

# 2011 ACADEMIES UPDATE

June 2011

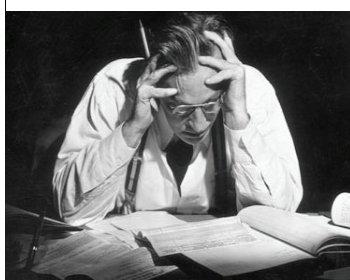
*This newsletter is targeted at new Academies and those schools seeking to convert to Academy status. It brings together a number of important issues to consider when weighing up the opportunity that the new status could provide.*

## **“WGA” - Whole of Government Accounting**

After some false starts and a certain amount of confusion, those Academies who must complete the WGA Return this year now know who they are. Mercifully the ninety page macro-enabled spreadsheet has been modified down to a much shorter and simpler return. But the main difficulty continues—figures to 31st March including a full balance sheet need to be returned before 30th June 2011.

Academies who were formed after 1st January and those with budgets of less than £5m are excluded this year, but as we go to press, we are told that a similar form of reporting will be required again next year, although with what exemptions, we cannot yet guess. Perhaps with an attempt at humour, this report is to be called clear line of sight, or CLOS!

Evidence of clearer thinking in the DFE and Treasury would have been if returns to the Academies' statutory year end of 31st August had been considered. But it's best not to let common sense get in the way of some extra form filling!!



## **VAT: The New Academies Regime**

Whilst waiting for the 2011 Finance Act to receive Royal Assent, the new treatment for recoverable non-business Input VAT in Academies post 1st April is now being clarified.

If you converted prior to 1st April 2011 and you have received a VAT grant as part of YPLA funding, it is complicated. Whilst you continue to receive your VAT grant from 1st April, it no longer forms part of your income, but is instead a loan which should be posted to creditors on your balance sheet.

Your accounting systems should be set up from 1st April 2011 (if they are not already) to identify Input VAT on a monthly basis with sufficient detail to support future VAT reclaims as would have been your accounting requirements for your LEA.

The loan of five months VAT grant is not repayable to the YPLA until March 2012 so you will have the cash buffer until then.

You will not be able to make a VAT recovery claim to HMRC until September as the paper and online processes are currently being designed. Nonetheless you will continue to receive your grant as the YPLA is trying to be sensitive



to cashflow problems during the transitional period

If, during this period, any Academy has a cashflow problem deriving from the recovery of Input VAT, or the transition, or insufficiency of the original VAT grant, the YPLA will view requests for help on a case by case basis.

For those Academies who converted on 1st April and after, including those who expect to convert before 31st August, you have a slightly different situation.

You should ensure that your accounting system is set up to record all Input VAT on your activities, whilst at the same time checking that you have appropriate VAT receipts in support of all your future claims for recovery.

You will also have to wait until September to make a claim, after Royal Assent, and the unveiling of the reclaim procedures that are to be adopted.

If a school has a cashflow problem, the YPLA have said that they will look again on a case by case basis at whatever support may be needed. However it is anticipated that only schools who have a large amount of proposed capital expenditure are likely to have sufficient discomfort to justify bridging help.

This has all been a bit of a long haul in terms of learning curve, and we are not quite there yet. If you are uncertain please don't hesitate to pick up the phone to us, we would be delighted to help.

## **Valuation of transferred assets— Land, Buildings, Furniture and Equipment**

For Academies who do not have to complete the WGA Return as at 31st March your statutory year-end is nonetheless approaching fast and valuations of a variety of assets need to be prepared.

Where you previously owned your land and buildings you may have a valuation from that time, but many schools have found that their local authority never quite got around to completing the land transfer!

Otherwise you may find yourself with a 125 year lease at a peppercorn rent.

If this is the case, you should consider the services of a surveyor to provide a current valuation.

You will need to ask them to separate the land from buildings and any significant plant or other installations.

For IT and other furniture and equipment, some schools already

have good fixed asset registers. If you already have this information, it should be straightforward to establish a likely value at the point of the Academy's creation.

But if you don't it will need to be collated so that an opinion on the value of transferred assets can be established for inclusion in the accounts prior to year end and audit.

## Who are Williams Giles?

Whatever your needs in running your Academy school thinking about, or carrying out the process of conversion to Academy status, we can help.

Williams Giles is a firm of Chartered Accountants in Sittingbourne, which has formed a specialist team to work with schools across the South East who are considering their future status, and to provide Audit and other services to those who have become Academies

Our people ensure the highest quality of service and we offer our advice at cost-effective rates. We are also very approachable and look for a relationship that works both with you and for you, and at your pace.

To talk to one of our specialists about your school's needs, call our Academy hotline on:

**01795 478044**

Or email Alyson Howard:

[alyson.howard@williamsgiles.co.uk](mailto:alyson.howard@williamsgiles.co.uk)



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### Disclaimer

This newsletter is intended as an overview of current issues in a fast evolving legislative environment. It does not constitute professional advice and should not be relied upon as such by any party. For full professional advice please contact Williams Giles direct at the telephone number or e mails as set out above.

### Picture credits:

<http://static.gum.co.uk/sys-images/Guardian/Pix/pictures/2011/3/31/1301582929556/form-filing-007.jpg>; [http://www.responsible-investor.com/images/uploads/articles/corporate\\_governance.jpg](http://blog.thecompanywarehouse.co.uk/wp-content/uploads/2010/01/VAT-registration.jpg); content/uploads/2010/01/VAT-registration.jpg

## Corporate Governance and the New Academy

After the initial relief and elation about having completed the conversion process successfully, the leadership team and board of the Academy will want to sit down and think in more detail about exactly what changes in procedures for running the school they are going to need to make.

The Academies Handbook, which was written in 2006 and primarily aimed at sponsored Academies, is over-due its promised re-write. Whilst it was expected in early May, one now simply hopes that it will have been revised in time for the start of the new academic year in September.

Whilst Accounting and Audit regimes might be relatively well understood, there are a number of governance issues involved in running an Academy company.

The Directors are responsible for, and liable to comply with, the terms of the Companies Act 2006. We can give you a guide on some of the things you need to know in this respect.

Directors are also Trustees pursuant to the Charities Acts and with this title comes a further round of responsibility and obligation. And last but not least, there are additional rules on the conduct of Academy Directors / Governors in the Academies Handbook as well as further procedures and obligations in your own school's funding agreement and articles of association.

Whilst Board Meetings can be similar to those you ran for the governing body, you need to be



sure to update your terms of reference and establish how many meetings you need to hold each year, and what constitutes a quorum. There is also an obligation to have an Annual General Meeting within a fixed period after incorporation.

To help, The Academies Handbook offers a suggested agenda for the first Governors meeting post conversion and advice on setting up and running Finance and Audit committees.

The Board has an obligation to consider and mitigate all risks to which the Academy might be exposed and record these policies in the Annual Report as part of the statutory accounts. It also has to form an opinion and provide a statement on the efficiency and effectiveness of internal controls and the accounting systems used by the Academy. If you need any guidance on Academy Governance, call us, we can offer a range of support.

## Kent Foundation for Young Entrepreneurs

### The Fourth Option

Young people go through their education process with three optional destinations:

- employment
- unemployment; or
- further education.

There is also The Fourth Option - *Be an Entrepreneur*

It's a career path enabling young people to employ themselves by starting their own business.

Kent Foundation recognises that The Fourth Option is not for everyone, but it should be a realistic option for aspiring entrepreneurs—unrestricted by the normal problems with age—who can drive the future economic development of the country.

Kent Foundation offers a range of enterprising workshops to students and pupils in Kent.

It is the only Kent organisation to offer both enterprise education and follow-up business support to students who intend to start their own business.

Support services include: networking opportunities,

- attending business exhibitions,
  - enterprise training
  - test trading grants
  - volunteer business mentors
  - low cost business accommodation
- and much more.

If you would like further details, and their workshop catalogue, please contact:

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