



December 2011

# Academy schools update

This update brings you the most recent developments for Academy schools.

## ABBREVIATED ACCOUNTS RETURN

At the beginning of November, the YPLA issued updated guidance on the requirement to complete an Abbreviated Accounts Return (AAR) for 2010/11, as reported by our previous Newsflash.

We would remind Academies that are currently in the process of finalising their 2011 financial statements that the AAR needs to be completed and submitted to the YPLA by the deadline of 31 December 2011.

The guidance comprises Chapter 4 of the Accounts Direction 2010/11, which supplements the first three Chapters issued at the end of August.

The AAR spreadsheet is available for download from the YPLA website, [www.ypla.gov.uk](http://www.ypla.gov.uk).

## FINANCIAL MANAGEMENT AND GOVERNANCE EVALUATION (FMGE) RETURN

Another reminder...the deadline for submitting the FMGE return for some Academies is 31 December.

Academies preparing audited financial statements to 31 August 2011 should submit the completed FMGE return by 29 February 2012.

New Academies not yet required to prepare financial statements should submit the FMGE return by the relevant deadline set out below:

Date of conversion/ opening	FMGE return submission deadline
On or before 31 Jul 2011	31 December 2011
1 Aug to 30 Sept 2011	31 January 2012
1 Oct 2011 to 30 Nov 2011	29 February 2012
1 Dec to 31 Dec 2011	31 March 2012
1 Jan 2012 onwards	Within 4 months of conversion/ opening

## 16-19 BURSARY FUND IN-YEAR REVIEW

The YPLA have announced that as the 2011/12 academic year progresses, should Academies find

that they have insufficient funding to enable them to pay the £1,200 bursary to students in the defined vulnerable groups, it is possible to request further additional funding by sending an email to [1619bursaryfund@ypla.gov.uk](mailto:1619bursaryfund@ypla.gov.uk).

## 2011/12 BUDGET RETURNS - THE GAG2 FORM

All Academies are required to submit a statement of income and expenditure for the financial year on a GAG2 form, due 6 weeks after the 'Final funding statement' is received by the Academy. The GAG 2 must be approved by the Governing Body, signed, and submitted both in hard copy and electronically to [academiesfinancialmonitoring@ypla.gov.uk](mailto:academiesfinancialmonitoring@ypla.gov.uk).

The GAG 2 form in the Academies Financial Handbook is now out of date and should not be used. The latest version can be found at the YPLA website.

## TREATMENT OF LOCAL GOVERNMENT PENSION SCHEME SURPLUS/ DEFICITS

The YPLA and Department of Education (DfE) have recently clarified that any surplus/ deficit on local government pension funds should be recognised against restricted funds in order to match it against GAG. This is now the default position and how the YPLA and DfE expects 2010/11 financial statements to be prepared. However, if an Academy Trust and/ or its auditors believe that it is more appropriate, for any reason, to recognise the surplus/ deficit against unrestricted funds then they ought to do that, but will then need to disclose in their financial statements the rationale behind the decision.

The 2011 Accounts Direction initially included the pension scheme surplus/ deficit as an unrestricted fund.

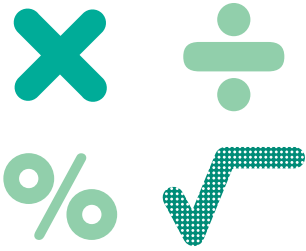
## ACADEMY ADMISSIONS ARRANGEMENTS

Academies that wish to alter their admissions arrangements for 2013 should begin consulting with the YPLA. Consultation should be carried out in accordance with the guidance on the YPLA website and completed by 1 March 2012.

The proposed draft Admissions Code that the DfE consulted on earlier this year includes additional freedoms such as:

“  
You must submit your Abbreviated Accounts Return for 2010/11 to the YPLA by 31 December.”





- allowing Academies and free schools to prioritise pupils eligible for the pupil premium; and
- allowing the children of staff to have priority for admission.

### ACADEMIES' FUNDRAISING & TRADING ACTIVITIES - TAX CONSEQUENCES

Academies are exempt charities and, provided that a charity is acting within its powers, it can derive income from a wide range of sources. This income is generally exempt from income and corporation taxes, but a little care is needed when it comes to trading income.

Most Academies will supplement grant income through some form of fundraising activity, or other income. It should be noted that the model Articles of Association for an Academy specifically prohibit an Academy from partaking in 'substantial permanent trading activities'. It is therefore important to identify which activities of the Academy constitute trading and to consider whether it is appropriate to carry these out.

The general tax position is that trading activities carried out by a charity are exempt from tax if the profits from the trade are applied for the purposes of the charity, ie. the provision of education. The trade should also be carried out in fulfilment of the primary purposes of the charity, or is ancillary to these purposes. There is also a small scale trading exemption: profits will be exempt from tax provided that the turnover in the trade is no more than £50,000 per year.

If an Academy does have substantial trading activities, a common solution is to create a subsidiary company.

Examples of other income likely to be exempt for tax purposes:

- Sale of compulsory uniforms - ancillary to provision of education;
- Sales from canteens or tuck shops - made in the course of main activities;
- Sale of text books/ stationery - ancillary to provision of education;
- Receipts from educational trips - ancillary to provision of education;
- Provision of staff to other schools - similar to main activities; and
- Small fund raising events – profits from events such as fetes, jumble sales, firework displays are generally exempt provided the Academy

does not regularly carry such activities, does not compete with other traders, promotes the purpose as being to raise funds for the Academy, and profits are applied for educational purposes.

Examples of other income that is likely to be taxable (subject to small scale trading limit):

- Lettings that involve more than just letting of land, eg. conference facilities;
- Equipment hire (possibly unless to another school);
- Photography sales;
- On site leisure centre; and
- Pre-school activities.

### TEACHERS WITH TUITION OR COACHING INCOME

HM Revenue & Customs (HMRC) recently launched their latest voluntary disclosure plan, for those receiving tuition and coaching income where the full amount of tax has not been paid. Academy schools may have teachers who are in this position, and whilst it is the individual's responsibility to take care of their tax affairs, Academy schools may wish to notify teaching staff of this disclosure opportunity.

Notification must be made by 6 January 2012, with settlement by 31 March 2012.

Full details of the plan can be found at: [www.hmrc.gov.uk/ris/tcup/your-guide-take-part.pdf](http://www.hmrc.gov.uk/ris/tcup/your-guide-take-part.pdf)

### SELF-EMPLOYED TEACHERS

Whilst this may be rare, some Academy schools may utilise the services of self-employed staff, for example a self-employed music tutor. The Academy should ensure that evidence is held to prove that the teacher can be treated as self-employed. HMRC has strict rules about self-employment status and problems can be encountered where, for example, a teacher only works for one school. The payments of PAYE and NIC liabilities are the responsibility of the employer, and this is why Academies should be careful in such situations.

UHY Hacker Young are a leading firm of accountants with a growing specialism in Academy schools. Nationally we are one of the main providers of audit services to Academies.

If you have any questions at this stage, or would like to learn more about the services that UHY Hacker Young can offer you, please contact a member of our Academy schools team or read more about us on our website at [www.uhy-uk.com](http://www.uhy-uk.com).

#### [www.uhy-uk.com](http://www.uhy-uk.com)

UHY Hacker Young Associates is a UK company which is the organising body of the UHY Hacker Young Group, a group of independent UK accounting and consultancy firms. Any services described herein are provided by the member firms and not by UHY Hacker Young Associates Limited. Each of the member firms is a separate and independent firm, a list of which is available on our website. Neither UHY Hacker Young Associates Limited nor any of its member firms has any liability for services provided by other members.

A member of Urbach Hacker Young International Limited, an international network of independent accounting and consulting firms.

This publication is intended for general guidance only. No responsibility is accepted for loss occasioned to any person acting or refraining from actions as a result of any material in this publication.