

Academy Conversion – Lessons to be learnt

For schools that are considering or are in the process of
conversion or that have recently converted

Thursday 11th October, 2012

Madingley Hall, Cambridge



Agenda

- **Welcome and Introduction**
 - *James Pinchbeck, Marketing Partner, Streets Chartered Accountants*
- **State of the Nation**
 - *David Fraser, Director, Discimus Associates Ltd*
- **Helping to get your Academy in good shape**
 - *Hywel Griffiths, Partner, Ashton KCJ*
- **Break**
- **Finance and Accounting for Academies**
 - *Robert Anderson, Partner, Streets Chartered Accountants*
- **Q and A**
- **Lunch**

State of the Nation

David Fraser

Director

Discimus Associates Ltd

Helping to get your Academy in good shape

Hywel Griffiths

Partner

Ashton KCJ

exceptional
client service
every time

Shaping Up As An Academy – Legal Issues

Hywel Griffiths & Geoff Hazlewood

Introduction

- Why and why not
- How
- Employment Issues
- Property Issues
- Governance Issues.

Why?

- Freedom
 - i. Budgets and spending
 - ii. Pay and conditions
 - iii. Curriculum
 - iv. Variety and competition.

Why not?

- Loss of local authority support
- Greater responsibility
- Loss of economies of scale
- General reaction.

How ? 1

- Registration
 - i. Register interest on-line
 - ii. DfE contact identified – will support the School through the conversion process
 - iii. Consultation – staff parents and other interested parties. Letters, website, meetings.

How? 2

- Application to convert
 - i. Governing body resolves to convert
 - ii. Appoint steering committee (2 governors + headteacher)
 - iii. Submit application to DfE
 - iv. Plans to support other Schools (improve standards) - discuss with DfE contact
 - v. Start TUPE consultations – School staff to transfer from Local authority to new Academy Trust
 - vi. Secretary of State approves application and issues Academy Order.

How? 3

- Funding Agreement
 - i. Apply for conversion support grant £25,000
 - ii. Finalise governance documents and incorporate the Academy Trust
 - iii. Agree lease agreements for School land and buildings 125 year lease with peppercorn rent
 - iv. Complete TUPE process
 - v. Complete consultation process
 - vi. Submit Funding Agreement to Secretary of State for Approval.

How? 4

- Opening
 - i. Funding Agreement finalised
 - ii. CRB checks
 - iii. Financial Systems
 - iv. Contractual arrangements – suppliers etc
 - v. Academy registrations – with exam bodies etc
 - vi. Open.

How? 5

- The other bits!
 - i. Bank accounts
 - ii. Insurance
 - iii. Business Plan / cash flow
 - iv. Asset inventories
 - v. Logos and branding
 - vi. VAT registration
 - vii. Pensions.

- Employment Law Issues – Threats and Opportunities



TUPE

- Duty to consult
- Contracts of employment transfer
- Trade union recognition agreements transfer.

- Dismissal for a reason connected with a TUPE transfer will be automatically unfair...
- ...unless the dismissal is for an economic, technical or organisational reason entailing changes in the workforce.

- The Hywel Griffiths Workout Plan for getting your academy into shape.



- Work out what your ideal school looks like



- Consult with your staff



- Introduce new terms and conditions of employment

- Offer redundancies / compromise agreements to refuseniks



Other employment issues:

- Poor performance
- Sickness issues

Process is your friend.

Property Issues

- Caveat – neither Hywel or Geoff are property lawyers!
- Deduce title – what is there and who actually owns it. Are there any covenants or onerous provisions
- Agree the lease. There is a DfE model form
- Current site relocation and exit issues
- Design and construction team
- Internal project management of transfer of facilities during the project and after
- Timing of the move - overlap with academic term dates.

Governance Issues

- The Academy Trust – a charitable company limited by guarantee
- Memorandum and Articles of Association – the constitutional documents. DfE have model documents
- Members – liability limited to £10. Should be a minimum of 3
- Governors, trustees or directors.

Members

- “Operate at strategic level”
- Overseeing objectives
- Appointing some governors
- Can amend articles
- Attend at annual general meetings and extraordinary general meetings
- Will have much less involvement than the governors
- Can also be governors but keep number of members relatively small.

Governors

- Composition – Appointed by members, local authority, parent governors, staff governors, co-opted and other classes
- Governors Responsibilities
- Directors Duties - bound by provisions of the Companies Act 2006 and Common Law Rules
- Trustee Duties.

Governors Responsibilities

- To ensure the quality of education
- To challenge and monitor performance
- To manage the Academy's finances and property
- To employ staff
- To manage and comply with the terms of the Funding Agreement
- To oversee the running and management of the Academy
- To attend and participate in Board Meetings
- Comply with charity and company law.

Directors Duties

- To act within powers of memorandum and articles
- To promote the success of the Academy
- To exercise independent judgement
- To exercise reasonable skill, care and diligence
- To avoid conflicts of interest
- To declare any interests in proposed transactions or arrangements with the Academy
- Not to accept benefits from third parties.

Trustee Duties

- To accept responsibility for directing the affairs of the Academy and that it delivers its charitable objects
- To use the Academy's funds and assets carefully to further its charitable aims
- Not to do anything that would put the Academy's funds, assets or reputation at risk – Duty of Prudence
- To take care when investing the funds of the Academy
- To take suitable professional advice where appropriate.

Practicalities

- Chair and Vice Chair
- Clerk – Bursar or School Secretary
- Committees
- Personal Liability?

Questions?

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Break

Finance and Accounting for Academies

Robert Anderson

Partner

Streets Chartered Accountants

Streets Chartered Accountants

- Founded in 1907
- Top 40 Accountancy practice
- 10 offices including Lincoln, Grantham
Wyboston Lakes, Cambridge, Peterborough,
Newmarket and Stevenage
- 129 staff/ 30 partners and directors
- Educational specialists
- Registered auditors

Education Sector

- Streets has a well established reputation for looking after the accounting, audit and taxation needs of educational establishments.
- Streets' Third sector and not-for-profit team includes 6 partners/ directors and 4 managers, as well as associated support staff.
- The firm is well versed in audit procedures and reporting for charity and not-for-profit organisations in accordance with the Charities Act.
- Academies and independent schools - The firm has acted for many years for a number of long established and well respected independent schools with income streams ranging from £1.5million to £13million.

Academy Clients

- Since the summer of 2010, Streets has been assisting schools in the financial procedures, management and reporting relating to the creation and management of Academy status.
- Streets has been engaged by 26 Academies and is actively working with a further 20 schools that have either converted to, or are in the process of converting to Academy status.
- Streets provide information to academies through its dedicated website www.accountants4academies.co.uk, as well as through seminars and mailshots.

Role of the Accountants Pre and Post Conversion

Providing guidance on:

- Structure
- Choosing software
- Accounting policies and procedures
- Trading activities and Corporation Tax
- VAT
- Internal control / Responsible Officer duties
- Companies Act and Charities Act
- Preparing the financial statements
- Accounts Direction 2011-12 / Academic Financial Handbook
- Whole of Government Accounts
- Providing an audit opinion on the year end financial statements

Structure

- Multi Academy Trust
- Umbrella
- Collaborative Partnership
- Stand alone

Accounting software

- Existing software package
 - Less change/ familiarity
 - Has it been tailored for Academy reporting?
 - Is it fit for purpose?
 - At what cost?
- User friendly software e.g. SAGE
 - More cost effective?
 - Some training required
 - Will need tailoring for Academy reporting
- Bespoke Academy software E.g. PS Financials and Corero
 - Is it needed?
 - At what cost?

Accounting Policies and Procedures

- Accruals accounting
- Fixed Assets
- Assets on conversion
- Pension scheme considerations

Pensions

- Teachers pension scheme versus local government pension scheme
- Calculation and quantum of deficit
- Level of contributions
- Financial statement disclosure
- Academy conversion decision

Trading and Corporation Tax

- Identification of activities to generate income
- Consideration of H M Revenue & Customs and Charity Commission limits
- Establishing a trading subsidiary

VAT

- Identification of educational and business activities
- Compulsory registration
- Voluntary registration
- S33b

Internal control / Responsible Officer Duties

- Must have a process in place for independent checking of financial controls, systems, transactions and risks
- Driven by an audit committee appointed by the governing body, or another committee adopting the additional terms of reference
- Relevant committee must review risks and agree a programme of work

Internal control / Responsible Officer Duties

Options include:

- The work of an internal audit service (either in-house, bought-in or provided by a sponsor)
- The performance of a supplementary programme of work by the external auditors
- The work of a Responsible Officer
- Completing the work by peer review

Companies Act and Charities Act

- Directors' and Governors' responsibilities
- Responsibility for the Year-end financial statements
- Risks and exposure

Preparation of the financial statements

- Annual financial statement, compliant with Charities and Company Legislation as well as guidance from the EFA
- To be submitted to the EFA by the 31 December, together with additional EFA reporting
- To be submitted to Companies House typically within 9 months of the year end (31 May)

Audit Approach

- Streets will work with you in a “hand holding” role during the first period to ensure that the academy successfully evolves their accounting function and procedures to meet the new academy requirements.
- This includes keeping clients up to date in relation to changes, for example the accounts return and the Whole of Government Accounts.
- We will visit as and when required to discuss issues as they arise to ensure they are resolved prior to the year end.
- We will agree a timetable upfront for the production of information at the year end, together with dates for our audit visits and meetings with governors.

Audit Timetable

PROCESS	RESPONSIBILITY	EXPECTED DATE
Interim audit visit	Academy/Auditors	Spring Term
Pre year-end meeting	Academy/Auditors	July
Final Trial Balance and accompanying schedules and trustees report to auditors	Academy	30 September
Audit planning	Auditors	Early October
Audit on site work	Academy/Auditors	Mid October
Draft accounts to Audit Committee/Academy Finance Officer	Auditors	Early November
Meeting between Audit Committee/Academy Finance Officer and Auditors to review audit points	Academy/Auditors/Trustees	Mid November
Final accounts to Governors/Trustees for consideration	Academy/Auditors/Trustees	Late November
Full Governors Meeting to approve accounts	Academy/Auditors/Trustees	Early December

Accounting and Tax Services for Academies

Streets believe in a local, Partner led approach, supported by the technical and professional resources that a large regional firm can offer.

We provide the full range of services which includes:

- Guidance on establishing the financial management and reporting procedures for Academies
- Specialist audits, including pensions and grants
- Budgeting and financial forecasting
- Annual accounts preparation
- Statutory audit
- Advice and guidance on the interpretation of the accounts to Governors
- Accounting Software – including SAGE and specialist software (Sims, Corero, PS financials)
- Payroll and PAYE advice
- Advice on corporation tax
- Advice on VAT compliance
- Fee protection – HMRC investigations
- Investment and pension advice
- Internal audit and risk management
- Supporting the role of Responsible Officer

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Questions?

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