

Financial reporting developments for Academy Trusts

On 25 March 2026, the Department for Education (DfE) issued the annually updated AAD, which sets out requirements and provides guidance for academy trusts preparing their annual report and financial statements (the “accounts”) for the accounting period ending on 31 August 2026.

The primary users of the AAD will be those involved in the preparation of the accounts, accounting officers, external auditors & reporting accountants, trustees and academy trust CFOs.

This year’s version only has a minimal number of changes since the previous AAD was released, which will be welcome news due to the challenging financial backdrop across the sector, and the forthcoming increase in reporting requirements this year, such as the new ‘light-touch estate management return’ expected this autumn.

We have set out below the main points to note, split between the AAD, the model accounts and the auditor’s framework.

Academies Accounts Direction 2025 to 2026 (AAD)

Trustees’ report and governance statement

Trade union facility time (paragraph 2.8)

Academy trusts are no longer required to disclose trade union facility time within the trustees’ report or financial statements.

Streamlined energy and carbon reporting (SECR) (paragraph 2.23)

The guidance on SECR disclosures has been updated and refreshed, but there is no change to the underlying thresholds or scope.

Statement of regularity, propriety and compliance (paragraph 2.51 & 2.53)

Definitions of regularity and propriety have been updated to reflect the latest edition of the Managing Public Money document, issued in June 2025.

Suggested Action:

Review last year’s trustees’ report template and remove the trade union facility time disclosure, while ensuring SECR disclosures remain appropriate and up to date where the trust meets the reporting thresholds.

Accounting officers should ensure that their statement of regularity, propriety and compliance, and the underlying evidence supporting it, remain consistent with the updated definitions and current public sector expectations.

Changes to staff costs and remuneration disclosures

❑ Total staff costs: Payments in lieu of notice (PILON) (paragraph 2.148)

Clarification that payments in lieu of notice must be included within restructuring costs for disclosure purposes.

❑ Disclosure of employees whose benefits exceed £60,000 (paragraph 2.153)

Additional guidance has been provided on how to disclose staff earning over £60,000 where:

- ❑ staff are part-time, or
- ❑ staff worked for only part of the year

If actual pay was below the threshold, but pro-rata would have been above for the full year, this must be disclosed within the note.

❑ Total employee benefits paid to key management personnel (KMP) (paragraph 2.157 to 2.159)

The definition of key management personnel has been updated to “those persons having authority and responsibility for planning, directing and controlling the activities of the academy trust, directly or indirectly”.

Also, where remuneration for key management personnel spans more than one accounting period, trusts must provide specific disclosures, including a clear explanation for the accounting officer.

Suggested Action:

Trusts should review their staff cost calculations and disclosures early, ensuring that restructuring costs, higher-paid staff bandings and key management personnel are identified correctly and consistently with the updated guidance.

Change to related party disclosures

❑ Principal / Chief Executive Officer (CEO) also acting as a Trustee (paragraph 2.179)

Clarification that related party transaction disclosure requirements apply where the principal or CEO is also a trustee of the academy trust.

Suggested Action:

Trusts should confirm that their related party transaction disclosures appropriately capture situations where the principal or CEO is also a trustee, and that these are clearly explained in the financial statements.

Other updates and future looking changes

❑ Site improvements at church academy trusts (paragraph 3.10)

Minor editorial changes have been made to the guidance on accounting for site improvements at church academy trusts. These changes are clarificatory in nature and do not represent a change in accounting policy or approach.

❑ New 'Annex B' on preparing for Charities SORP 2026

A new annex has been added to support trusts in preparing for the new Charities SORP 2026, which will apply from the 2026/27 financial year.

There is no impact on the 2025/26 accounts, but early planning is essential, and disclosure in this year's trustee report is encouraged in terms of referencing the upcoming changes and plans that have been put in place.

Suggested Action:

Church academy trusts should ensure they are comfortable with the existing accounting treatment for site improvements, and all trusts should note the forthcoming SORP 2026 changes, beginning high-level planning and awareness-raising during 2025/26, with a focus on revenue recognition and leases.

Academies model accounts 2025 to 2026

**n.b. references to 'Note # to the accounts' are based on the order set out within the model accounts.*

In addition to the AAD, an updated set of model accounts has been released, which like the AAD, has had minimal changes which have been summarised below:

❑ Finance lease disclosures relocated

The former paragraph relating to finance lease disclosures has been moved from section 2 into section 3 (Model Accounts). This is a presentational change rather than a new disclosure requirement.

❑ Trade union facility time – model disclosure removed

The model disclosure for trade union facility time has been removed from the trustees' report, reflecting the change in the AAD.

❑ Streamlined Energy and Carbon Reporting (SECR) – updated wording

The SECR section has been updated to reflect current guidance, with no change to thresholds or scope, but refreshed explanatory text.

❑ Internal scrutiny arrangements – clarification for larger trusts

The model accounts have been updated to reflect the clarification in the Academy Trust Handbook 2025 that trusts with annual revenue income over £50m (based on last audited accounts) must deliver internal scrutiny using:

- ❑ an in-house internal auditor, and/or
- ❑ a bought-in internal audit service.

❑ Disclosure of certain transactions – relocation to expenditure note

The requirement to disclose certain categories of transaction (previously referenced in paragraph 5.3 of the Academy Trust Handbook 2024) has been relocated to model note 7 (Expenditure) for clarity.

❑ Higher paid staff disclosures – part-time and part-year staff

Additional guidance has been included in model note 10e to clarify how to disclose:

- ❑ part-time staff, and
- ❑ staff who worked for only part of the year,
- ❑ where their full-time equivalent remuneration would exceed £60,000.

❑ Key management personnel (KMP) – definition and disclosures updated

The definition of key management personnel has been updated, with additional clarification on employee benefits disclosures, including circumstances where remuneration is accrued and paid across different accounting periods.

Suggested Action:

Trusts should review their accounts and disclosures against the updated model accounts, ensuring that:

- ❑ removed disclosures (such as trade union facility time) are not carried forward unnecessarily,
- ❑ staff cost and key management personnel disclosures reflect the updated guidance, and
- ❑ internal scrutiny arrangements and expenditure disclosures are clearly and accurately presented in line with the revised model format.

Framework and guide for external auditors and reporting accountants of academy trusts

In addition to the AAD, the separate auditor framework and guide has been released, which is primarily aimed at external auditors and reporting accountants, but could also be of interest to trustees, accounting officers and CFOs.

Similar to the AAD and model accounts, there are only minor changes which follow a similar theme, which have been listed below:

- ❑ **Management representations – clarification added (paragraph 4.45)**
Additional clarification has been included in the section on reporting potential irregularities and non-compliance, specifically in relation to the use and reliability of management representations where sufficient alternative evidence is not available.
- ❑ **Special severance payments – delegated authorities section simplified (Annex C)**
The guidance covering special severance payments within the delegated authorities section has been simplified to avoid duplication with the Academy Trust Handbook, with greater reliance placed on the Handbook itself.
- ❑ **Payroll arrangements and accrued remuneration – enhanced regularity focus (Annex C)**
Further considerations have been added to the tests and evidence supporting regularity conclusions, particularly around:
 - payroll arrangements, and
 - accrued but unpaid remuneration, including timing differences between accrual and payment.

Suggested Action:

Trusts should ensure that their payroll processes, remuneration approvals and supporting documentation are robust and clearly evidenced, particularly where remuneration is accrued across accounting periods, and that trustees remain alert to the requirements around special severance payments and management representations when responding to audit and regularity queries.

This document has been prepared for information purposes only and does not constitute advice. All information correct as at April 2026.