



## Services for new Academies – 2010

The recent announcements by the new government and the Academies Bill have raised the prospect that many state schools will seek academy status under a new revised regime. For many school governing bodies and school heads this is an attractive opportunity but they are uncertain what this may mean for the school financially. As auditors and advisers to many existing academies and a large number of independent schools we are very aware of the issues you will be facing as you consider this option, prepare for the conversion process and embrace the challenges operating your school independently of local authority support and control. We have therefore established a package of support to assist you to address all these challenges. We have academy experts located throughout the country hence wherever you are based we will be able to provide you with support and advice.

### Helping school governors make the decision to seek academy status

The new approach to conversion to academy status is much more streamlined than in the past and accordingly the timescales involved may be extremely short. It is therefore essential that governing bodies are properly informed what the implications will be to them and to the school of taking on the increased freedoms and increased responsibilities that come with academy status. To assist this understanding we can:

- Undertake a due diligence review of the financial, governance and funding implications of conversion.
- Support schools that have substantial financial deficits that may prevent them from easily converting by assisting the identification of alternative financial support.
- Assistance to governing bodies wishing to establish an endowment or other charitable support for the new academy.
- Understanding the school responsibilities under the Teachers Pension Scheme and Local Government Pension Scheme, including understanding on-going funding obligations.

### Preparing for financial and regulatory compliance

There are a large number of financial, regulatory and compliance matters of which must be put in place when establishing an Academy, and it is important that plans are

determined so these can be dealt with effectively in time for the commencement of operations in September 2010 and thereafter. As a result of our significant experience with academies and our good relationship with the YPLA we are able to identify key requirements that need to be addressed and the priority for each. This will include:

- Opening financial position when the Academy commences – transfer of surplus fund relating to the former school, fair value of land and other property transferred in effect by donation from the local authority or other bodies.



- Establishing financial regulations, key finance policies and procedures, and procurement processes.
- Key board policies – risk management and internal controls, reserves and financial management, significant accounting policies (e.g. fixed assets – land and buildings, fixtures and fittings, equipment), governor recruitment, selection, induction and training, conflicts of interest policy and related parties.
- Contributions to Local Government Pension Schemes and Financial Report Standard 17, including understanding year-end actuarial valuations for the purposes of statutory accounts.
- Training and guidance to governors about their roles and responsibilities as company directors and charity trustees, establishing appropriate board committees including the terms of reference for finance committees.
- Company secretarial obligations under company law – Board meetings, AGM, Accounting Reference Date, Annual Returns.
- Understanding of and compliance with Charity Commission regulations if registered, or requirement of the principal regulatory if an exempt charity.

- Preparation of Responsible Officer reports and extended areas beyond the Academies Financial Handbook if required.
- Set up of accounting system including nominal ledger coding and fund accounting (consideration of various forms of restricted funding).
- Briefings to governors and Responsible Officers to help them understand this governance function.

We can offer a graduated level of advice, guidance and support in all these areas depending on an initial assessment of your need.

## On-going support for the academies finance management function

Whilst most academies will have a pre-existing finance function it is likely that this will need greater support in order to fulfil the role of a stand-alone finance function supporting management, governance and external accountability requirements. This may include:

- Preparation of budgets, submission of returns to YPLA such as Whole of Government accounts information, preparation of management accounts on a monthly or termly basis.
- Transaction processing – accounts payable, accounts receivable, accounts journals.
- Payroll bureau service.
- Completion of Teachers Pension Scheme and year end returns.
- Where some finance functions are outsourced, perhaps to the local authority, assistance can be provided to assist governors to understand their responsibilities and to the senior leadership team to help manage this function.
- Preparation of Responsible Officer reports and extended areas beyond the Academies Financial Handbook if required.
- Briefing events for academy finance directors/business managers.

## An effective accounts preparation service

Preparation of the Academy's year end Statutory Accounts is an important compliance obligation. We can prepare accounts from the academy's year end trial balances and management accounts, assist management and governors in drafting their Trustees' Annual Report including key board policies on risk and reserves, and deal with all aspects of accounts submission to YPLA, Charity Commission and Companies House, as needed. The accounts will fully comply with the requirements of any funding agreement with the DfE and the Academy's Financial Handbook. In particular, each year we prepare an "erratum" to the YPLA's (formerly DCSF's) model accounts ("Darlingbridge") to identify areas where it is deficient in relation to current financial reporting requirements. We shall also seek to train your team to undertake some of these responsibilities in the future.

## Effective governance arrangements and regulatory compliance

Our approach to our charity and education clients is to empower them to meet their legal and regulatory responsibilities through a comprehensive package of guidance, templates, best practice tools and training. For example, we believe the risk management guidance in the Academies Financial Handbook, whilst useful, is not sufficiently focussed on strategic risks. We therefore provide clients with a guide to risk management and then can assist the implementation of best practice through training and facilitation sessions.

## Statutory audit services

As auditors to almost 40 academies, 70 independent schools and 90 further education colleges, we are highly experienced in providing high quality and informed audit services suitable for all new academies.

## Your future strategy

We can work alongside the academy's senior management team to ensure that a robust financial framework underpins any future strategic developments, including any planned property development and temporary decant. Our wide experience of independent education means we understand the practical operation of schools and the financial management implications.

## Taxation and VAT issues

We can provide advice in respect to any opportunities to minimise the tax or VAT burden on an academy relating to its operations, or any future capital developments, as well as advising the academy on any compliance risks in relation to trading and community activity income streams. Recent changes in charity tax have made this a higher risk area. VAT can also be a significant factor where it cannot be recovered from the DofE. We can help by establishing who is responsible for maintaining the land and property with particular reference to who has the liability for paying the VAT on property costs, providing guidance to the Academy on VAT reliefs that may be applicable, and also advising the Academy on the VAT liability of sources of income and identifying areas of expenditure where VAT reliefs may apply. Similarly, HM Revenue & Customs have been targeting schools in relation to employment tax matters and we can help you avoid unnecessary liabilities.

For further information contact Sudhir Singh, Chairman – Charities and Education Group – 01923 816400 [sudhir.singh@bakertilly.co.uk](mailto:sudhir.singh@bakertilly.co.uk) or contact

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