

Update

Academies
Charities & not-for-profit

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Academies: rising to the challenge

Following the Academies Act becoming effective in July 2010, some 142 schools are expected to convert to academy status during the 2010/11 academic year. This includes seven primary schools, who can for the first time take the opportunity provided by academies to develop their facilities.

Becoming an academy does create challenges however, for governors and all those involved in running the establishment. Although schools have to comply with regulations under the Education Act, academies also need to comply with legislation in the form of the Charities Act and the Companies Act.

Key issues to consider

Format of accounts

The accounts prepared by academies will be very different from those required of local authority schools. Rather than accounting on a receipts and payments basis for example, academies must prepare accounts under an accruals basis.

Fixed assets

Academies will need to obtain valuations of the properties they own in order to be able to record the appropriate fixed asset value in their accounts.

Public reporting

Alongside their financial statements, academies will also need to produce a form of trustees' or directors' report – most likely to be called a governors' report. This will include statements concerning compliance with the requirements of the Charities Act and Charity SORP (relating to the preparation of the financial accounts). It will include statements explaining the academy's results, plans for the future and its impact on the local community. Governors will therefore become far more accountable to the general public, with their school results and reports being in the public domain.

Academies Financial Handbook regulations

Academies created under the previous regime have already had to comply with regulations as set out in the Academies Financial Handbook and subsequent bulletin. However, these regulations are being revised to take account of the new style academies.

Appointing a responsible officer

One requirement of the Academies Financial Handbook is that the academy appoint a 'responsible officer'. This individual will be responsible for reporting back to the governing body on how well the financial systems are operating. Many academies are contracting out this role.

Maintaining solvency

Schools under local authority control have an automatic financial safety net. Academies do not. As charitable companies limited by guarantee, they need to take care to maintain sufficient funds. Should an academy develop a deficit it will have to agree a restructuring plan with the YPLA. To minimise the risk of deficit problems, academies will clearly need sound financial and corporate governance systems in place. Budgeting will become an important activity, which may create a need for additional training for principal finance officers and their teams.

Service provision and conflicts of interest

Some services previously received from the local authority may need to be replaced. These could include, for example, payroll bureau services and the provision of insurance cover. Note that academies are required to look for best value from their suppliers. The increased transparency of academy activities and performance means that policies on conflicts of interest need to be in place and applied. For example, these could address tendering and procurement processes to deal with situations where a relative of one of the governors is contracting with the school to provide services.

Staff issues

School staff will effectively be changing their employment contracts – transferring them to the academy. This creates the need to comply with the TUPE transfer regulations. In addition, many teachers will be members of The Teachers' Pension Scheme. The academies will have responsibility for these pension arrangements. If staff are members of the local authority pension scheme, the school accounts will need to include a report on those pension funds.

Computer systems

Computer systems are likely to need investment and development to enable the academy to meet its reporting and other requirements, for example, to create the information needed to prepare the financial statements.

Managing the challenge

Many of the issues above will be new to governors and finance teams. Moore Stephens has huge experience in working with schools and other charitable organisations.

Areas with which we can help include:

- accounts preparation;
- reporting requirements;
- regulatory compliance;
- responsible officer requirements;
- applying for the General Annual Grant (GAG);
- budgeting, financial and corporate governance procedures;
- training and support for finance teams;
- addressing conflicts of interest;
- risk management;
- adequacy of computer systems.

Please get in touch to discuss how we can help you meet the challenges involved in becoming an academy – and maximise the opportunities.

For further information please visit:

www.moorestephens.co.uk