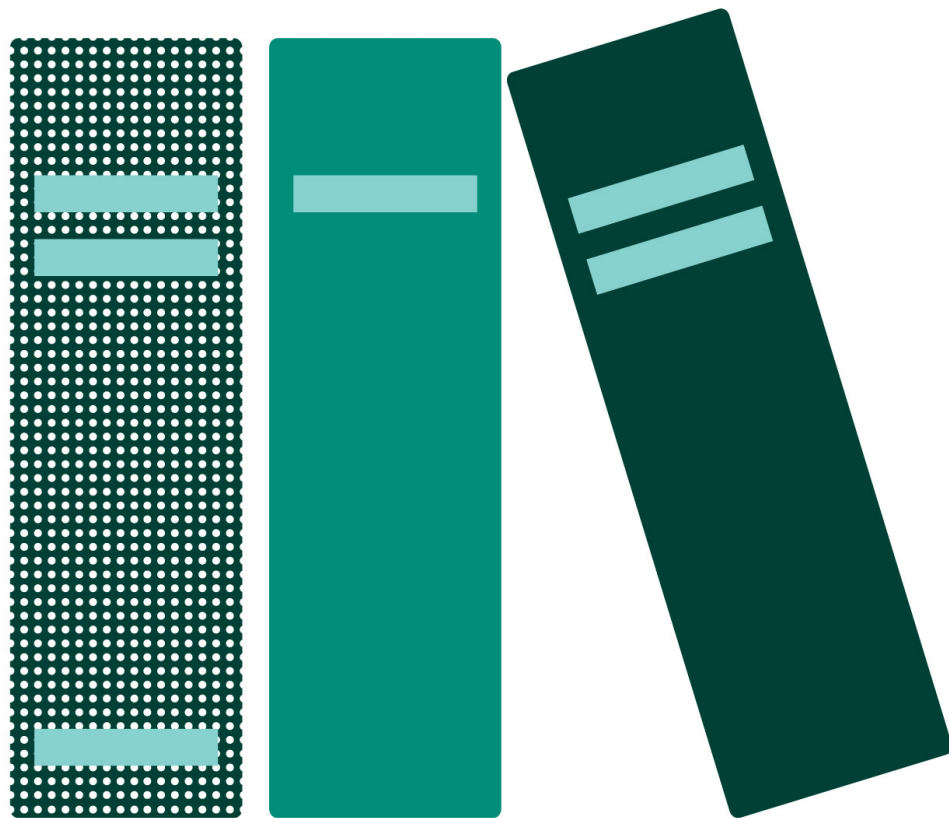


UHY Hacker Young: supporting you and your academy school



“

UHY have a client friendly and helpful manner, and offer a personal touch with their service. We have and are happy to recommend UHY to other academies.

”

Anne Syred,
Dane Court Grammar School

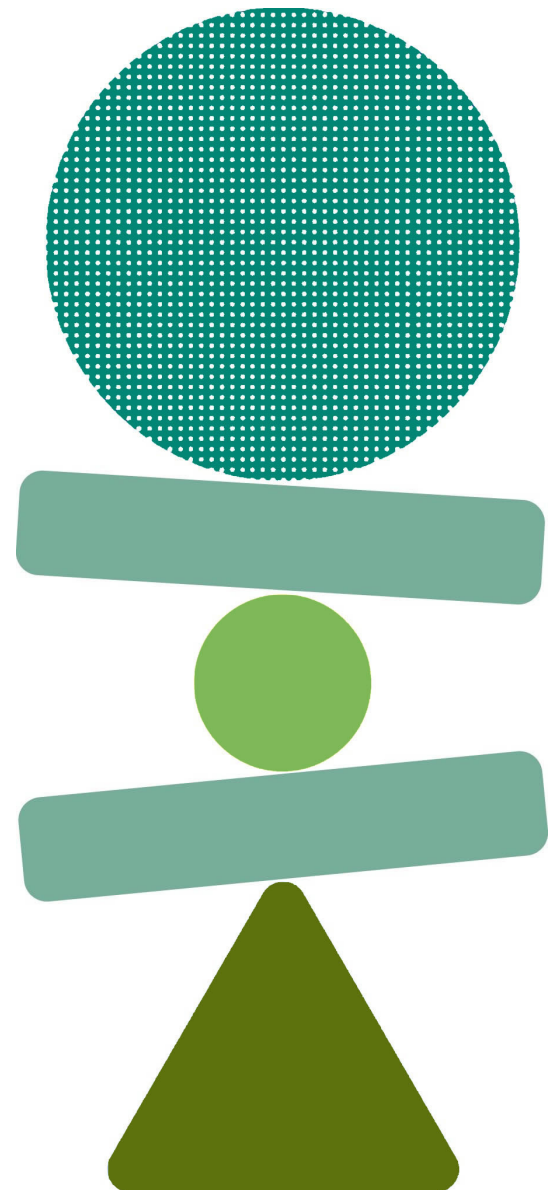
Our services include:

- Transition support and advice
- Audit and assurance
- Accounts preparation
- Academies accounts return
- Teachers' Pension Scheme EOYC
- Payroll

Other specialist services include:

- VAT and tax advice
- Internal audit/Responsible Office assistance
- Company secretarial
- Financial compliance
- Support for your finance team
- Fundraising strategies

www.uhy-uk.com/academy-schools



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Transition to academy school status

Academy schools



Take advantage
of the freedom
of control by
becoming an
academy.

WHY MOVE TO ACADEMY STATUS?

The transition to academy school status is generally made by schools looking to benefit from the academies' relative freedom of control. The key advantages of making the transition include:

- freedom from local authority control;
- the ability to set your own pay and conditions for staff;
- freedom from following the National Curriculum; and
- the ability to change the lengths of terms and school days.

HOW CAN WE HELP WITH YOUR SCHOOL'S TRANSITION?

To assist your school in taking on the increased freedom and responsibility that comes with becoming an academy we are able to:

- undertake a due diligence review of the financial, governance and funding implications of conversion for your school;
- identify alternative methods of financial support if your school has a funding deficit;

- provide guidance on the obligations associated with the Teachers Pension Scheme and Local Government Pension Scheme.

AUDITING ACADEMY SCHOOLS

As an academy you are required to prepare financial statements to 31 August each year and to have these statements independently audited. We can assist you with this process, ensuring that your audit report is filed with the Education Funding Agency by the required deadline of 31 December. We are able to assist you with a full range of audit and assurance matters drawn from our wealth of experience across the schools, charities and public sectors.

ANNUAL ACCOUNTS PREPARATION

Preparing the annual accounts to meet regulatory and statutory requirements is complex and time consuming. We have extensive experience of this process and so are able to produce your academy's annual accounts to a high standard in a cost effective manner.



We can support your finance function in all its activities.



Our service includes:

- preparing accounts from your academy's year end trial balance;
- assisting your governors with completion of the Trustees Annual Report;
- ensuring the accounts fully comply with your academy's Financial Handbook and Annual Accounts Direction, including the latest updates;
- providing an assurance opinion on the Academy Return spreadsheet; and
- dealing with all aspects of accounts submission to the Education Funding Agency and Companies House.

SUPPORTING YOUR FINANCE FUNCTION

We can provide support for your finance personnel across a range of activities including handling agency staff, software advice or simple completion of monthly monitoring returns. Our services include:

- payroll bureau and bookkeeping services;
- assistance with your Finance Manual including risk analysis and internal controls;
- assistance with budget setting;
- preparation of monthly management accounts;
- monthly maintenance of budgets and reporting to governors;
- transaction processing;
- grant applications;

- completion of Teachers Pension Scheme End of Year Certificate (EOYC) and Local Government Pension Scheme return;
- interim financial management services (staff sickness, annual leave, etc);
- Internal audit appointments and systems monitoring visits to assess the application of financial controls through the year; and
- assistance to Responsible Officers (RO).

FINANCIAL COMPLIANCE

Governance is a key component of running a successful academy. The main areas that we can assist you with are:

- establishing key financial policies and procedures including risk management and internal controls;
- providing information for the Local Government Pension Scheme and FRS17 reporting requirements;
- providing guidance with training governors in their responsibilities as company directors and charity trustees;
- company secretarial obligations; and
- setting up your accounting system.

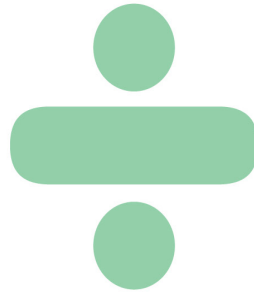
THE NEXT STEP

For further information on the transition to academy school status or to arrange a meeting to discuss your specific requirements, please contact one of our specialist partners listed at the back.



Considering the right structure for your school

Academy schools



Helping you to choose the right structure for your school.

When considering conversion to academy status it is important to choose a structure that allows your school a suitable level of autonomy combined with the provision and structure that best supports the educational needs of your school.

STAND-ALONE ACADEMY TRUST

Stand-alone academies are currently the most popular academy structure. This structure allows your school to be governed by its own established academy trust, benefitting from independence from local authority control, and with the freedom to decide on staff policy, the curriculum and length of the school day and terms. The academy trust is normally comprised of the same individuals who were governors of the school's governing body. Stand-alone academy trusts have additional reporting responsibilities and the academy must enter into a funding agreement with the Secretary of State for Education.

MULTI-ACADEMY TRUST

A multi-academy (MAT) trust is a single entity established to undertake a strategic collaboration to improve and maintain high educational standards across a number of schools. A group of schools form a single MAT which has overarching

responsibility for their governance. The MAT is accountable for the performance of each of the schools in the group, although each can still have their own governing body which operates subject to delegation of power from the MAT. A master funding agreement with the MAT, and supplemental funding agreements with each individual school, is signed by the Secretary of State for Education. In a MAT all staff are employed by one employer and the trust can share the additional reporting responsibilities required of an academy, as well as often being better placed to negotiate services or contracts due to their size and economies of scale.

UMBRELLA TRUST

An umbrella trust is mainly used by schools that share a common goal or philosophy but do not wish to share direct management. In an umbrella trust each school converts as a separate academy trust with its own governors and funding agreement with the Secretary of State for Education. Formed by key people at each school, these employees are able to choose the extent of control that is exercised over the trusts within the umbrella. Umbrella trusts can benefit from economies of scale in terms of the joint procurement of services and contracts and also joint governance.

“we can help you understand the financial implications and advise or train on governance issues.”



COLLABORATIVE PARTNERSHIP

Schools forming a collaborative partnership are not required to adopt rigorous formal partnership agreements but, instead, the head teachers of converting academies agree to work together in areas where they see mutual benefits. There are no shared governance arrangements and each academy has its own funding agreement with the Secretary of State for Education.

PRIMARY CHAINS GRANT

This grant was introduced a few years ago to incentivise groups of three or more schools applying to form a MAT, where the majority of the schools are primary. Initially the grant was for £50,000, with an additional small schools supplement for smaller schools, with less than 210 pupils.

The grant was withdrawn in 2015 when the EFA concluded that primary schools ought to be joining and forming MATs, and that there was no longer the need to offer a financial incentive, however, it was then re-introduced in the second half of 2015 with a 31 March 2016 deadline.

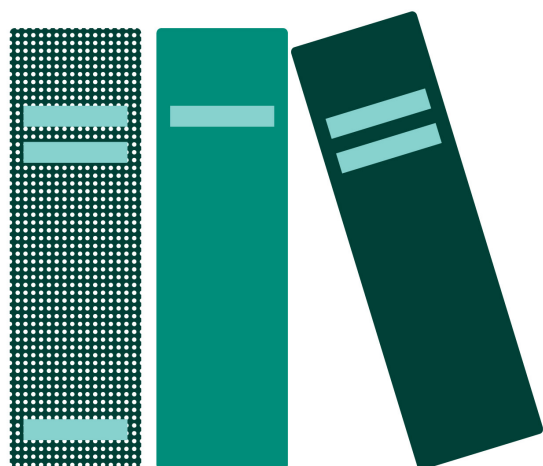
In February 2016 the EFA announced a one month extension to this grant, which is now available until 30 April 2016. Now a one-off grant of £75,000, with up to £5k awarded per additional primary school (maximum total claim for a chain £100k) the grant is intended to provide financial support to enable new clusters of primary schools to build and formalise their partnership, enabling them to achieve their shared vision of improved results, better outcomes and significantly improved standards more quickly.

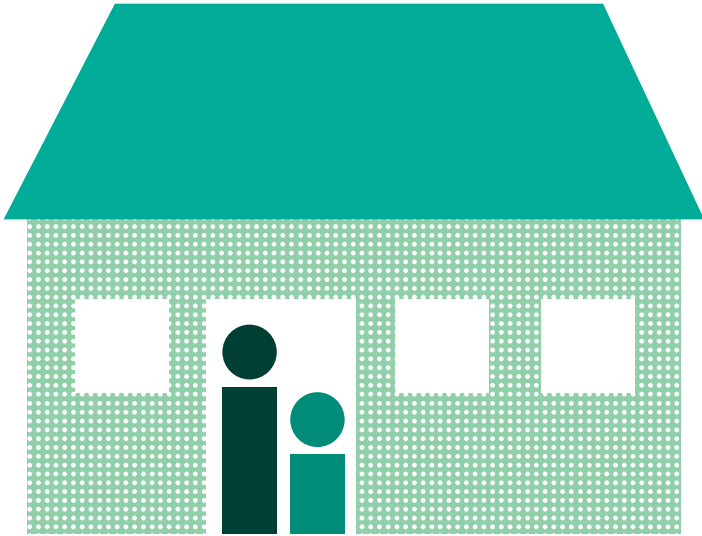
It is not clear whether, following the announcement in the 2016 Budget that all schools will be expected to become academies, whether this grant will continue before 30 April 2016.

THE NEXT STEP

It is important that governing bodies fully understand the implications of each of the possible structures so they can make an informed decision on what is the best option for their school. UHY Hacker Young work with all structures of academies, and the academy experts at our London office would be pleased to meet with governing bodies at an early stage to talk through the options. For each of the structures we can help you understand the financial implications, explain how the year end accounts will look, and advise or train on governance issues to clarify the responsibilities of the members, directors, and governors.

For further information about academy schools structures or to arrange a meeting to discuss your specific requirements, please contact one of our specialist partners listed at the back.





Multi-academy trusts Academy schools

Advising and supporting MATs across the UK.

If you are considering conversion to academy status, or have already converted but are looking to become part of a chain of academies, you may be considering a multi-academy trust (MAT). We are one of the UK's leading audit and accounting firms to the academy sector and currently advise a range of primary, secondary and mixed MAT clients.

WHAT IS A MAT?

A MAT is a single entity established to undertake a strategic collaboration to improve and maintain high educational standards across a number of schools. A group of schools form a single MAT which has overarching responsibility for their governance.

The MAT is accountable for the performance of each of the schools in the group, although each can still have their own governing body which operates subject to delegation of power from the MAT.

All staff are employed by one employer and the trust can share the additional reporting responsibilities required of an academy. You can also share staff and expertise and benefit from group purchasing power when buying goods and services. If you are considering a new, largely primary school focused MAT there is also additional funding available, through the Primary Academy Chain Development grant. This offers a one-off grant of £100,000 to chains of three schools creating a MAT, with supplementary funding available for each additional school.

SUPPORTING OUR MAT CLIENTS

We have advised many MATs from initial set-up and ongoing as their auditors. Issues for consideration, and where we can add value and support, range from deciding on the MAT structure and governance through to evaluating funding options and meeting the specific MAT reporting requirements.

We have outlined, below, some of the areas in which we have advised our MAT clients:

Deciding on the committee structure

MATs can adopt various structures. The Board of Directors, or Trustees, will sit at the top with ultimate responsibility for the governance of the trust. Commonly this board of directors will comprise key individuals from the larger academies within the trust, but this does not necessarily have to be the case. MATs will also usually establish committees who are charged with various areas of running of the MAT. We can advise on the most suitable structure and committees for your trust.

Accounts preparation

Financial statements are prepared at trust level, and it is therefore important that someone within the trust takes responsibility for overseeing finance at this level. Most MATs, certainly larger ones, will employ a Finance Director. This leaves the individual School Business Managers to concentrate on day to day matters at their individual academies.



An independent audit is a real opportunity to identify improvements in your financial systems and procedures.



We can support the Finance Director with the preparation of the accounts from trial balance. The results of the individual academies will need to be consolidated together, and any inter-school transactions eliminated.

Choosing and setting up your financial software

The complexities of a MAT mean it is vital that you use appropriate software. We are able to advise on the options available to you, and the pros and cons of each one.

It is preferable for each academy within a MAT to use the same software, and for a consistent ledger structure to be applied across the MAT. We can assist you with setting up your ledger structure, and help you understand and get the most out of the available reports. We are also able to provide assistance with management accounts, and cash flow forecasting, which are both important financial management tools for any academy trust, but especially a MAT.

VAT

Since the VAT registration threshold applies to the trust, it follows that your MAT may find itself more likely to need to register for VAT. Taxable income will need to be monitored across all the academies within the trust, most likely by your Finance Director, but our team of VAT specialists can provide additional support by way of an annual VAT review service or ongoing VAT advice on an ad-hoc basis as issues arise.

External audit

All academy trusts, including MATs, are required to prepare financial statements to 31 August each year and the audited year end accounts need to be submitted to the Education Funding Agency (EFA) by 31 December of the same year. As an experienced firm of auditors, we are able to provide an effective, timely and economic service with a 'hand holding' approach.

We appoint a dedicated team of academy auditors who can share the benefit of their experience to ensure they make the process as seamless as possible for the MAT team.

We see our annual audit and assurance engagements as an opportunity to provide you with far more than just statutory compliance. Our approach to delivering audit services that are tailored to your MAT's needs means that an independent audit is a real opportunity to identify improvements in your financial systems and procedures.

Internal audit

The Academies Financial Handbook requires MATs to appoint an Accounting Officer to review and report on the internal control risks through a programme of internal audit work. We can provide appropriate internal audit services by assisting with your Accounting Officer's internal financial controls review. We can tailor our programme of work to cover any areas over which you may have a particular concern or require assistance.

Top slicing

Larger MATs, and some smaller MATs, will operate a central trust function. This central function may employ the Chief Executive, Finance Director, and incur other central costs, such as audit fees, which are shared across the trust.

Individual academies may be asked to contribute to the central trust through what is often referred to as "top-slicing". This typically involves a percentage of each academy's General Annual Grant (GAG) income being passed to the central trust function; the level of financial contribution is often varied according to performance so that high performing academies that need and receive less central support are required to make a lower contribution. We can advise on the levels of top-slicing within the MAT.

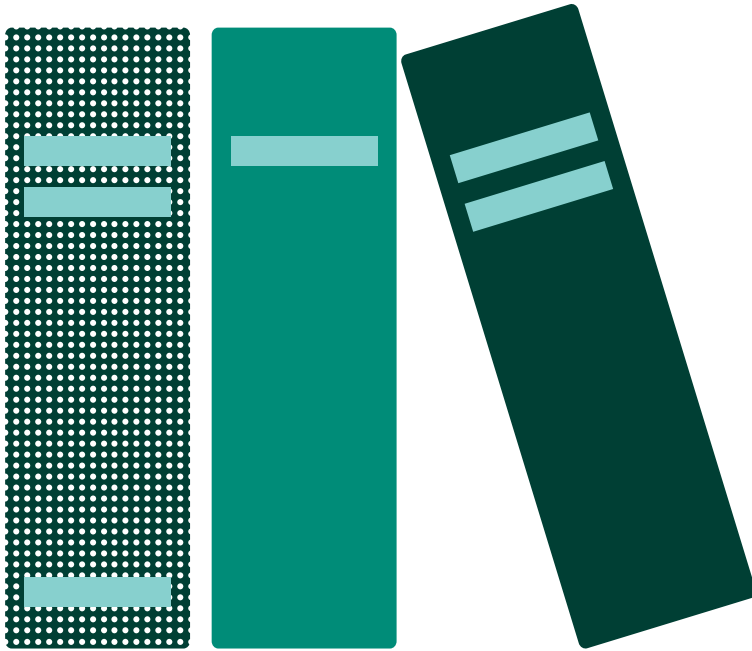
THE NEXT STEP

If you would like further information on our services for MATs, or would like to arrange a meeting to discuss the establishment of your MAT, please contact one of our specialist academy advisers.

For further information or to arrange a meeting to discuss your specific requirements, please contact one of our specialist partners listed at the back.



Audit and Assurance Academy schools



Providing you with an effective and economic audit service.

As an academy school you are required to prepare financial statements by 31 August each year and to have these statements independently audited. Our team of academy school specialists is experienced in providing an effective and economic audit service and ensuring that the audit report is filed with the Education Funding Agency by the required deadline of 31 December in the same year.

As part of our regular service to academy schools we are able to assist you with a full range of audit and assurance matters, including:

- preparation of statutory accounts;
- audit of the financial statements;
- specialist pension fund audits;
- regulatory reports;
- regulatory assurance;
- financial accounting;
- independent controls and systems process assurance; and
- assistance with fundraising for capital and revenue projects.

BEST VALUE AUDIT

Our annual audit and assurance engagements are seen as an opportunity to provide you with far more than statutory compliance. We understand that cost is

important to you and we have a proven track record in the charitable and public sectors of carrying out cost improvement reviews, which deliver real savings.

We will gain a true understanding of your goals and aspirations and the timescale set for achieving your desired outcomes. Our partner-led team will be committed to providing you with sound commercial advice for any strategic ideas you might have, or any problems you may be experiencing.

EXPERIENCED ACADEMY SCHOOLS SPECIALISTS

We work with over 280 academy and free schools around the UK and have previous experience of working with their predecessors; grant-maintained schools. As such, we understand that independence from your Local Authority is likely to require improved internal controls for your school's finances. We are able to provide an independent opinion on your financial situation and to recommend any necessary adjustments or improvements to your controls and processes for future years.

As part of our process, we will ensure that we adhere to your year end reporting timetable as well as make sure that you are fully conversant with your obligations and timings at each stage of the process.



We have a proven track record ... of carrying out cost improvement reviews, which deliver real savings.



Our aim is to avoid surprises by anticipating matters which may present difficulties and to work with you and your finance staff to overcome any problems as they arise. Identifying areas of concern will not only improve your efficiency, but also provide you with essential knowledge upon which to base your future business decisions.

Appointment of external auditors should be for one year renewable at the discretion of the trustees. A formal reassessment of external auditors should take place every five years, usually by competitive tender. As a result, we aim to ensure that our fees are as consistent as possible for you for the duration of our tenure.

AUDITING PENSION FUNDS

As an academy school you will take on full responsibility for your staff as well as the possibility of any shortfalls in your staff pensions. We have experience of dealing with schools and other clients who face similar issues with their pension schemes.

We are able to audit your Teachers' Pension Scheme EOYC as well as providing information on the Local Government Pension Scheme and FRS17 reporting.

ACCOUNTS RETURN

In addition to the audited statutory accounts, all academies are currently required to submit an August Accounts Return by 31 January. The Accounts Return provides the EFA with additional information over that included in the statutory accounts and, although an audit opinion is not necessary, the Accounts Return must be signed off and submitted by the external auditors who are required to provide a lower assurance opinion on the accuracy of the information.

ACCOUNTS PREPARATION

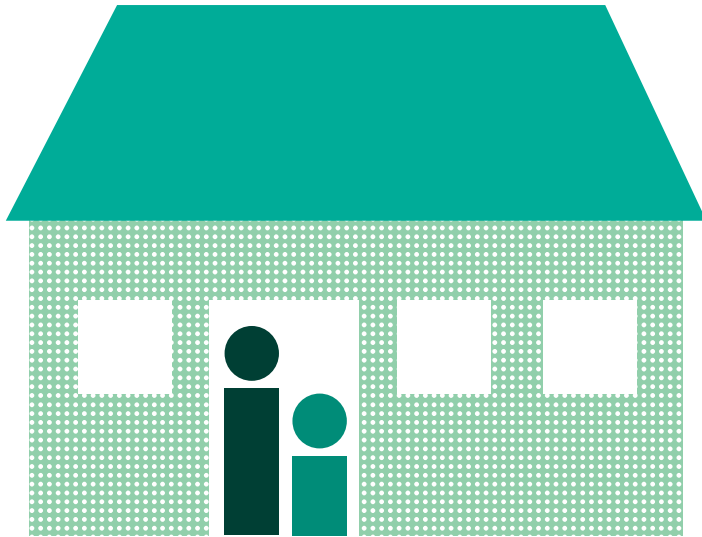
In our position as auditor we are obliged to remain independent, however, we are able to provide you with objective, impartial assistance with the preparation of your annual accounts by creating independent teams to work on your behalf.

We have experience of the various accounting software systems used by schools and can therefore provide assistance with setting up the nominal ledger accounts required to meet not only the more detailed reporting requirements of an academy, but to fully comply with charity and company law requirements as well as the Academies Financial Handbook.

THE NEXT STEP

For further information about our audit and assurance services or to arrange a meeting to discuss your specific requirements, please contact one of our specialist partners listed at the back.





We are well versed with the wider issues that commonly impact upon academies.

If dealing with the transition to academy school status isn't difficult enough, there are other areas of financial consideration, aside from having an audit and managing your accounting processes, that you will need to address to ensure the smooth running of your academy school. At UHY, we are well versed with the wider issues that commonly impact upon academies and, as a result, we can offer you the specialist advice required to address these.

VAT

Academies can either use the special section 33 refund scheme to recover the VAT incurred on goods and services associated with the provision of free education, or register formally for VAT in the standard way.

Some academies will have no choice and will be required to register for VAT, but if your academy is in a position where it can choose which method of VAT recovery to use, this decision should only be made following careful consideration to your specific individual circumstances.

We can advise you as to the best method for VAT recovery and can also carry out a detailed VAT review to ensure you are correctly operating whichever VAT reclaim method you use.

TAX ISSUES

As an academy, you are exempt from corporation tax on any profits generated through the supply of education, but any profits generated through other income may be subject to corporation tax. We are able to review your situation and advise whether your academy has any direct tax issues.

If your income from non-educational 'business supplies' reaches the level where it is beneficial to set up a separate trading subsidiary company, we are able to deal with the company formation and deal with all subsequent annual compliance requirements.

HMRC will periodically request a corporation tax return even where an academy has no tax liabilities. We are able to deal with these returns for you and correspond with HMRC on your behalf.

GIFT AID

Once an academy's exempt charitable status has been confirmed with HMRC, it is able to claim gift aid on qualifying donations. Gift aid can apply to certain day to day scenarios in schools, if structured in the correct way, such as non-uniform days. We can advise you and your academy in this area.



A large number of our public sector clients have relied on us to provide effective interim management support.



INTERIM MANAGEMENT

Interim Management is a relatively new resourcing tool, but one which has rapidly become established as an invaluable aid to many public sector organisations and academies of all sizes. A large number of our public sector clients have relied on us to provide effective interim management support, which is often ideal for a wide range of problems including crisis or project management, managing change or providing a short-term stop-gap or skill set.

PAYROLL

Payroll and bookkeeping can be a complex and time consuming nightmare. People need to be managed, trained, supported with expensive and complex software packages and, of course, paid.

Our reliable and responsive payroll and bookkeeping team have a wealth of knowledge in school based employees' pay, including the terms and conditions for all school staff and the statutory regulations regarding teachers' pay. Please see our 'Payroll services' service sheet for more details of the services they can provide.

INHERITED LAND

Academies will usually inherit the use of their land and buildings from Local Authorities either on long term leases of up to 125 years or by being gifted the assets. How the land and buildings are both accounted for within the accounts and valued can be crucial to the solvency of the academy. Our team of academy experts can provide you with the necessary advice on technical accounting issues for the correct treatment of your inherited land and buildings.

SUPPORTING YOUR FINANCE FUNCTION

We can provide support for your finance personnel in all their activities including:

- Finance Manual including risk analysis and internal controls;
- budget setting;
- preparation of monthly management accounts;
- monthly maintenance of budgets and reporting to governors;
- transaction processing;
- grant applications;
- completion of Teachers Pension Scheme EOYC;
- internal audit appointments and systems monitoring visits to assess the application of financial controls through the year;
- assistance to Responsible Officers (RO); and
- assistance with completion of Budget Forecasts and March Accounts Returns.

FINANCE COMPLIANCE

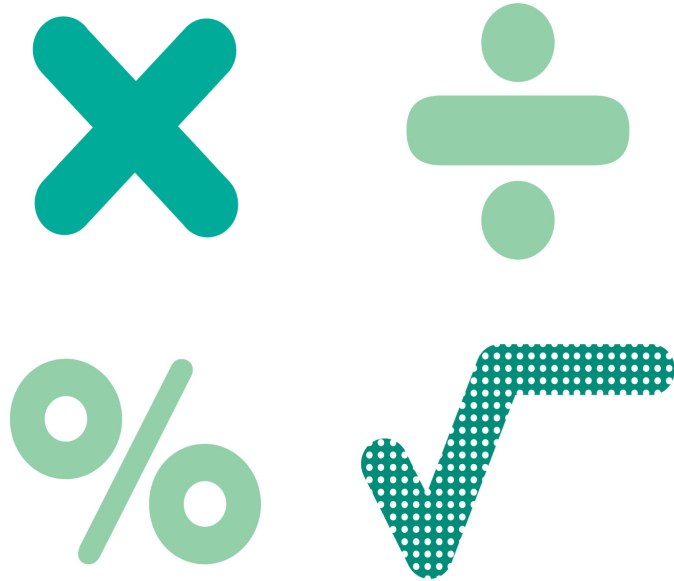
The main compliance areas that we can assist you with are:

- establishing key financial policies and procedures including risk management and internal controls;
- providing information for the Local Government Pension Scheme and FRS17 reporting requirements;
- providing guidance with training governors in their responsibilities as company directors and charity trustees;
- company secretarial obligations; and
- setting up your accounting system.

THE NEXT STEP

For further information about our specialist academy school services, please contact one of our specialist partners listed at the back.





Our payroll software has been specifically developed for the education sector.

Academy school payrolls are unique and, as such, require a specialist solution tailored to their needs. One of the key requirements of your academy's payroll will be the application of Pay Spines. These Pay Spines allow for the incremental progression of salary within a grade, in addition to dealing with multiple employments. At UHY we have a software solution that is used across the sector by local authorities, payroll service providers and various academy structures. The system is tailored to the needs of academies, giving you the comfort of absolute trust that your staff will be paid accurately and on time.

WHY IS OUR SOLUTION DIFFERENT?

Our payroll software has been developed for the education sector and has many features specific to the requirements of academies. In addition, it is RTI compliant and provides a comprehensive processing service at a reasonable price. The system's capabilities include:

- a Pay Spines system that we can tailor to your pay scale needs, whether they be national, local or totally bespoke scales;
- support across a range of employments, for both teaching and non-teaching staff;
- the ability to calculate pay based upon grade points within a pay band;

- automatic calculation of retrospective increases where your employee point settings are changed;
- multiple banded pensions per employee;
- support for both local authority and teachers' pensions reporting requirements;
- costing reports that can be tailored to your individual needs for exporting to your accounts;
- ePayslips, providing a secure, online self-service payslip facility for your staff with access to current and historic payslips and P60s, 24 hours a day, 365 days a year.

A COMPREHENSIVE ADVISORY SERVICE

Our payroll team are able to support you with a full range of payroll services, from the management of your regular payroll, whether weekly, monthly or quarterly, through to supporting you on an ad-hoc basis to lighten the load for you or your existing payroll personnel.

If you are currently outsourcing your payroll to a bureau we can add value should you choose to switch to our fully comprehensive academies solution.

Our team will devote substantial time to advising you on issues surrounding your payroll or staff remuneration, offering a robust payroll service.



An RTI compliant, comprehensive payroll service at a reasonable price.

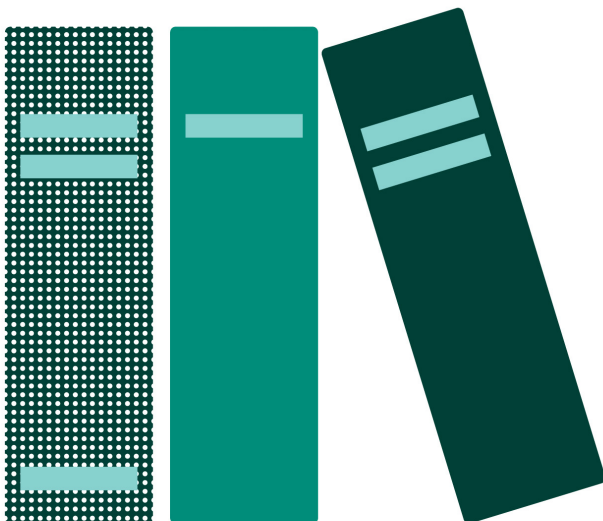


We are able to work in conjunction with our other in-house departments for relevant tax advice and will also liaise with HMRC on your behalf, where necessary. We have good connections with legal teams specialising in employment issues to whom we can refer you for more specialist advice, should you require it.

If you are looking for a payroll solution, tailored to the needs of your academy, with a one-to-one approach and direct telephone and email access to our experienced team, contact us for more information.

THE NEXT STEP

For further information or to arrange a meeting to discuss your specific requirements, please contact one of our specialist partners listed at the back.





It is crucial
that you put
into place
appropriate
governance
structures,
policies and
procedures.

As an academy school you are accountable for the results you achieve and how public funds are used.

As part of your Annual Report and Accounts, you are required to prepare a Governance Statement and a statement on regularity, propriety and compliance. These statements are required to be independently audited. It is therefore crucial that you put into place appropriate governance structures, policies and procedures to ensure that there are clear lines of accountability within your organisation. A process of independent checking is equally important to enable your trustees to obtain assurance that the structures you implement are operating in an efficient and effective manner, and comply with appropriate legislation.

Our team of academy school specialists is experienced in providing an effective and economic audit service and ensuring that the audit report is filed with the Education Funding Agency by the required deadline of 31 December in the same year.

THE GOVERNANCE STATEMENT

The Annual Academies Accounts Direction (the Direction) requires you to include a Governance Statement within the Annual Report and Accounts of your academy. This statement must include reference to the effectiveness of the system of internal control and an assertion by the trustees/governors that the system of internal control was in place throughout the financial year.

A statement on regularity, propriety and compliance is also required by the Direction. This is a formal declaration by the academy trust's accounting officer (generally your headteacher) that they have met their personal responsibilities to Parliament for the resources under their control during the financial year. Regularity ensures a responsibility that public money is spent for the purposes intended by Parliament and propriety ensures that the appropriate standards of conduct, behaviour and corporate governance are maintained when applying the funds under their control.

The EFA must also be satisfied that you have secured value for money and accounting. The following tests may be useful for you when determining whether a transaction is regular and proper and of benefit to the academy trust:

- Is the expenditure in the best interest of your academy?
- Does the expenditure comply with approved procurement rules and policies?
- Will there be a valid business benefit to the academy from the expenditure and not just personal benefit to an employee?
- Is the expenditure necessary?
- Is the expenditure reasonable; does it fully meet the identified and agreed needs?
- Has the expenditure been properly authorised?



The mandatory requirement to appoint a Responsible Officer has been relaxed with several alternative options being provided.



HOW CAN WE HELP WITH YOUR ACADEMY'S GOVERNANCE?

You have a number of options to obtain assurance on the economy, efficiency and effectiveness of the systems in place in your academy. The EFA has confirmed, in the Handbook, that the mandatory requirement to appoint a Responsible Officer has been relaxed with several alternative options being provided. There are advantages and disadvantages for each option which need to be considered by you in determining how to obtain the assurance required. These include:

- internal audit;
- a supplementary programme of work by your external auditors;
- responsible officer;
- peer review, or
- a combination of the above.

Our academy school specialists are currently working with over 280 academy schools across the UK. We have experience of navigating through the options to find the most effective solution to ensure your school has the appropriate checks in place to enable the trustees to make the governance and compliance assertion.

OTHER AREAS IN WHICH WE CAN HELP

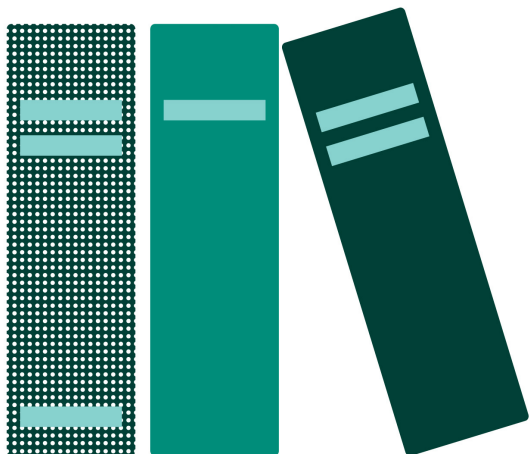
As part of our regular service to academies, and the wider education sector, we are also able to assist you with a full range of audit, assurance and accounting matters, including:

- transition to academy status;
- preparation of statutory accounts;
- audit of the financial statements;
- specialist pension fund audits;
- regulatory reports;
- regulatory assurance;
- financial accounting;
- payroll;
- independent controls and systems process assurance; and
- assistance with fundraising for capital and revenue projects.

THE NEXT STEP

If you would like further advice or information on our governance services or you would like to arrange a meeting to discuss your specific requirements, please contact one of our specialist partners listed at the back.





Academy schools and VAT - FAQs



As academy schools are run outside local authority control, they must now deal with their own financial affairs.



There are a number of common questions our clients ask us regarding VAT when considering academy school status. Below, we have provided answers to some of the most common questions asked. Due to the individual nature of each academy, this list is not comprehensive, but designed to give you an insight into your potential VAT implementation.

BEFORE WE BECAME AN ACADEMY SCHOOL WE DIDN'T HAVE TO WORRY ABOUT VAT. WHAT HAS CHANGED?

Previously, most state schools came under local authority control which looked after all their VAT obligations. As academy schools are run outside local authority control, they must now deal with their own financial affairs. All academies and Multi-Academy Trusts (MATs) now need the assistance of firms of accountants together with occasional specialist VAT advice to ensure they not only meet their obligations but reclaim the VAT they are entitled to.

WILL WE LOSE OUT BY PAYING VAT?

No, the Government has introduced new rules to put academy schools in the same VAT position as state schools. Although the educational services are free of VAT, it will mean that academy schools will have to produce their own accounts and file their own VAT claims.

HOW CAN WE BE EXPECTED TO KNOW WHAT TO DO?

In a sense, academy schools are now in the same position as every other small business, although the Government has endeavoured to simplify the VAT rules as far as the legislation allows. Many academies are now employing experienced accountants and accountancy firms to assist with the accounts and tax/VAT obligations to whatever extent the school Governors want.

SO HOW DO WE GO ABOUT RECLAIMING THE VAT ON OUR COSTS?

There are two ways to do this and, depending on your circumstances, you can use either.

The education you provide is seen as an obligation under the State, funded by grants from the DfE, and the Government introduced special legislation to allow the recovery of VAT incurred on associated costs. All academy schools can therefore reclaim VAT on costs associated with the educational activities directly from HMRC by filing specific claims on Form VAT 126 for this purpose periodically.

This should cover most of your expenditure. However you will also need to consider other activities that may be regarded as 'business' activities for VAT purposes, but will not be eligible for the direct reclaim process. For these activities, you will have to formally register for VAT and file regular VAT returns, probably quarterly. Typical 'business' activities would include:

- sales of printed books, zero-rated (subject to VAT at 0%);
- sales of uniforms, zero-rated, broadly for under 14s, but standard-rated otherwise (subject to VAT at 20%);
- sales of sports equipment, standard-rated;
- sports tuition for payment, likely to be exempt from VAT; and
- letting of classrooms to external bodies, likely to be exempt from VAT.

DO WE HAVE TO REGISTER FOR VAT?

If your taxable business activities (subject to VAT at 20% or 0%) exceed the VAT registration threshold, then you would have to register for VAT. Below this level, you would be entitled to do so on a voluntary basis but it may not work to your advantage.

WHAT ARE THE PROS AND CONS OF REGISTERING FOR VAT?

If your taxable income is below the VAT registration threshold and you do not register for VAT, you do not have to account for VAT to HMRC on any standard-rated sales. However, you also can not reclaim the VAT you incur on associated costs. If you do register for VAT then you can reclaim VAT on the costs of business activities, but have to account for VAT to HMRC.

For example, if you were registered for VAT and your business sales were entirely of printed books, you would be in the best position possible as all your sales would be zero-rated, but you would be entitled to reclaim all the VAT incurred on all related expenditure. Conversely, if all your business sales were for standard-rated sports equipment, you would have to account for 20% VAT out of the income. Some simple arithmetic shows that this is probably going to be more than the VAT incurred on the associated costs, so if the retail price is pretty much fixed by market forces you would lose out. If you could charge the same to parents irrespective of whether you were charging VAT or not, then you would be better off in this example by not registering for VAT.

Note that the ability to reclaim VAT on the educational activities is unaffected by any decision you make over VAT registration but one advantage for those academies that are registered for VAT is that they can claim back the VAT on their educational activities through their VAT return without having to file the separate statutory claims. This will save dealing with two separate claim procedures and should enable the VAT to be reclaimed faster than by the statutory claim method.

IF SOME BUSINESS ACTIVITIES ARE EXEMPT FROM VAT, DOES THIS MAKE IT MORE COMPLICATED?

Yes, because exempt business activities do not allow VAT incurred on associated expenditure to be reclaimed. If you fall into this situation, you would have to carry out calculations for each of your VAT returns to apportion the VAT incurred on business expenditure between that which you can reclaim and that which you cannot. This is called partial exemption and you would need to identify the VAT you incur on costs associated with your educational activities,

taxable business activities and exempt business activities separately in order to carry out the required calculations. There are some simplified ways of doing this but it will be an additional administrative burden you will have to comply with.

HOW DOES THE 'DE MINIMIS' TEST WORK FOR PARTIAL EXEMPTION

If your exempt business activities are somewhat limited, the partial exemption calculations may allow you to recover all the VAT on associated expenditure anyway. It is hard to predict in advance how the calculations will turn out, but the Government has again sought to help where possible by allowing a range of calculations to be used by partially exempt organisations to see if they pass the 'de minimis' test and avoid losing any input VAT.

WE ARE GOING TO BE EXPANDING THE SCHOOL. DO WE GET ANY PARTICULAR RELIEFS FROM VAT FOR BUILDING WORKS?

Since most academy schools are expected to be registered charities, you should be able to get relief from VAT for the construction of buildings or self-contained annexes used for charitable (ie. non-business) educational purposes. A small amount of business activities are allowed and will not prejudice the VAT relief, provided the building is still used for at least 95% non-business purposes. Any reasonable basis can be used to test the 95% threshold, but care needs to be taken both at the time and in monitoring the use over the next 10 years to avoid an unpleasant VAT cost later.

WE ARE PROVIDING SUPPORT TO OTHER ACADEMIES IN OUR NETWORK. DOES THIS AFFECT OUR VAT POSITION?

Yes it does since such activities are likely to be seen as carried on in the course of business for VAT purposes. Often, such support is treated as consultancy services or the provision of information and standards and subject to VAT, but it can be seen as training and possibly exempt from VAT. Unusually, since the other academy should be able to reclaim any VAT you charge them, there is no advantage here from VAT exemption and charging VAT will enable you to reclaim the VAT you incur on associated expenditure.

OUR MULTI-ACADEMY TRUST HAS A SINGLE VAT REGISTRATION. HOW DOES THIS WORK?

This is probably a VAT group registration where all the academies in the MAT are covered by a single VAT number and the MAT files a single VAT return to reclaim all the VAT incurred on expenditure for the educational side and the taxable business activities. Although this will simplify the VAT administration, the separate academies will still have to produce their own accounts for every other purpose. One advantage from a VAT group registration is that services provided between the academies in the VAT group are ignored for VAT purposes which again can simplify the VAT invoicing and administration.

HOW DO WE ENSURE WE GET THE RIGHT ADVICE?

The best way is to make sure that your accountants either have the necessary specialist VAT expertise or can recommend suitable advisers. At UHY Hacker Young we provide the full range of accountancy, tax and audit services and have in-house VAT specialists who can advise you on every aspect of your VAT affairs.

THE NEXT STEP

If you would like further advice on any of the above or if you would like to arrange a meeting to discuss your specific requirements, please contact one of our specialist partners listed at the back.



What our clients say...

“

We have been working with UHY since our conversion to academy status and are very happy with our relationship with the company and the support that we have received.

”

Bill Tindale, Onslow St Audrey's Academy Trust

“

UHY have been invaluable during our early months as an academy. We are able to raise any query or concern and will receive a prompt and reassuring answer making us feel our custom is valued and important to UHY.

”

Jean Simmons, Dane Court Grammar School

“

UHY Hacker Young provide our audit, accounting and internal audit services and we find using them for all three areas works well. We have an excellent relationship with our UHY team of high quality staff, who are always helpful and come back with the answer to any queries asap, which adds real value for us. They have a good technical know-how and a good knowledge of the working of Academies, which is also a huge plus.

”

Marie Black, St Francis Xavier's College

“

We were able to build up an excellent and close professional working relationship with our UHY team who at all times were courteous and methodical in their approach. Their consideration of the daily needs of the children, staff and the school were very pleasing.

”

Marjorie Bell, Webster Primary School

“

We have worked with UHY over many years and have never regretted that decision. They have always been friendly, helpful and extremely efficient, and we would not have wanted to convert to an academy with anyone else.

”

Caroline Pearce, Queens' School Bushey

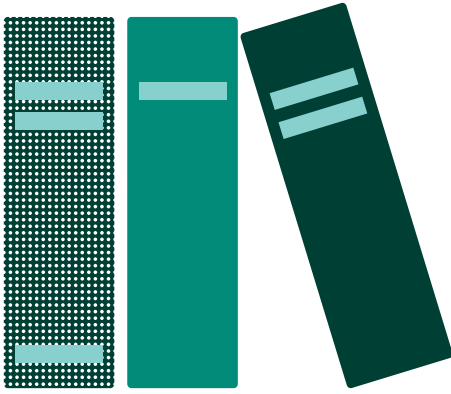
“

The UHY team have good technical knowledge and any queries we have had have always been promptly and successfully dealt with. We really value the quality and approachability of the staff. This has been very new territory for us, but we never felt alone.

”

Linda White, Warren Road Primary School

www.uhy-uk.com/academy-schools



About UHY Hacker Young Academy schools

Nationally, we are one of the leading advisers to academy and free schools. We are currently working with more than 280 schools across the UK, including the first special needs school to convert to an academy. Our education specialists have many years of experience in the sector and, as such, we understand that independence from your Local Authority is likely to require improved internal controls for your school's finances.

UHY are a Top 15* network of accountants and auditors. Our academy client base includes old style sponsored academies, new converter academies, and multi-academy trusts. As the expansion of the academies programme continues our number of clients in this rapidly changing sector has increased significantly.

Whether you are thinking of converting to academy status or have already done so, we can help you with the complex array of issues you will need to deal with from best value audit and accounts preparation to fundraising and VAT issues. We will provide you with an independent opinion on your financial situation and recommend any necessary adjustments or improvements to your controls and processes for future years.

KEEPING UP TO DATE WITH DEVELOPMENTS IN THE SECTOR

As a result of our growing client base and experience within the sector, UHY formed a national academy and free schools group. The group comprises our education specialists from across our UK offices who meet regularly to discuss changes in the financial and regulatory areas affecting the sector, ensuring that these changes are communicated to our clients.

We are regularly in communication with EFA and DfE, challenging any irregularities or areas for clarification within their regularly updated guidance documentation.

We are recognised as specialists in the academy sector and have had articles published in the TES and on the BBC website. We were also asked to produce a series of articles about academy school conversion for the education sector newsletter, Teachers' Post.

We regularly exhibit at the Academies Shows in London and Birmingham and attend training sessions for accountants dealing with academy schools. We make every effort to ensure we are up-to-date with the latest developments and ideas in the sector.

KEEPING YOU INFORMED

We are committed to keeping you informed of changing economic and regulatory conditions. Our academy schools blog covers all of the latest issues affecting the sector and explains how these issues could affect you.

We produce regular free newsletters and briefings on topical issues, including a regular Academy Schools Update which summarises the most recent developments in the sector, with reminders of forthcoming deadlines and closing dates for grant applications.

We also produce an annual national benchmarking report which we distribute to our clients in February, allowing you to benchmark your academy against others.

* Latest Accountancy Age and Accountancy Magazine league tables



UHY academy schools team contact details Academy schools

The following are the main academies contacts in each of our team offices. Please contact them directly for more information.

Sittingbourne



Allan Hickie
National academy group Chair
t: 01795 475 363
e: a.hickie@uhy-uk.com

Birmingham



Malcolm Winston
Academies partner
t: 0121 233 4799
e: m.winston@uhy-uk.com

Brighton



Chris Kyffin-Walton
Academies partner
t: 01273 726 445
e: c.kyffin-walton@uhy-uk.com

Chester



Alex Makinson
Academies partner
t: 01244 320 532
e: a.makinson@uhy-chester.com

Letchworth



Chris Maylin
Academies partner
t: 01462 687 333
e: c.maylin@uhy-uk.com

London



Colin Wright
Academies partner
t: 020 7216 4600
e: c.wright@uhy-uk.com

Manchester



Mark Robertson
Academies partner
t: 0161 236 6936
e: m.robertson@uhy-uk.com

Nottingham



Jon Warsop
Academies partner
t: 0115 959 0900
e: j.warsop@uhy-uk.com

Royston



Scott Rouse
Academies associate
t: 01763 247 321
e: s.rouse@uhy-uk.com

Sheffield



Roland Givans
Academies partner
t: 0114 262 9280
e: r.givans@uhy-uk.com

Sunderland



Paul Newbold
Academies partner
t: 0191 567 8611
e: p.newbold@uhy-torgersens.com

York



Hayden Priest
Academies partner
t: 01904 557 570
e: h.priest@calvert-smith.com

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