

Schools come in a whole range of sizes and structures, in both the State and Private Sector. They include Local Authority schools, private independent schools, charities and Academies, including some with an associated charitable trust or trading subsidiary.

Rawlinsons undertake a variety of work for both schools and charities, including audit and assurance, tax and general financial advice.

We are able to work with you to prepare your year end accounts, and this would typically involve the following:

- Preparation of the Academy's year end accounts in the format required by Charities Act;
- Incorporating the School Fund accounts into the Academy's year end accounts;
- Preparation of accounts and external audit of trading subsidiary;
- Undertaking an audit of the Academy's accounts;
- Presentation and explanation of the year end accounts to the Governors.

Other support that may be required includes:

- Providing assistance and support during the transition to Academy status
- Regular assistance with the preparation of financial management accounts
- A review of systems and controls or spot checks, similar to internal audit or 'Responsible Officer' functions
- Payroll
- P11Ds
- VAT advice and other general tax advice
- General business and financial advice
- Assistance with job interviews for Bursars and Financial Directors
- Assistance in raising finance
- Assistance with the financial monitoring of major projects



Converting to Academy Status

If you are thinking about becoming an Academy, there will be many things to think about. Some of the areas that have implications for the school from a finance perspective are as below:

1. Legal issues

You will need to set up a company limited by guarantee at Companies House. The Government have stated that this company will be an 'exempt charity', which provides charitable status without the need to register with Charity Commission.

As part of the transition to Academy status, there will be a number of agreements that have to be put in place, including the Funding Agreement, Memorandum & Articles of Association for the new company, Local Authority Transfer Agreement, and you may need the assistance of solicitors to deal with these and any issues regarding the ownership of land and property.

2. Bank

As a brand new legal entity, the Academy will have to set up new bank accounts. Your current bankers should be able to do this, but it can take time and involve a lot of paperwork!

3. Interaction with Local Authority

The Local Authority will have their own procedures for closing down the 'old' school and transferring funds to the new Academy. In our experience they should agree that the funds can be transferred directly from the old bank accounts to the new bank accounts, without having to be physically returned to the Local Authority first. They will, of course, need evidence that all this has been carried out correctly.

4. Insurances

If you are part of the Local Authority insurance scheme, your policy may have to be renegotiated, potentially with an increased cost. Even if you are not within the Local Authority Scheme, your insurers will need to know what is happening.

5. Employees

Employees automatically transfer from the employment by the 'old school' / Local Authority to the new Academy, under The Transfer of Undertakings (Protection of Employment) Regulations (TUPE). Your payroll and HR advisors should be able to guide you through this process.

6. Pension scheme

Teachers' Pension Agency – there should be little change in the operation of this scheme, although the TPA will need to know about the change in employer.

Local Authority pension scheme – the treatment of this pension scheme is different, because the Local Authority can identify the portion of the overall scheme that relates to an individual school. This, in turn, means that the scheme is treated completely differently in your year end accounts, due to FRS 17, an accounting standard on retirement benefits. Any deficit (or surplus) on the school's portion of the scheme has to be recognised on the Academy's balance sheet. The size of the deficit may be significant, and it may even result in your balance sheet showing a net deficit position, although the Government have indicated that they will ignore any such deficits in their analysis of the Academy's financial position. The rate of contributions the Academy has to pay may also increase.

7. Year end accounts

As an exempt charity, you will have to prepare year end accounts in accordance with The Companies Act The Charities Act and Charities SORP, and they will require an external audit. These accounts are likely to be completely different to accounts that the Governors are currently familiar with.

8. Accounting system

There will be no significant change in the basic bookkeeping entries required in your accounting system, other than for VAT as noted below. However, a new 'company' will need to be set up on your system, which is often an opportunity to review the coding structure to ensure that all the information you will need is easily available. It may be appropriate to consider changing accounting system to more fully automate the accounting process and provide all the information required.

9. VAT

There are a number of issues to consider regarding VAT, including:

- Expenditure, and therefore budgets, need to be recorded gross of VAT - this could be a culture change for those making orders, as some school catalogues only report the 'net of VAT' price.
- The school may have to or may wish to register for VAT.
- Consideration of the impact of actual VAT on the VAT grant.

10. Trading company

The school would need to assess whether there is a need for a separate trading company, although this is only likely to be relevant if there are significant sources of income, other than those directly related to grants for education.

11. Training

The charity regime and accounts may be new to some Governors, and therefore additional training may be required, providing an overview of charities, as well as the presentation and terminology used in annual accounts.

If you would like to discuss in further detail, these issues and any others that may be particular to your own circumstances, please do not hesitate to contact Mark Jackson, Partner at Rawlinsons on 01733 568321 or Email: mark.jackson@rawlinsons.co.uk.

Similarly, if you would like to receive invitations to future charity seminars and workshops, please make sure we have your contact details.