



April 2014

## Academy schools update

The following articles summarise the latest issues affecting the academy sector since our last update in January. We highlight the new Employment Allowance that could save you £2,000 in tax; the Assisted Instrument Purchase Scheme that can also be used for technology purchases; a grant for hiring School Business Managers; the 2014 March Accounts Comparison study and much more.

### EMPLOYMENT ALLOWANCE

All academy trusts will be able to claim the new Employment Allowance from April 2014. This allowance, announced by the government last year, gives a rebate of up to £2,000 for all employers. You will be able to claim this allowance through your usual payroll system, therefore, if you currently outsource your payroll you should contact your usual provider to ensure that the allowance is claimed.

The £2,000 rebate should be received in the April 2014 payroll if the appropriate options were ticked in the payroll software.

Please note that we have specifically referred to academy trusts here. It is the trust that is the employer in a multi-academy trust (MAT) and so, unfortunately, there is only one allowance available across the trust and not one for each individual academy.

If you have a trading subsidiary or another connected organisation which employs staff, you will also need to review your situation with your payroll provider as only one allowance is paid across connected parties in certain situations.

### VAT TREATMENT OF LETTINGS

The VAT treatment of sports lettings is a common area of confusion for academies. Local Authority (LA) schools treat individual bookings as a standard rated supply for VAT purposes. They also apply a land-based exemption which allows block bookings of ten or more, or any lettings covering a period of more than 24 hours, to be exempt for VAT purposes. As exempt income there would be no VAT and the income would, therefore, not count towards the VAT threshold.

HMRC are unfortunately silent on the position for academies, resulting in many reverting back to the LA schools' treatment. However, in our view this is incorrect.

Being not-for-profit bodies, academies can apply a sports exemption that is not available to LA schools. This means that the supply of all services closely linked to sport, including the provision of facilities such as football pitches or sports halls hired to individuals or groups of individuals, are exempt for VAT purposes. Single hires to clubs or other organisations do not qualify for this alternative VAT exemption and will remain subject to VAT. However, the land-based VAT exemption for 24hr lets and block bookings still applies irrespective of whether the facilities are hired to an individual or an organisation.

Provided any single hires are to individuals or groups of individuals, most income from sports lettings should be treated as exempt from VAT.

The impact of this may not be immediately clear, however. As well as the income not counting towards the VAT threshold, this could also impact negatively on the VAT that can be recovered on overheads which cannot be directly attributed to educational activities.

If you have any concerns about your VAT position, please contact your usual VAT partner or UHY's London based VAT partner, Simon Newark, at [s.newark@uhy-uk.com](mailto:s.newark@uhy-uk.com).

### ASSISTED INSTRUMENT PURCHASE SCHEME - FOR TECHNOLOGY

Most LA schools are aware of the Assisted Instrument Purchase Scheme (AIPS). Under the scheme, pupils who are in full time state education and receive musical tuition at school as part of their curriculum can purchase new instruments through the LA who, in turn, can recover the VAT incurred.

As with many VAT associated matters, it was not immediately clear whether AIPS would also apply to academies but, as of last year, HMRC confirmed that indeed they do.



The £2,000 rebate should be received in the April 2014 payroll if the appropriate options are ticked in the payroll software.



It is interesting to note, however, especially with the increasing use of technology, that AIPS has a much wider scope than purely musical instruments. VAT notice, VATEDU53000, refers to treating any goods that are closely related to education in the same way as tuition, provided that both the goods and the education are supplied by the same school.

We are aware of a number of schools who are therefore using AIPS to recover VAT on iPads and other tablet devices, where they are introducing them for use across the school. Please be aware, however, that for this to qualify the tablets must be deemed essential for and integral to the pupils' curriculum education or appropriate extra-curricular activity.

To be eligible for the scheme certain conditions need to be fulfilled, so we recommend that you check the full details available from HMRC or consult us if you have any queries.

### MARCH ACCOUNTS RETURN

The EFA published the March Accounts Return spreadsheet and related guidance towards the end of March. Academy trusts that did not prepare audited financial statements as at 31 August 2013, or MATs that opened new academies between 1 September 2013 and 31 March 2014, are required to **submit a March 2014 Accounts Return by 27 June 2014**.

The Return is similar to the August Accounts Return and is split into three worksheets: Financial Return, Counterparty Return and a Land & Property Return.

In previous years it has been possible for MATs to choose whether to submit one consolidated return or to submit individual Returns for each academy. This year the EFA expect MATs to complete and submit a consolidated return for all new academies within the scope of the Return.

Unfortunately, there is no financial support available from the EFA for academies to buy in professional assistance, but nevertheless we do find that many academies ask us to complete this Return on their behalf or to at least provide some assistance.

If you want help with preparing your Return, please contact your usual UHY partner or contact your local academies team, which can be found at [www.uhy-uk.com/academy-schools](http://www.uhy-uk.com/academy-schools).

### CORPORATION TAX

There is a common misunderstanding that academies are automatically exempt for corporation tax. Whilst most academies will not pay corporation tax because their primary charitable purpose of advancing education for the public benefit is exempt for tax purposes, in certain circumstances you can find yourself with an

unexpected tax liability if you do not structure the academy's affairs correctly.

The first step is to register your academy trust as an exempt charity by completing a [form ChA1](#). This should be submitted to HMRC to ensure they agree to recognise your charitable status. If you do not have any taxable income HMRC may ask you to submit a corporation tax return and a copy of the accounts every few years to enable them to monitor your activities. You should ensure that tax returns are submitted when notices are issued to avoid penalties.

It is important that you review your own position regularly, especially when you start to receive new streams of income. Examples of income that would be treated as taxable include:

- secondment of non-educational staff;
- sponsorship of events;
- merchandising;
- running of closed courses;
- letting and hire of facilities for conferences; and
- letting and hire of sports facilities to local clubs, community groups or individual members of the local community.

Interest receivable and property income (eg. rents) are all exempt.

If you do have significant other income that would be classed as taxable, the common solution is to create a trading subsidiary. However, this can have both advantages and disadvantages so professional advice should be sought to ensure that you understand the resulting implications.

### CHARITABLE OBJECTS

It is worth noting that, whilst academies are established with the charitable purpose of advancing education for the public benefit, this is not the only charitable purpose that could apply to academies. Other activities such as allowing the local community to use your sports facilities, even if in return for payment, can be charitable. However, such activities will not be tax exempt unless they fall within your academy's charitable objects.

You may need to review your articles and ask your solicitor to update them if your academy was established some time ago or if you wish to start new activities.

### MARCH ACCOUNTS COMPARISON STUDY

The EFA have once again decided to complete a March Accounts comparison study by asking a sample of established academies to complete audited accounts to 31 March 2014, which are then compared to their accounts and returns from the previous August.



We are aware of a number of schools who are using AIPS to recover VAT on iPads and other tablet devices.



Last week the EFA wrote to 120 academies requesting their assistance with the study. This is an increase on the previous year's sample of 100 and 2012's original sample of only 50.

Only academies that prepared accounts for academic year 2012/13 are included in the sample. Whilst academies are "invited" to take part, the letter makes it clear that the EFA expect academies to complete the accounts, because without the results from all 120 academy trusts the National Audit Office (NAO) will not accept the results. The NAO, having qualified the DfE's most recent accounts, are still seeking further assurance that they can rely on academies' 31 August accounts for their 31 March Whole of Government Accounts.

To try to encourage academies to take part in the study a significant financial grant is available, starting at £8,000, but quickly rising for larger academies and MATs. The grants are paid on the basis of income and the number of schools in the MAT.

Some of our UHY offices have academies that have been chosen for this study. **The deadline for submitting these March accounts is 13 June** (it was 31 August last year!) and so there is little time to prepare these. If you are one of the academies chosen it is essential that you start to plan for these accounts now and liaise with your auditors immediately.

If you are breathing a sigh of relief because you have not been chosen then it will be interesting to note the results of this exercise later in the year. We all hope that the EFA and NAO can gain sufficient assurance from this exercise to avoid the possibility of all academies being required to complete detailed March Returns each year in the future.

## PRIMARY SCHOOL GRANTS TO SUPPLY A SCHOOL BUSINESS MANAGER

The DfE is making a grant available for small groups of schools, consisting mainly of primaries, to collaborate to employ a School Business Manager (SBM) in a leadership role. This match-funded grant of £25,000 is for the financial year 2014/15.

The DfE expect to invite applications for the grant shortly and will release more information once the process is finalised. To ensure you receive this information, you can subscribe to their mailing list by emailing [sbm.grant@education.gsi.gov.uk](mailto:sbm.grant@education.gsi.gov.uk).

The grant has been made available after a 2013 review of efficiency in schools concluded that the most efficient schools employ, or have access to, a skilled SBM who takes on a leadership role. There is strong evidence that SBMs create savings greater than the cost of employing them.

Whilst over 90% of secondary schools have access

to an SBM, the number falls to less than 50% of state-funded primary schools. The grant scheme's objective is, therefore, to make SBMs more accessible to primary schools.

The idea is that the grant will subsidise the cost of a group of four or five schools, including academies, employing a suitable SBM for one year from September 2014, with a view that the post should become self-sustaining in the long term. The group must comprise mainly of primary schools, but can include one secondary school.

Please note that this grant is distinct from the Primary Academy Chain Development Grant announced in January 2014, which provides at least £100,000 over two years to help clusters of three or more primary schools setting up a new MAT to build strong partnerships and raise standards. That grant is also likely to be used in part to support the cost of an SBM; therefore, schools will be unable to claim both grants.

## INTERNAL AUDIT FUNCTIONS

The Academies Financial Handbook stipulates that all academies should have a process for the independent checking of financial controls, systems, transactions and risks.

An appropriate committee must review the risks to internal financial control at the trust and must agree a programme of work that will address these risks, to inform the governance statement that accompanies the trust's annual accounts and, so far as is possible, provide assurance to the external auditors.

This can be approached in the most appropriate way for your academy's unique circumstances. The options available include using the work of an internal audit service, the work of a 'Responsible Officer' or the performance of a supplementary programme of work by the trust's external auditor.

Where the trust's external auditor is involved it is important to remember that the audit or finance committee must drive this process and be seen to regularly review and assess the risks.

We provide full internal audit services, quarterly or termly system checks or support to Responsible Officers, and we are finding that more and more academies are asking us to become involved with this type of work, including our existing external audit clients. We offer a variety of options, and can tailor these to your specific requirements, so please get in touch if you would like to discuss your needs.

## THE NEXT STEP

For further information on the above topics, please contact Paul Newbold, partner:  
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