



Alan Patient & Co

Chartered Accountants • Registered Auditors

Financial Management Clarity for Academies

A guide to the financial, tax and
accounting considerations for
new and existing Academy Trusts



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2018



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9 The Shrubberies, George Lane, South Woodford, London E18 1BD
Tel: 020 8532 9843 • alan@alanpatient.com • www.alanpatient.com
[f](#) Alan Patient & Co • [t](#) @alanpatientco • [in](#) Alan Patient & Co

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INTRODUCTION

This guide has been compiled with various readers in mind. You may be thinking of converting to an academy, or you may have converted some time ago and are considering changing your corporate structure, or maybe you feel it's time to update your Financial Management procedures. The contents of the pack should have something of interest for all Head Teachers/Accounting Officers and Business Managers/Chief Financial Officers.

In any event, whatever your needs and requirements, here at Alan Patient & Co we have the skills and expertise to help you. We would be happy to discuss any areas of concern that you may have. Our in depth look at your current systems and discussions on how we can help you improve is free of charge.

To arrange your complimentary consultation or for further information on the services we offer please contact:

Alan Patient

Alan Patient & Co Limited
9 The Shrubberies, George Lane
South Woodford, London E18 1BD

Telephone: 020 8532 9843

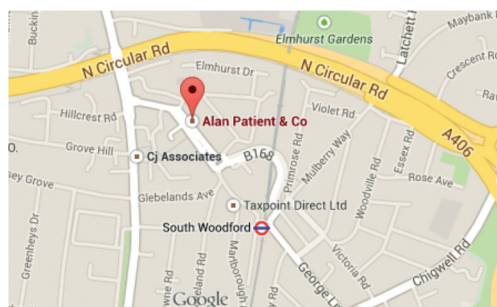
Fax: 020 8530 7687

E-mail: alan@alanpatient.com

Website: www.alanpatient.com

Alan Patient & Co is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work

We are conveniently situated to service academies in the East London, Central London and Essex areas being a short distance from South Woodford Tube Station on the Central Line as well as the North Circular, M25 and M11.



The information contained within this document is designed for use during the 2018-19 academic year and is current at the time of going to press.



CHAPTER 1 - SO YOU WANT TO SET UP AN ACADEMY TRUST?

Before deciding to go ahead, you should ask yourself some tough questions, and be realistic with your answers.

Do you have:

- The specialist skills, knowledge or experience that is in needed?
- The support of parents included in the consultation?
- Support and advice from other schools who have converted?
- The ability to listen to advice from specialists?
- Good health?

Are you prepared to:

- Work long hours over a period of time to launch?
- Be focused on starting the trust above anything else?
- Forgo some aspects of family and social life in the short term to ensure success? And will your spouse/partner/children be supportive?

To succeed you will need:

- A passion for what you do, with a positive commercial attitude.
- A plan, but know that the plan will change as you grow and the trust develops.
- To surround yourself with the right mentors that understand your plan.

Alan Patient & Co is a well established firm of Chartered Accountants. We know first hand about the problems of setting up and converting to an academy trust. Our practical advice and service to you is based on our specialist skills, our background as a firm of Registered Auditors and our experience gained through helping other trusts.

There are numerous pros and cons to weigh up before you decide to set up or convert to an academy trust. You have probably already thought of many of them yourself;

THE PROS AND CONS OF CONVERTING TO AN ACADEMY TRUST.

Pros:

- **Finance**
The funding of an academy is no longer passed through and top sliced by the local authority meaning that the funding from central government is paid directly to the trust.
- **Investment**
While the majority of funding received is restricted any unrestricted funds can be invested how the trust sees fit (keeping within DfE rules).
- **Independence**
The schools are no longer under local authority control.
- **Staff**
The trust has the ability to set its own pay and conditions for staff including the ability to act independently of nationally agreed pay scales.
- **Term**
There is the flexibility to change the lengths of terms and school days.
- **Flexibility**
You have more freedom over the delivery of the curriculum.

Cons:

- **Financial Self Discipline**
You will need to ensure that you are organised and have control of the trust's funds. This will include having enough money put aside to pay staff and suppliers. We can assist you with putting systems into place allowing you to focus more on the core competencies of the trust and ensure you have the resources available to achieve this.
- **Risk and security**
It is the responsibility of those charged with governance of the trust to ensure that the finances of the trust do not run out and to ensure that a detrimental Ofsted report is not issued. Steps must be taken to ensure the safeguarding of the trusts assets and that known risks are managed by the trust.
- **Taxation**
You are required by law to keep records and maintain a book-keeping system to a certain standard. HM Revenue & Customs will insist on your tax records being up to date with returns submitted and taxes paid on time. There is a risk of significant penalties, charges and interest should deadlines be missed. Our team is used to dealing with HMRC, well organised, experienced and able to help you to avoid these problems.
- **Annual Financial Statements**
You are required to prepare annual accounts; they will need to be drawn up to comply with the current Companies Act and Accounting Standards for submission to Companies House. We understand those requirements and can explain the financial statements to you in plain English.
- **Audit**
Your annual accounts will need to be audited by an independent external auditor and a program of internal audit carried out to ensure that internal controls are robust and adhered to.
- **Compliance**
Aside from the annual financial statements there are various reporting requirements for the DfE, ESFA and pension schemes required during the year. We are able to guide you past the pitfalls and ensure reporting is kept up to date.

So you have read the pros and cons and are still enthusiastic about setting up an academy trust - what comes next?

Well, you will need to plan how the finances of the trust will operate and incorporate the trust. Let's look at the process of converting to an academy trust:

CHAPTER 2 - CONVERTING TO AN ACADEMY

The information below is taken from www.gov.uk/guidance/convert-to-an-academy-information-for-schools where more detailed guidance can be found.

1. Before you apply

- a) Register your interest
- b) Read the academies financial handbook
- c) Read the good practice guidance for academy trusts
- d) Consider the different types of academy
- e) Get consent
- f) Prepare for your application
- g) Information discussion
- h) PFI contracts
- i) Seek legal advice
- j) Get an actuarial assessment
- k) Land registration
- l) Contracts
- m) Transfer of staff: discuss the TUPE process with staff

2. Apply to convert

- a) Complete the application form
- b) Notify your local authority

3. Set up or join an academy trust

- a) Academy order
- b) Prepare to set up your academy
- c) Set up the academy trust (if you are establishing a new academy trust)
- d) Appoint your academy's local governing body (if you're establishing or joining a multi-academy trust)

4. Transfer responsibilities to the academy trust

- a) Land arrangements
- b) Commercial transfer agreement (CTA)
- c) Staff
- d) Shared facilities and building works
- e) Loans
- f) Contracts with external providers



5. Prepare to open as an academy

- a) Finish statutory consultation
- b) Final funding agreement
- c) Open your academy's bank account
- d) Appoint academy officers and auditors
- e) Register with the Information Commissioners Office (ICO)
- f) Insurance
- g) Disclosure and Barring Services (DBS) checks
- h) Complaints procedure
- i) Notify Edubase
- j) Notify exam boards

6. Open as an academy

- a) First funding payment
- b) Submit your support grant expenditure certificate
- c) Funding agreement
- d) Financial returns
- e) Land and buildings valuation

Each of these points correspond to an action or series of actions that need to take place before or shortly after converting to an academy trust. These will most likely be carried out by a team of project managers, solicitors and the senior management of the existing school as well as a firm of Chartered Accountants.

Next let's look at the financial returns which the gov.uk website states:- "You will need to submit several financial returns to the ESFA in the weeks and months after opening."

CHAPTER 3 - FINANCIAL RETURNS

You will find that there are a number of new returns to file as an academy. While reporting to the Local Authority is no longer required there are a number of external financial reporting requirements from the ESFA as well as Companies House and HMRC. While some of the reporting would have previously been handled by the Local Authority it is all now the responsibility of the trust to ensure that all returns are filed accurately and in a timely manner so that you adhere to the DfE's funding agreement.

Returns to be submitted

Budget forecast

Academy trusts must monitor and manage their own budgets to ensure effective financial oversight of public funds. ESFA reviews academy trusts' budget projections and actual results to assess financial health and to ensure the estimates of the future funding requirements for academies are accurate.

ESFA requires academy trusts to submit their:

Budget forecast return: outturn (BFRO) in May each year

Budget forecast return (BFR) using the online form in July each year

New academy trusts are required to submit budget forecast information by 6 weeks after receiving their final funding letter using either the BFR or BFRO form available at that time. They will then follow the regular cycle of BFR and BFRO submissions.

Budget forecast returns from multi-academy trusts (MATs)

A multi-academy trust (MAT) preparing aggregated financial statements comprising more than one academy must submit a consolidated BFR and BFRO aggregating the budgets of each of its academies.

If a new academy joins the MAT on or after the July BFR deadline but before the subsequent May BFRO deadline, a separate return for that academy is required.

Budget monitoring and governance

Academies are now required to prepare monthly management accounts which highlights variances between budgeted and actual income and expenditure, the financial position of the trust and cash flow forecasts. This is to ensure that the trust has greater oversight of cash management, debtors, creditors as well as budget setting and challenging assumptions made.

These management accounts must be shared with the chair of trustees every month and shared with other trustees 6 times per year.



The trust will also be expected to have its own Key Performance Indicators (KPI's) and review performance against them. This review will be included in the trustees' report in the annual accounts.

Land and buildings collection tool

The land and building collection tool (LBCT) is a new return which asks for a listing of land and buildings specifying the occupation route (for example freehold, leasehold). This information enables ESFA to report full information on the land and buildings held across the sector in the sector annual report and accounts (SARA). The deadline for submitting the LBCT is 31 October.

Financial statements

Academy trusts must submit to ESFA audited accounts for the period ending 31 August each year by 31 December, using the Academies Accounts Direction as a reference pack.

You will also be required to complete the Academy Accounts Return (AAR) for the DfE in January.

Additionally, you must publish your accounts on your academy trust's website as soon as possible after approval by the trustees, but by no later than 19 January each year. You must also file these accounts with Companies House within 9 months of the end of the accounting period. For most trusts, this will be 31 May.

Land and buildings valuation return

New academies should complete the land and buildings valuation online form within 6 weeks of opening. This allows DfE to produce desktop valuations of the land and buildings of all new academies. ESFA will send academies that opened in the year between 1 September and 31 August a copy of the desktop valuation in the following January. The copy is for information only.

PAYE

As an employer you will be required to make at least monthly Real Time Information (RTI) submission to HMRC and ensure that all your PAYE and national insurance is paid on time.

Pensions

You are required to make regular returns to the LGPS and TPS as well as ensure that liabilities for charges are remitted at least monthly.

VAT

As an exempt entity with taxable turnover below the threshold you are able to claim refunds of input VAT back from HMRC via a VAT126 submission which can be carried out monthly.

If you have taxable turnover above the registration threshold you will need to submit VAT returns at least once per quarter to HMRC.

CHAPTER 4 - WHAT WE DO

We are chartered accountants and registered auditors but rather than producing year end accounts and completing your annual audit we take our experience and expertise in these areas and of finance generally to help you obtain value for money savings and promote a culture of robust internal controls meaning your funding goes further. We offer help in 2 main ways:

1. Conversion support

TASK	HOW WE CAN HELP
Prepare to open as an academy including assistance with:- Setting up the company Opening new bank accounts Deciding on accounting software Obtaining insurance Applying for academy conversion grant	<p>Assistance with all the tasks needed to be completed before the academy can operate as set out in the ESFA guidance on conversion, project manager and legal representatives.</p>
Setting up accounting software Register with HMRC to recover VAT input tax Prepare first annual budget Attend Board of Trustees meetings Register for exemption from Corporate taxes Liaise with LA regarding LGPS hand over	<p>If the decision is to move signature provider then this will be supported by them. Migration to FMS for academies will be supported by your current software provider, however we have found that consultation with us regarding the reports required (for example) proves to be beneficial. Prepare correspondence to HMRC to obtain the required reference number for claiming VAT refunds.</p> <p>Use a budgeting tool such as HCSS to prepare budgets in the ESFA required format. It is advisable that the Board of Trustees is established prior to conversion and our input in these meetings would help the trustees make better informed financial decisions.</p> <p>As a charitable trust you may be entitled to exemption from doing a Corporation tax return, and we would make the application for exemption with HMRC.</p>
Prepare financial regulations and other statutory policies for the academy	<p>We would write the financial regulations of the academy in accordance with CIPFA, charities commission and ESFA guidelines.</p>
Open as an academy	



Calculate surplus or deficit on conversion Submit non-domestic rates claim form	<p>We would assist with the close down of the accounting records of the existing set-up to the day before conversion and ensure all relevant information is prepared and submitted to the LA. Within two months of conversion a claim will need to be submitted to receive a rebate on rates. We can assist by making the claim to the ESFA on behalf of the academy.</p>
Appointment of external auditors and a responsible officer File first budget forecast return (BFR) Submit academies land and buildings valuation form	<p>We can provide suggestions of reputable firms and assist with writing the tender documentation and give recommendations to the school and the trustees based on our understanding of audit requirements.</p> <p>Once the budget is prepared in the ESFA required format we can set up and perform the submission using the required portal input. Within 6 weeks of conversion an online form will need to be submitted to the ESFA. We can prepare and submit the return on behalf of the academy.</p>
LA transfer surplus or deficit on conversion Interim audit Prepare Teachers Pension end of year certificate (EOYC) Prepare BFR outturn (BFRO) report to 31 March	<p>We would input the opening balances into the accounting software and ensure that the balances in the accounts add up.</p> <p>The external auditors will carry out a review on the systems and internal controls of the academy sometimes referred to as the internal audit and present their findings to the trustees. We would ensure their requirements are met and attend the presentation meeting.</p> <p>The Teachers' Pension Scheme will require the relevant information from the payroll to be submitted along with any adjustments during the year. We would prepare this on behalf of the academy.</p> <p>Once the March BMR has been prepared the information will need to be submitted in the ESFA format, including balance sheet entries and validations. We would prepare this on behalf of the academy.</p>
File BFRO report File Teachers Pension EOYC	<p>Filing on the ESFA portal in the required format. Filing with Teachers Pension Scheme.</p>

Audit planning meeting	Once the auditors are appointed they will call a meeting to determine what areas of the academy will need attention whilst they are carrying out their audit of the year end accounts. We can attend the meeting and liaise on behalf of the academy to ensure all requirements are met.
Prepare next year's budget	Preparing full financial figures for the next year including allowing for increments in staff costs, plans for the academy for the coming year. Research and confirmation of funding for the coming year and planning a balanced budget based on the academy's requirements.
File BFR for next year	Presenting to the Board and agreeing before submitting to the ESFA in the required format.
Close down year-end and prepare for audit	External auditors will require financial and non-financial information to prepare the accounts. We would assist with preparing the financial information.
Regularity audit	This will normally be carried out by the external auditor which supplements the year end accounts audit. We can assist in the completion of the self-assessment questionnaire favoured by external auditors.
External audit	External auditors will attend on site and ask questions of the systems and interrogate the records. We would liaise with them to ensure that their requirements are fully satisfied with minimal disruption to the academy's staff. The external auditors are obliged to prepare a report detailing any weaknesses or errors in the systems found during the course of the audit. We would provide recommendations (in plain language) designed to resolve those issues and assist with the implementation of those recommendations to prevent the issues recurring.
Prepare annual report	This would be done by the Academies Accounting Officer (usually the Head Teacher) and will supplement the year end accounts with information on the future plans for the academy, performance of the school and school policies.
Sign off audited accounts and file with annual report to EFA	This would usually be done by the external auditor and will be presented to the Board of Trustees. We can attend the meeting to help present these.
Prepare and file academy accounts return (AAR)	This would usually be prepared by the auditors; however, they will require a review and approval by the academy. We can assist with this review.

2. Chief Financial Officer support services

To assist with the management of the financial sustainability and development of the trust. Assistance with the provision of high quality leadership and management of the trust's finance and business functions to enable the trust to run smoothly, efficiently and effectively in the delivery of the trust's core aims.

That would include promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

Duties and responsibilities

1. Maintaining a secure overview of the management of financial issues within the trust.
2. Keeping the Accounting Officer and the Board of Trustees up to date with the latest Education and Skills Funding Agency (ESFA) changes and other statutory guidance via filtered briefings.
3. Ensuring the financial sustainability of the trust.
4. Advising the Accounting Officer and the Board of Trustees on matters relating to the financial strategy and the impact of their decisions on the financial position of the trust within the framework for financial control determined by the Board of Trustees.
5. Upholding good governance and ethical behaviour in the finance function to ensure the trust upholds good accounting practices, reporting and internal control systems.
6. Advising on effective systems of internal control.
7. Reviewing trust policies, processes and procedures to ensure compliance with various external regulations including meeting filing deadlines regarding VAT, PAYE, ESFA, DfE, HMRC, the Charity Commission and Companies Acts.
8. Providing efficient financial assistance to the Accounting Officer and the Board of Trustees regarding all aspects of financial management within the trust.
9. Ensuring forms and returns required by the ESFA and the Board of Trustees are prepared and submitted in the formats specified by the ESFA/DfE and filed within the relevant filing deadlines.
10. Advising on writing the Annual Report and preparing the financial statements in the statutory format specified by the ESFA, Companies Acts and Charity Commission in a way suitable for auditing by the external auditors. Arranging a timeline and detailed checklist of work to be done in house and by the external auditors to ensure the audited statutory accounts are filed with the ESFA by 31st December each year.

11. Preparing the monthly, termly and ad-hoc budget monitoring reports including cash flow forecasts and key performance indicator (KPI) reports for review by the Chair of Trustees and the Board.
12. Maintaining a strategic financial plan including a 5 year budget plan for the trust.
13. Advising the Accounting Officer and the Board of Trustees if fraudulent activities are suspected or discovered.
14. Liaising with external regulators such as the ESFA/DfE, Charity Commission, Companies House, external auditors and internal auditors as required.
15. Developing checklists for month-end reports to ensure that they are prepared on a reliable and consistent basis.
16. Developing and maintaining the in-house Financial Procedures manual that sets out the trust's operational procedures governing the trust, combining best practice with the latest Accounts direction issued by the ESFA.
17. Setting and managing the trust's budget thereby enabling the trust to deliver the curriculum in a cost-effective manner.
18. Providing support and guidance to any staff in individual schools who have financial responsibility.
19. Cooperating with, initiating and preparing for audit.
20. Attending relevant committee meetings (Finance and Audit, Board of Trustees, SLT) to maintain the presence of the finance function and ensure the broader financial aspects of key decisions are fully considered and communicated.
21. Supporting or leading financial and operational risk assessments and assistance with the implementation of appropriate safeguards.
22. Receiving, analysing and interpreting financial reports, and communicating their findings in a simplified manner when necessary.
23. Researching, leading and advising the Accounting Officer on additional funding, revenue/income opportunities and additional business opportunities.
24. Preparing appropriate bids or tender documents to acquire identified additional funds or grants (responsibilities are developed collectively).
25. Advising on the generic duties of a senior leader.
26. Performing other ad hoc duties and assignments as may be determined by the Accounting Officer and the Board of Trustees.

Specific areas of responsibility

Budgets/Budgetary Control

1. Preparation of an annual draft budget plan for consideration by the Finance and Audit Committee and the Board of Trustees before the start of each financial year.
2. Monitoring income and expenditure plus cash flow and reporting to the Accounting Officer of variations from the approved budget. Submitting reports on the financial position of the trust to the Chair of Trustees, the Trust Board and to meetings of the Finance and Audit Committee.
3. Preparing virements for approval within delegated financial limits and reporting such virements to the Finance and Audit Committee.
4. Reviewing existing virements for budgets and recommending amendments to the Accounting Officer and Board of Trustees for approval as necessary.
5. Ensuring compliance with PAYE, National insurance, VAT and other relevant financial legislation.

Internal Audit

1. Maintaining and resourcing an effective internal audit function or equivalent.
2. Producing internal termly audit reports for the trust, together with recommendations for improvement.
3. Ensuring internal reports are shared with the Accounting Officer and Finance and Audit Committee.

Purchasing

1. Maintaining an overview of the trust and providing best value options for key purchases.
2. Overseeing tenders for service contracts, ensuring correct financial procedures are followed, to ensure cost effectiveness.
3. Providing guidance to the staff who have financial responsibilities and the Accounting Officer over retention of quotes obtained for goods, works and services and other associated documentation such as minutes of meetings, recording of decisions and reports.

Payroll and Personnel

1. Developing and evaluating the payroll service.
2. Ensuring the monthly payroll is checked and certified by the Trust's Accounting Officer.
3. Comparing actual payroll costs each month to budgeted costs and ensuring the payroll reports are passed to the Accounting Officer to be retained for future audit purposes.

Development

1. Working with the Accounting Officer and the staff who have financial responsibilities to identify sources of additional funding to support the trust's programmes and development.

Generic Responsibilities

1. Representing and promoting the trust's values internally and externally.
2. Delivering day-to-day duties consistently to the agreed service level.
3. Acting as a champion for change and improvement, constantly enhancing quality.
4. Actively promoting and acting at all times in accordance with the trust's policies, e.g. Health and Safety, Equal Opportunities and Safeguarding.

APPENDIX I – WHAT OTHERS SAY ABOUT US

“Alan Patient & Co have assisted us through a period of change. They have helped update our financial controls, advised on and implemented new accounting software and aided us in maintaining budgetary controls to help us grow from 900 going up to 1,500 pupils. I used to find monthly budgetary meetings daunting, feeling that I was being talked to in another language.

Thanks to Alan Patient & Co they explained everything to me in plain English allowing me to focus on and understand the key issues. Due to their professionalism and expertise I now look forward to monthly meetings to see how our funding is being best spent to improve the school for our staff and our pupils learning.”

Mr Seager, Stratford School Academy

“We converted in June 2017 and formed a multi academy trust. The process had been challenging, devoting as much time as possible to getting the trust going to ensure a smooth transition. We knew we needed assistance with the required reporting and financial accounting elements of being an academy; and Alan Patient were incredibly supportive with this process and ensured we met the strict deadlines, they were also able to provide good advice and support with trustee meetings and Annual Audit requirements.

Alan Patient & Co were able to provide a list of all the deadlines we would need to meet from conversion through to our ongoing annual reporting requirements. They also provided input on how they could assist us and gave an agreed fee up front meaning we could plan and budget their costs without any nasty surprises. Their support and guidance through this process has been invaluable and based on our experience would recommend to any school about to convert to an academy.”

Mrs Bingham, Britannia Education Trust

“Converting two schools into a new multi academy trust we knew that we were going to need all of our finance staff to be at the top of their game. Ensuring that we were suitably prepared to take on new converter schools in the near future was a priority. Changing our accounting software from FMS was going to be a huge challenge in itself and having the financial support and knowledge to assist with that was key. Having prepared budgets previously

I needed to know the changes from a maintained school budget when becoming a Multi academy trust. Alan Patient & Co were able to help with this and all the requirements I have as Accounting Officer. Having faced this challenge and wanting to be hands on I know that having experts on your side gives you that peace of mind and support you need to make the transition.”

Ms Edge, Agate Momentum Trust

APPENDIX II – MEET THE TEAM

Alan Patient (FCA) - Principal

Alan has had his own accountancy practice for 29 years and is a Chartered Accountant, Registered Auditor and a fellow member of the ICAEW. Alan has a very diverse client base and he prides himself on adding value for his clients whilst still being friendly and helpful but also extremely professional.



Chris James (ACCA) - Education services Senior Manager

Chris has been involved in education since he began his career in practice in 2010. Having worked with educational establishments of all shapes and sizes and auditing organisations up to listed companies he has lots of experience in the implementation of good financial controls.



Thomas Hicks - Education services Accountant

Thomas is studying for his professional qualification as a Chartered Accountant with the ICAEW. He has a strong personal background in education and finance giving him a unique insight into the effective running of academies and trusts.



If you are not clear about the Financial Management priorities for your academy School, please contact us for a free consultation with one of our experienced academy School Consultants on 020 8532 9843.



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Helping School leaders
with Financial Management
and converting to an
Academy Trust status.



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Tel: 020 8532 9843 • alan@alanpatient.com • www.alanpatient.com
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