commonly PFI agreements) should be disclosed as part of the long-term commitments note. Additional guidance has also been provided to enable trusts to more readily identify such arrangements.
  - **Coronavirus bulletin**

The additional coronavirus bulletin has been taken into consideration in the preparation of the **Error! Reference source not found.**’ report.

- Additional disclosure continues to be included within the narrative of the Trustees' report within several sections including activities during the year, financial review, use of volunteers, fundraising, the impact on staff and beneficiaries, financial and operational effects, reserves policy and future plans;
- The governance statement also includes detail of the effect of COVID on governance arrangements and the control framework during the year.

Further to this, disclosure has been required in the notes to the financial statements to confirm:

- Details of funding for COVID-19 and including detailing that amounts received with respect to catchup premium and the Coronavirus Job Retention Scheme, which have been separately disclosed regardless of materiality; and
- The donated value of laptops, which have been recognised as a gift in kind during the period.

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.

## 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.

### Audit adjustments

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.

### Unadjusted misstatements

No unadjusted items above our triviality threshold but below our materiality threshold were identified.

## Materiality

**Materiality threshold** £122,000

**Reporting threshold:** £6,000

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 an average of 1% of operational income and 1% of operational expenditure. 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.

We have no further observations or recommendations to make in respect to the accounting and internal control systems or in respect to regularity and propriety.

We are pleased to report that the observation made last year in relation to income recognition of government grants has been satisfactorily dealt with.

## 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, the Academy Trust's "operational deficit" for the year was £314,000 (2020: £187,000), as reconciled below.

	2021 £'000	2020 £'000
<b>Overall net movement in funds</b>	(487)	(3,333)
Less: net income attributable to the fixed assets fund (note 1)	324	1,093
Less: LGPS actuarial gain (note 2)	(332)	1,759
Add: LGPS service cost adjustment (note 2)	562	451
Add: LGPS interest cost adjustment (note 2)	120	85
<b>Operational surplus for the year excluding fixed asset purchases</b>	187	55
Less: fixed asset purchases from revenue funds (note 3)	(501)	(242)
<b>Operational deficit for the year</b>	<b>(314)</b>	<b>(187)</b>
<b>Reconciliation of revenue reserves</b>		
Revenue reserves brought forward (note 4)	1,064	1,251
Operational deficit for the year (as referred to above)	(314)	(187)
<b>Revenue reserves carried forward</b>	<b>750</b>	<b>1,064</b>

## **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 Hampshire Pension Fund. The scheme’s actuaries, Aon, have prepared a valuation of the assets and liabilities which are specific to Queen Mary’s College 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 2020 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 3 to this report a comparison of the Academy Trust’s key financial ratios for 2019, 2020 and 2021 and also against the sector averages for 2019 and 2020.

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

### 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 2020/21 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 25 January 2022 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.

Buzzacott LLP:

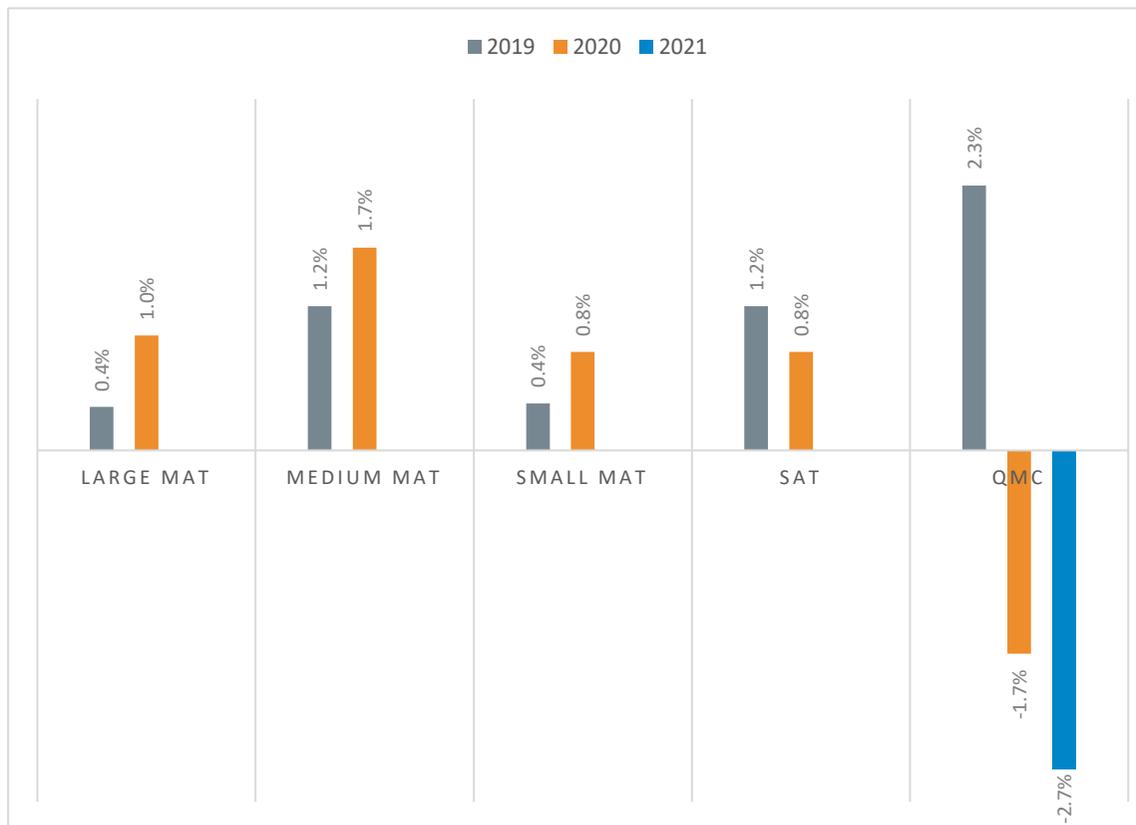


Date: 16 December 2021

## Appendix 1: Comparison of financial ratios

The analysis of ratios is split between Single Academy Trusts and Small (2 - 4 Schools), Medium (5 – 14 Schools) and Large (15+ Schools) MATs.

### Operational margin



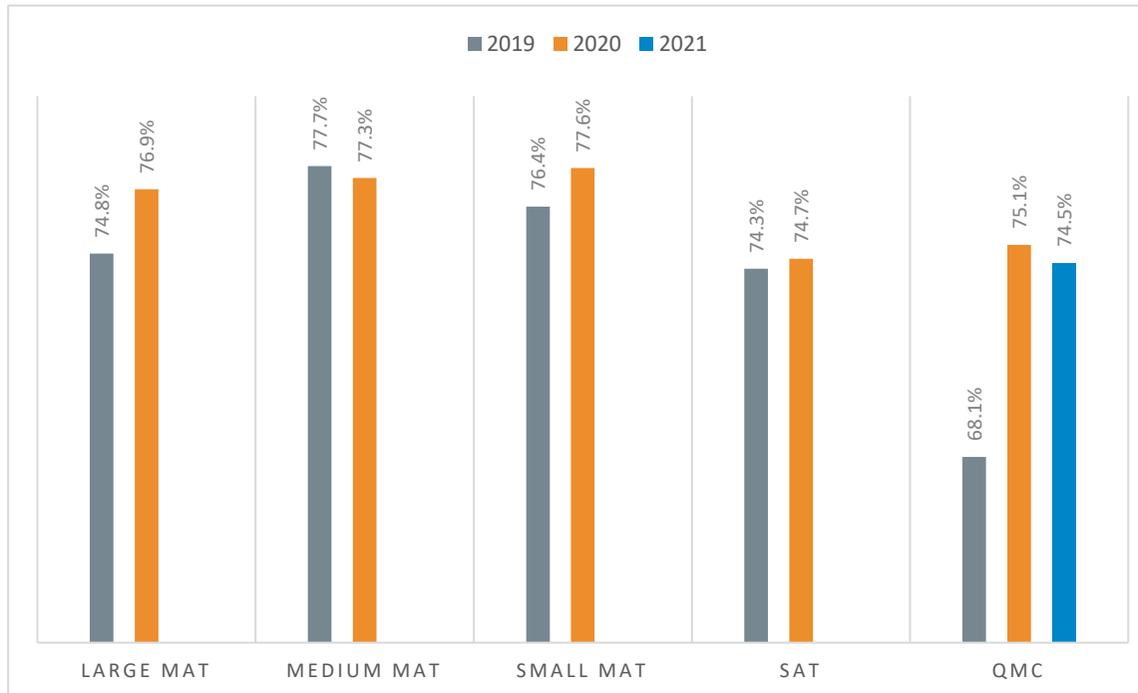
**Formula: Surplus (deficit) for the year excluding fixed asset fund, LGPS adjustments and amounts donated on conversion ÷ Total income excluding fixed asset fund income and amounts donated on conversion.**

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.

Despite increasing payroll costs (as detailed on the following page), the average operational margins seen within the sector remained relatively stable between 2019 and 2020.

## Payroll as a % of operational income



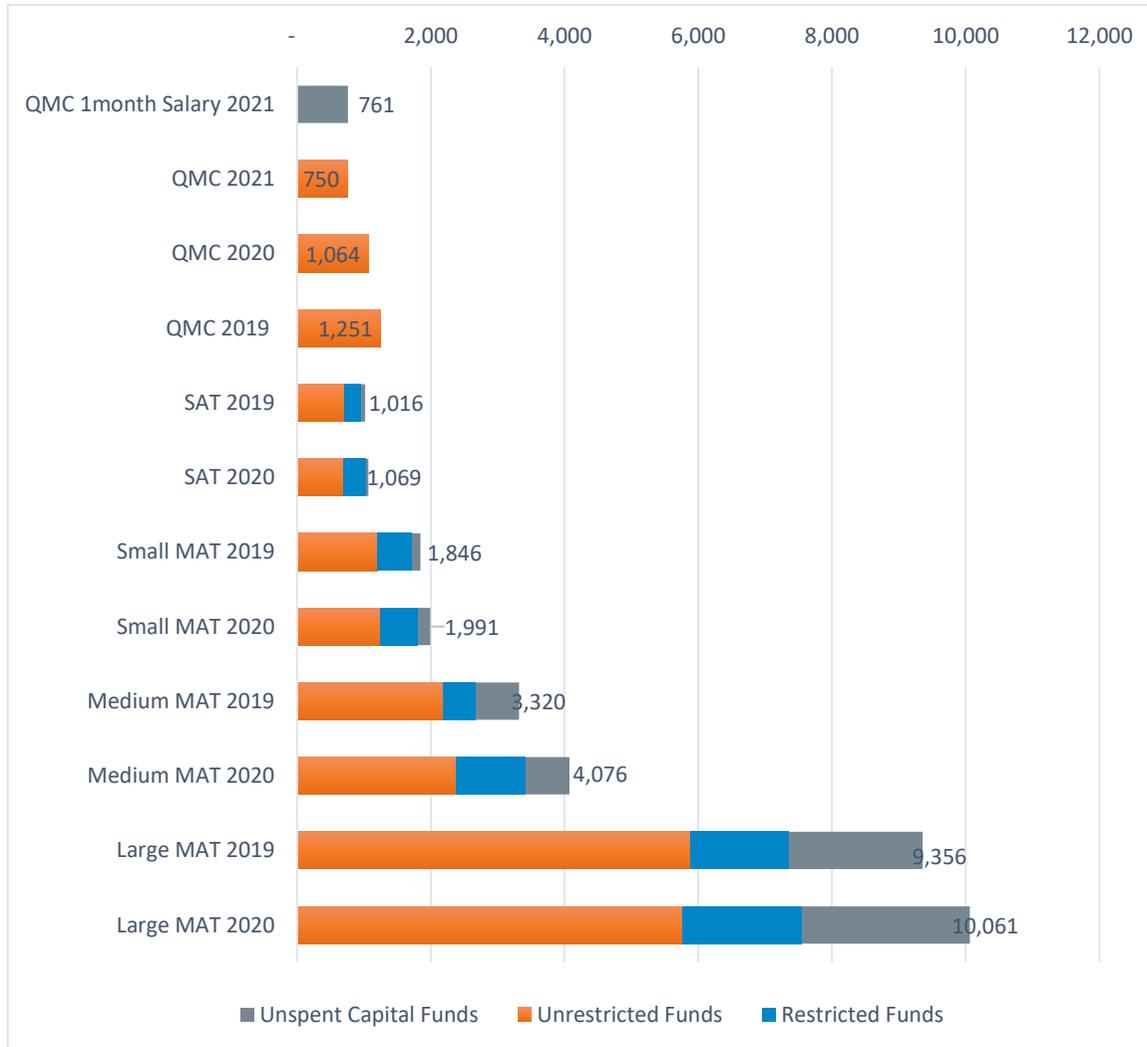
**Formula: Total payroll costs (including agency costs but excluding defined benefit pension scheme adjustments and one-off severance payments) ÷ Total income (excluding capital grants, conversion balances, sponsorship and start up grants)**

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.

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

Payroll banding	% Trusts 2020	% Trusts 2019
< 70%	11.7%	11.5%
70 – 75%	23.3%	26.4%
75 – 80%	35.9%	47.1%
80 - 85%	25.2%	11.5%
> 85%	3.9%	3.4%

## 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).

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 2020 a “Large MAT” held on average around £200,000 of revenue reserves per school compared to £600,000 for a “Small MAT”.

## LGPS liability as a percentage of GAG income

As for all academy trusts, Queen Mary's College 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 2020/21 LGPS retirement benefit assumptions against those of other educational organisations.

<b>Assumptions</b>	<b>Sector Average</b>	<b>QMC</b>
	%	%
Price increases	2.8%	2.7%
Salary increases	3.7%	3.7%
Pension increases	2.9%	2.7%
Discount rate	1.7%	1.7%
<b>Increase in LGPS liability from 01/09/20 to 31/08/21</b>	<b>32.1%</b>	<b>4.8%</b>
<b>Value of LGPS liability at 31 August 2021 (£000s)</b>	<b>N/A</b>	<b>7,268</b>
<b>LGPS liability as a percentage of GAG income</b>	<b>62.3%</b>	<b>86.7%</b>

## Appendix 2: Sector developments

### Coronavirus

#### DfE Updates

The Department for Education (DfE) continues to update its online Coronavirus guidance for schools on a regular basis; this guidance can be found here: [Guidance for schools: coronavirus \(COVID-19\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/guidance-for-schools-coronavirus-covid-19).

Following the removal of the majority of Government restrictions in July 2021, academy trusts are encouraged to monitor the guidance for changes, particularly with the risk of a possible surge in Covid-19 cases over the winter months.

The more relevant and regularly updated sections of the guidance cover areas such as:

- the day-to-day running of schools;
- safe working and protective measures;
- Covid-19 testing for staff and pupils;
- Special Educational Needs and Disability (SEND) considerations;
- finance and administration, including financial assistance and changes to admissions processes;
- exams and assessments; and
- teacher training;

We also recommend that the Trust reviews the weekly ESFA update for academy trusts which is published at

<https://www.gov.uk/government/collections/esfa-update>.

#### The National Tutoring Programme

The Government is continuing to make its National Tutoring Programme available to Schools during 2021/22. This programme aims to make additional tuition available for children whose education has been affected by the Coronavirus pandemic. In addition to the Tuition Partner and Academic Mentor routes available during 2020/21, the ESFA have introduced a new School-Led Tutoring route. This takes the form of a ring-fenced grant to allow schools to source their own local tuition providers for disadvantaged pupils.

Information on the National Tutoring Programme can be found on their website, here: [About the National Tutoring Programme | NTP](https://www.gov.uk/government/collections/national-tutoring-programme)

Further guidance on school-led tutoring can be found here: [School-led tutoring guidance \(publishing.service.gov.uk\)](https://www.gov.uk/guidance/school-led-tutoring-guidance)

## Compliance

### July 2021 Accounting Officer letter

The ESFA's Chief Executive, Eileen Milner, wrote to all Accounting Officers in Academy Trusts on 14 July 2021. In this letter, she:

- Set out some of the key changes to the Academies Financial Handbook (now Academy Trust Handbook, see below) beginning in 2021.
- Drew attention to the financial management good practice guides, in particular the updates to the guide on risk management which were made in May 2021.
- Reminded trusts about the requirement to complete the School Resource Management Self-Assessment Tool by 15 March 2022.
- Set out the timetable for financial return submission deadlines for 2021/22, which reflects the pre-Covid status quo and reinstates the requirement to complete a Budget Forecast Return Outturn (by 17 May 2022).

The letter, which also covered details of the Supplementary Bulletin for the Accounts Direction for 2020/21, can be read in full here:

[Letter to academy trust accounting officers July 2021.pdf](#)  
([publishing.service.gov.uk](http://publishing.service.gov.uk))

### Academy Trust Handbook 2021

The ESFA has re-branded the Academy Financial Handbook under the new name title of the Academy Trust Handbook 2021 (ATH 2021). This change is designed to recognise that the responsibilities of trusts set out in the handbook extend beyond simple financial control and include governance, safeguarding, health and safety and estates management. All Academy Trusts must comply with the handbook as part of the conditions of their funding agreements. ATH 2021 applies from 1 September 2021 and the key changes relate to:

- **Roles and responsibilities:** This section includes new areas to highlight trusts' responsibilities in relation the non-financial areas mentioned above and also emphasises the importance of external governance reviews for trusts, particularly when the Board or Trust are about to make significant changes.
- **Main financial requirements:** The changes to this section deal with publicly available information, specifically:
  - Noting that trusts **must** publish the number of employees whose benefits exceed £100,000 in bands of £10,000. Benefits for this disclosure include salary, employers' pension contributions, taxable benefits and termination payments. This requirement extends to off-payroll arrangements – non-employees must be disclosed in this manner as if they were an employee.
  - A reminder that the agenda, approved minutes and all papers, reports or documents considered at trustee, committee and local governing body meetings **must**

be made available for public inspection. The requirement notes that named pupils, staff or candidates for these positions may be excluded from this material, along with any information which the trustees are satisfied should remain confidential.

- **Internal scrutiny:** ATH 2021 has introduced two new requirements to clarify previously implicit “best practice” points:
  - Members of the senior leadership or finance team within a trust **must not** carry out internal scrutiny work, in order to ensure that the scrutiny is independent and objective.
  - The same person **should not** be chair of both the trustee board and of the audit and risk committee and the finance committee. It also notes that the chair of the audit and risk committee should not be the same person as the chair of the finance committee, where these are separate.
- **External Auditors:** The latest iteration of the handbook introduces much more rigid guidelines on re-tendering for external audits and notes that trusts **should** re-tender their external contract every five years. It also re-iterates the various steps that the audit and risk committee **must** take when communicating with – and assessing the performance of – the external auditor.
- **Severance payments:** Following the publication of the Treasury’s Guidance on Public Sector Exit Payments in 2021 (which can be read here: [Public Sector Exit Payments Guidance on Special Severance Payments - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/guidance/public-sector-exit-payments)), the ATH 2021 has been updated to state that trusts **must** obtain prior approval from the ESFA before making staff severance payments if:
  - the exit package includes a special severance payment in excess of £100,000; and/or
  - the employee earns in excess of £150,000 per annum.
- **Regulation:** ATH 2021 has introduced a requirement that trusts **must** provide the ESFA with written authority giving third parties permission to provide information to the ESFA for the purposes of investigations (for example, into financial management or governance issues).
- **Nomenclature:**
  - **Clerks** are now referred to as **governance professionals** throughout ATH 2021.
  - **Financial Notices to Improve** (FNTIs) have been renamed **Notices to Improve** (NtIs), mirroring the change in the Handbook’s name and reflecting the

wide variety of non-financial issues which can be contained within these notices.

- **Cybercrime:** ATH 2021 also provides additional advice and guidance on cybercrime, specifically noting that prior permission must be obtained from the ESFA before any cyber ransom demands are paid. Further information on the resources available for trusts with respect to cyber security can be found in the “policy and governance” section of this sector updates document, below.

The full list of changes for the ATH 2021 can be found on page 9 of the document, which is available in pdf format here:

[Academy trust handbook 2021.pdf \(publishing.service.gov.uk\)](#)

### Financial management good practice guides

In March 2019, the ESFA began publishing a series of short “good practice” guides to assist academy trusts in topical areas of financial management. This year, there have been updates to the internal scrutiny, going concern, risk management and Streamlined Energy and Carbon Reporting guides which reflect the content of the revised Academies Handbook and Academy Accounts Direction.

The ESFA’s good practice guides can be found here: [Internal scrutiny in academy trusts - GOV.UK \(www.gov.uk\)](#)

### Keeping Children Safe in Education update

The latest version of the Keeping Children Safe in Education (KCSIE) guidance was published on, and applies from, 1 September 2021.

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 guidance now applies to all providers of post-16 education as set out in the Education and Training Welfare of Children) Act 2021.
- There is updated guidance and additional focus on **peer-to-peer abuse** throughout the document.
- Additional information about **keeping and storing records**, as well as clarification on organisations’ powers to hold and use information for safeguarding purposes have been added in several areas of the guidance.
- The **Safeguarding Information for All Staff** section contains additional guidance on Child Criminal Exploitation, Child Sexual Exploitation, sexting and serious violence, as well as additional information on mental health resources.
- The **Management of Safeguarding** section now includes new sections on the importance of a “whole school/ college

approach to safeguarding” and online safety. Other additions to this section include new advice on the dismissal of teachers (including when to refer cases to the Secretary of State) the use of schools for non-educational activities and alternative provision.

- The **Safer Recruitment** and **Allegations Made Against Staff** sections have been restructured, but remain substantively the same.
- The section on **Sexual Violence and Harassment** contains new information on the importance of acknowledging the scale of harassment and abuse and that the way an incident is handled by a school will impact future victims . There are also new sections on the fact that children might not tell staff about abuse and unsubstantiated or malicious reports.

The full guidance is available online at: [Keeping children safe in education - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/keeping-children-safe-in-education)

More specific guidance on peer-to-peer sexual violence and harassment is also available here and was updated in September 2021: [Sexual violence and sexual harassment between children in schools and colleges \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/guidance/sexual-violence-and-sexual-harassment-between-children-in-schools-and-colleges).

## Companies House reforms

In September 2020, the Department for Business, Energy and Industrial Strategy (‘BEIS’) published its findings in relation to a consultation on Companies House reform which it launched in May

2019. The government’s response contains an overview of the proposed reforms. As incorporated organisations required to file returns with Companies House, academy trusts should be aware of the potential changes. The key areas are as follows:

- **Knowing more about who is setting up, managing and controlling companies**  
The government plans to introduce compulsory identity checks on directors of companies, general partners in Limited Partnerships, designated members in LLPs and people with significant control (PSCs).
- **Reforms to Companies House powers**  
The government plans to extend the powers of Companies House to query, seek evidence for, amend or remove information on the register, and to share it with law enforcement if certain conditions are met.
- **Protecting personal information on the register**  
The government plans to improve the processes for removing personal information from the register.
- **Improved data accuracy and digital tagging**  
The government proposes a further consultation on how to introduce full digital tagging of accounts to ensure consistency, easier identification and comparability of information on the register.

## Assurance themes

The ESFA published its briefing report on the key assurance themes arising from work undertaken during its 2020/21 year (covering the accounting period ended 31 August 2020) on 28 September 2021. The report notes that the 97% (2019 – 98%) of accounts were submitted by the extended 31 January 2021 deadline and that just 0.5% (2019 – 0.7%) of the statutory audit reports were modified. Reasons for non-submission were similar to previous years, with trust closures being the most common.

- The percentage of modified regularity reports rose from 7.1% in 2018/19 to 8.5% in 2019/20, with the increase attributable to problems caused by the pandemic. These included:
    - no internal scrutiny reviews taking place;
    - management accounts not being produced; and
    - trusts being unable to hold the required number of Board and/ or Finance Committee meetings.
  - The majority of modified regularity opinions continued to relate to poor financial reporting, with the second most common cause being lack of adherence to the various requirements around related party transactions.
  - The ESFA's report notes that a number of Annual Summary reports on internal scrutiny were non-compliant as they simply replicated existing documents, such as the Governance Statements, minutes of Trustee meetings or the external audit management letter.
- The ESFA's financial management and governance reviews showed good progress towards compliance with the Academy Trust Handbook, with key areas for improvement including:
    - the Establishment of audit and risk committees and a suitable programme of internal scrutiny;
    - production and scrutiny of suitable management accounts;
    - the publication of registers of pecuniary interests on trust websites; and
    - clearly defined establishing clearly defined internal control frameworks with regular management checks.
  - The full report is available to read here: [Common themes arising from ESFA's assurance work in 2020 to 2021 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/1002222/Common_themes_arising_from_ESFA's_assurance_work_in_2020_to_2021_-_GOV.UK.pdf)

## Funding and finance

### National funding formula changes for 2022/23

The Minister of State for School Standards set out the National Funding Formula (NFF) for 2022 to 2023 on 19 July 2021. 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 3.2% and an increase to high needs funding of 9.6%;
- A £10,000 increase in the sparsity provision for small and remote schools (to £55,000 for primary schools and £80,000 for other schools), as well as a revision to the method for calculating schools' remoteness;
- A reduction in the funding lag for the "Free School Meals Ever 6" (FSM6) factor, which provides additional funding for pupils recorded as eligible for free school meals at any point in the past six years.
- Changes to the business rates payment system, which are discussed below.

From 2022/23, the Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grant (TPECG) will be fully rolled into the

National Funding Formula and will therefore no longer be administered as separate grants.

The Schools Revenue Funding Operational Guide for 2022 to 2023 can be downloaded here: [Schools Revenue Funding Operational Guide - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/schools-revenue-funding-operational-guide-2022-to-2023)

The provisional funding tables can be found here: [National funding formula tables for schools and high needs: 2022 to 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/national-funding-formula-tables-for-schools-and-high-needs-2022-to-2023)

### Covid Recovery Premium – 2021/22

The Recovery Premium funding plan package will continue to provide additional funding to trusts in the 2021/22 academic year and will be allocated on a per pupil basis, using the same eligibility criteria as pupil premium funding. Schools will receive their funding in four payments throughout 2020/21 at the following rate:

- £145 for every eligible pupil in mainstream education; and
- £290 for every eligible pupil in a special unit.

Eligible primary and secondary schools will receive a minimum of £2,000 or £6,000, respectively. Additional weightings will be applied to specialist provision schools.

There are currently no plans to extend this package of funding into 2022/23.

Further information can be found here: [Recovery premium funding - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/recovery-premium-funding)

## Rates

Academy trusts are currently eligible to make back-dated claims against National Non-Domestic Rate charges by completing an online form. However, from 1 April 2022, trusts will no longer be able to make claims against bills received in prior years and should therefore ensure that all rates for periods up to and including the 2021/22 fiscal year are made prior to this date.

Details on how to make the claim can be found here: [Academy national non-domestic rates \(NNDR\) claims - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/academy-national-non-domestic-rates-claims)  
From 1 April 2022, the ESFA will make payment to billing authorities directly on behalf of trusts.

Academy trusts are also being encouraged to register buildings on school sites which are not used to deliver education for pupils (for example, private nursery buildings, caretaker's houses or community swimming pools) as separate entities on the Valuation Office Agency's rating list, in order to allow for separate bills to be produced for educational and other buildings.

## School Rebuilding Programme

The DfE has announced the first 100 establishments to benefit from the School Rebuilding Programme (SRP), a policy within the Government's "levelling up" programme, which aims to carry out major capital improvement works at schools across the country over

the next ten years. A consultation on the best approach for identifying those schools most in need of assistance ran until 8 October 2021 and decisions on the process for selection as well as further announcements are expected in the new year.

Further information on the programme can be found here: [School Rebuilding Programme - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/school-rebuilding-programme)

## Teaching School Hubs and implications for Initial Teacher Training (ITT)

From September 2021, 87 new "Teaching School Hubs" replaced the 750-strong network of teaching schools. The intention of the new framework is to continue the programme of professional development support for teachers in a more centralised manner. The hubs are to be funded for three years via an annual grant and will be accessible to all schools in the country. Further information on the scheme is available here: [Teaching school hubs - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/teaching-school-hubs)

The National Association of School-Based Teacher Trainers (NASBTT) has published its response to the Initial Teacher Training Market Review following a consultation period and notes under question 26 that it fully supports the involvement of Teaching School hubs in ITT and would encourage the sector to work in this more collaborative way. It also recognises the importance of existing providers' extensive experience and the possibility of risk the new Hubs as they develop. Further developments following the review are expected by early 2022. NASBTT's response to the review can be read in full here:

[NASBTTs-Response-to-the-Initial-Teacher-Training-ITT-Market-Review-Consultation-July-2021.pdf](#)

## Policy and Governance

### “Understanding your data” guide for governors and trustees

The DfE updated its guidance for trustees on managing, assessing and analysis data on 1 September 2021. The guide reminds those charged with governance about the importance of monitoring and challenging data in order to identify the root cause of problems and the reasons for success. It aims to make the review of data more manageable by giving seven themes to be considered when assessing a trust’s performance and discussing the frequency on which reporting should be carried out by management.

This guidance assists trustees by providing an additional framework to assist them in fulfilling their responsibilities in the Governance Statement of their trust’s annual report and accounts, in particular the review of value for money and assessment of risk.

The full guidance can be found here: [Understanding your data: a guide for school governors and academy trustees - GOV.UK \(www.gov.uk\)](#)

### Cyber security

Academy Trusts are heavily reliant on IT and increasingly rely on cloud-based services. Trust holds large volumes of personal and sensitive data in an electronic format and are increasingly finding themselves victims of actual or attempted cyber-fraud, predominantly through

scam emails. It is therefore important for management and the trustees to have an awareness of the potential risks of the digital environment, both extant and emerging, in order to ensure that their mitigating strategies are up-to-date. The National Cyber Security Centre’s “Cyber Security in Schools: Questions for Governors and Trustees” provides a useful eight question starting point for boards wishing to improve their understanding of the risks to which their trust is exposed in the digital sphere.

This guidance can be found here: [School cyber security questions for governors - NCSC.GOV.UK](#)

In September, the DfE launched a pilot for Cyber Secure, a Cyber Security self-assessment “score-card” tool which has a similar aim and also links trusts to relevant advice and guidance. The pilot ended on 9 October 2021 and the tool will be available for all schools for free from January 2022. Please see [DfE launches cyber security scorecard for schools \(schoolsweek.co.uk\)](#) for further information.

### Fraud and cybercrime – other guidance

The Government has published a comprehensive guide on how charities can protect themselves against fraud and cybercrime. Although specifically published for the charity sector, many of the points within the guidance are equally applicable to academy trusts (as not-for-profit organisations and exempt charities). The guide covers all aspects of fraud and cybercrime with useful links to relevant organisations that combat fraud in charities.

The guidance determines eight overarching principles for tackling fraud:

1. Fraud will always happen, even at charities;
2. Threats are constantly changing so it is important for charities to be able to adapt defences quickly;
3. Prevention mechanisms are better than cure;
4. Fraudsters exploit the trust and goodwill of a charity;
5. It is good to discover fraud as this is the first step in fighting fraud;
6. Report all fraud on a timely basis to Action Fraud, the relevant regulator or police;
7. Responses to fraud should be proportionate to the charity's size, activities and fraud risks;
8. Everybody involved in the charity should help fight fraud, especially trustees.

The fraud section of the guidance covers a broad range of issues, including how fraud should be reported if a charity is a victim of fraud, how a charity should protect itself from fraud and example policies on anti-fraud, whistleblowing and investigations.

As an ever evolving threat to all organisations, the guidance on cybercrime covers an array of topics. Of particular significance, the National Cyber Security Centre (NCSC) has produced an electronic learning training package covering top tips for staff that covers four

key areas: defence against phishing, passwords, device security and incident reporting. The NCSC has also designed a toolkit specifically for boards to encourage wider discussions throughout the charity which contains information on how to plan a response to a cyber-incident. In the event of a cybercrime attack, Action Fraud, the national policing lead for fraud, has launched a 24/7 live cyber-attack helpline which is connected with the National Fraud Intelligence Bureau (NFIB).

The detailed guidance can be found at: <https://www.gov.uk/guidance/protect-your-charity-from-fraud>

### **School Resource Management Adviser (SRMA) Programme**

The ESFA announced on 8 September 2021 that it will continue to provide access to over 200 accredited, independent SRMAs for academy trusts and local authorities until at least August 2024. SRMAs were introduced to provide additional hands on support and assistance in financial planning and resource management for schools. The Government intends to publish impact measurement data for the SRMA programme shortly.

The news article announcing the extension of the scheme can be found here: [ESFA extends School Resource Management Adviser programme - GOV.UK \(www.gov.uk\)](#)

### **Equality, Diversity and Inclusion (EDI) in trust boards**

The Governance Handbook for Academy Trusts and Maintained Schools last updated in October 2020, reflects on the importance of diversity on academy trust boards: they promote inclusive school

environments, provide diverse role models for both staff and students, and create better connections between schools and the local community, which in turn. Having trustees from a broad range of backgrounds also promotes more critical discussion as it broadens the range of different experiences and viewpoints within the Board.

Further details can be found in section 4.1.3 [Governance Handbook 2019 \(publishing.service.gov.uk\)](#).

The National Governance Association's Everyone on Board guide elaborates on these points and provides additional resources to assist boards in recruiting a more diverse range of governors. The guidance can be found here: [Campaigns | Everyone on Board - National Governance Association \(nga.org.uk\)](#)

## Taxation

### National insurance increases

In September 2021, the government announced plans to increase national insurance contributions by both employees and employers by 1.25% from April 2022 for one year. Branded as the "Health and Social Care Levy", it is anticipated that an additional £12 billion per annum for a three-year period will be generated exclusively for the adult social care sector, and also to combat the NHS Covid backlogs. Although this will increase staff costs for academy trusts, the Government has indicated in section 86 of its policy paper that it "intends to compensate departments and other public sector

employers in England at the Spending Review for the increased cost of the Levy".

Further information on the levy can be found at: <https://www.gov.uk/government/news/record-36-billion-investment-to-reform-nhs-and-social-care>

The Government's full policy paper can be read here: [6.7688 CO Command paper cover 060921 \(publishing.service.gov.uk\)](#)

### New off-payroll working rules (IR35)

Although academy trusts have had obligations under IR35 since 2017, new rules were introduced from April 2021 for organisations who pay contractors using personal service companies. The off-payroll working rules are designed to stop the avoidance of payroll taxes where a client pays a worker via the worker's personal service company.

From April 2021, the responsibility of assessing whether contracts fall under the IR35 rules and implementing payroll deductions were extended to cover many private sector charities and other organisations.

Organisations affected by the new rules must review their contracts to determine whether the IR35 rules apply. A 'Status Determination Statement' (SDS) must be prepared, explaining the trust's decision and reasoning for it. This SDS must then be given to the worker and their personal service company/agency. If the outcome is that the IR35 rules apply, the worker must go onto the trust's payroll with tax and NICs

deducted before the net payment is made to the worker's personal service company. The trust is also required to establish a disagreement process for any workers that wish to challenge the SDS they have been sent.

HMRC's online Check Employment Status for Tax (CEST) tool is useful in determining whether IR35 applies, however it is not definitive and it may be worth seeking further advice on uncertain engagements.

Further information can be found at:

<https://www.buzzacott.co.uk/insights/new-off-payroll-working-rules-ir35-what-your-charity-needs-to-do-before-april-2021>