

Ten tips for business managers

1. Deadlines

Companies House

You are required to file the audited financial statements with Companies House nine months after the year end. Late filing will attract a penalty. For August year ends, this will normally be on 31 May.

Teachers' Pensions Returns

All academies are required to send a completed End of Year Certificate (EOYC) by the last working day in May. When the EOYC is not audited, the Teachers' Pensions (TP) will automatically issue you a further EOYC which must be audited and returned by the last working day in September. If the form identifies an underpayment this should be paid immediately to TP.

2. Gift Aid

To qualify for Gift Aid, donations must be gifts of money made by an individual UK taxpayer to the academy. The essence of a gift aid payment is that it must be made voluntarily. Therefore, donors must not receive services or benefits outside the limits published by HMRC.

Examples where donations can be made under Gift Aid:

- building appeals;
- non-uniform days;
- educational academy trips; and
- appeals to fund scholarships.

Common errors

- Forms are not signed and dated or the donor has not provided a post code.
- Gift Aid declarations need to be completed accurately otherwise HMRC may not agree the payment.

Payments that do not qualify for Gift Aid include:

- donations of money from a company;
- payments received in return for goods or services – these are not gifts – for example payment for admission to a concert, payment for a raffle ticket, an entrance fee for an adventure challenge event etc.; and
- gifts with a condition that requires goods or services to be bought from the donor.

3. Penalties to avoid on P11Ds

Unless the academy has a dispensation from reporting specific expenses (all expense allowances and reimbursements, as well as benefits in kind provided to staff) members and directors will usually need to be reported on individual P11D forms, completed annually and submitted to HMRC with a P11D(b) summary return. P11Ds are usually required for those earning above £8,500 per annum.

“Late submission of P11D forms attracts a penalty of £100 per 50 staff members for each month the forms are late.”

Late submission of P11D forms attracts a penalty of £100 per 50 staff members for each month the forms are late. The due date for filing is 6 July. This can prove costly for each month of delay.

Items giving rise to potential taxable benefits are:

- reimbursement for travel and subsistence expenses;
- staff entertainment such as leaving parties; retirement parties; and Christmas parties; and
- personal use of academy vehicles and academy facilities.

4. New schools joining an MAT

There are various considerations to be made but if MATs expand too quickly, they can encounter problems with managing all the schools within the group. Common problems that occur are:

- staff at other schools lack the accounting skills needed to report to and meet head office deadlines;
- insufficient management charge to the schools within the chain to cover head office costs; and
- lack of common systems and controls within each school so that weaker schools require more support.

This can affect the efficiency of the whole group if sufficient support programmes for weaker schools are not put in place.

5. Disclosure and Barring Service (DBS) checks – previously CRB checks

The Criminal Records Bureau (CRB) and the Independent Safeguarding Authority (ISA) have merged into the Disclosure and Barring Service (DBS) – CRB checks are now called DBS checks.

A DBS or CRB check needs to be in place for every member of staff and governors within the academy. The single central record must be up to date at all times.

6. Procurement procedures

The academy should have procedures in place to ensure purchases are adequately authorised and transparent. Authorisation limits should be set for cheque signatories, approval of invoices and purchase orders. In addition, limits and procedures should be set for levels of expenditure needing more than one quotation or where a formal tendering process is required.

7. Conflicts of interest regulation

Board members and senior management (including business managers) should be aware of the obligation of declaring any transactions which could be seen to conflict with the academy. If you, or persons closely connected to you, have a material personal interest in a matter that relates to the affairs of the academy you must:

- disclose the interest, giving details as to the nature and extent of the interest and its relation to the affairs of the academy;
- declare it as soon as practicable after becoming aware of the interest in the matter;
- ensure that details of the disclosure are recorded in the minutes of the meeting and register of business interests; and
- be absent from the meeting while the matter is being considered and refrain from voting (unless a Board Resolution is passed to the contrary).

8. Gifts and hospitality

Excessive gifts or hospitality can damage the academy's reputation. Establishing a policy will seek to protect staff from suspicion of dishonesty and ensure that they are free from any conflict of interest. This includes the acceptance or provision of gifts, hospitality, or any other inducement from or to suppliers of goods or services.

The academy should establish a policy with consideration of setting a minimum level at which items should be reported. It should also maintain a register of hospitality provided and received and gifts and donations received by the academy and members of staff.

Governors should consider reviewing the register on a periodic basis for assurance that appropriate decisions are being made. The governing body should also consider the need to address the risk to the academy of being in breach of the Bribery Act 2010.

9. Key Performance Indicators (KPIs)

Academies will usually set certain performance indicators to monitor actual performance against expectations. This enables the effective running of operations and will also help to identify where improvements are required. The setting of KPIs must be meaningful, workable and measurable.

Typical indicators used are:

- pupil numbers;
- staff turnover;
- teaching costs as a % total costs;
- total staff costs as a % total costs;
- net surplus as a % of total income;
- average per capita cost per pupil (usually split between reception, junior and senior); and
- cover of free reserves to average monthly costs.

10. Capital projects

Academies will undertake significant development projects over certain periods. Various matters will need to be addressed and some of these are considered below.

The ability to effectively manage academy cash-flows and budgets will be even more crucial over this time. Business managers also need to manage their time and identify what additional resources and facilities are required to support them and the general operations of the academy curriculum when building works have commenced. Issues such as additional support staff, temporary classrooms, safety of children, regulated access to the academy and appropriate communications with parents, pupils and staff are important. Delays and contingencies in the building programme should always be considered.

From a financial viewpoint, cash-flows will need to be prepared and these should be flexed to different changes in assumptions (such as pupil numbers, inflation costs, interest rates, arrangement fees, penalties) enabling certain breakeven/ decision making points to be highlighted. These will trigger if and when loan finance is required and when existing borrowing limits are exhausted.

During the project work, regular communication with the academy's bankers is important so that any additional funding requirements do not come as a surprise when there are delays in the funding process.

A policy should be set to establish what level of reserves are to be maintained to cover normal day to day operations and the additional level of funding needed to support the capital projects.

Classification of building and refurbishment works will need to be identified. Items that are clearly repairs and replacements will be expensed directly to the income and expenditure account. Those that are capital items are typically new items and improve the future income stream for the academy. The academy's existing capitalisation policy should be reviewed to establish a practical way of capitalising expenditure. The fixed asset register will also require updating as will establishing new or updating existing depreciation policies.

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