Academy Advisor

Spring 2014

Welcome to our regular newsletter for Academies and Free Schools.

In this edition:

- Developing KPI's
- Auto Enrolment
- Reserves Policy
- Payment profiling
- Insurance voluntary risk pooling scheme
- 6th form funding
- Accounts & Value for Money Statement
- 2013 Academy Financial Handbook
- Benefits & Expenses Policy

Tax:

- PAYE final submission for the year and end-of-year tasks
- Expenses and benefits
- Dispensations from reporting certain expenses payments

Developing KPI's

An important consideration when setting the financial key performance indicators (KPIs) is that, once they are established, they remain consistent and are set with regard for the long term. Based on our experience with a significant number of academies, we've put together some suggestions to help you establish your KPI's as a system of monitoring your performance against budget:

- Staffing costs as a percentage of main grant income
- Income per pupil
- Staffing costs to General Annual Grant (GAG) income
- Staff costs as a percentage of total expenditure
- Capital expenditure per pupil
- Unit cost per pupil
- Liquidity ratio
- Net revenue compared to budget

Other non-financial KPIs might include:

- Ofsted inspection results
- GCSE results
- Year 7 pupil numbers
- Waiting lists

These are just some of the indicators you might consider. If you would like any assistance with the development of KPIs or benchmarking your results with other similar academies, please contact your advisor.

Auto-enrolment

New Government legislation means that all employers have to make arrangements for all employees to automatically join a qualifying pension scheme that satisfies minimum requirements. Employers must also make appropriate contributions on behalf of those who choose to remain members of the qualifying scheme. The Teachers Pension Scheme and the Local Government Pension Scheme (LGPS) both satisfy the criteria of a qualifying scheme but you will still need to review your situation and take action to ensure you fully comply with the new duties.

The legislation states that all job holders aged between 22 and the state pension age, earning above £9,440pa (2013/14), should have access to, and be automatically enrolled in a qualifying pension scheme. Job holders aged between 16 and under 75 with earnings above £5,668pa (2013/14) may also opt to join a qualifying pension scheme.

Each employer will have a staging date from which they must comply with the new duties. These include enrolling all eligible job holders who are not already active members of a qualifying scheme into an auto enrolment scheme. For example, employees of academies, who are not members of the LGPS, will need to be auto enrolled into the LGPS from the relevant staging date.

Useful resources:

The Pensions Regulator

Guidance is available online at the Pension Regulator's website. It includes a beginner's guide, online tools and a search facility to help you identify your academy's staging date.

Academy Advisor

Spring 2014

LGPS's Automatic Enrolment Guide
The guide sets out how the provision within the automatic enrolment legislation interacts with the LGPS. It also contains a number of template letters for employers to use and flowcharts to assist employers through the automatic enrolment process.

Teachers' Pensions toolkit
TP has produced a toolkit to support employers implementing automatic enrolment. The pack comprises communication and implementation packs, FAQs and template letters to send to your teachers.

Reserves Policy

A powerful tool in protecting a schools' financial position is to maintain a robust reserves policy. It is also an accounting requirement that the policy is disclosed and discussed in the Academy's annual accounts.

What are reserves?
Reserves are funds that are freely available to spend on general educational purposes, although, identifying the element that is actually freely available to spend may not be immediately obvious. For instance, many academies have land and buildings valued at several million pounds, however these "funds" are not available to spend (you can not pay for salary costs with a playing field)! Additionally there are often pots of money with restrictive conditions, such as a grant for special educational needs which can not be utilised for general day- to-day running costs. It can sometimes be difficult to work out just what the freely available reserves of an organisation are, especially with fixed assets and pension liabilities clouding the position.

Why are reserves important?
A school needs to have enough money to meet its ongoing financial commitments. It is therefore essential they have a minimum level of reserves to ensure there is adequate cash available to meet liabilities as they fall due. Conversely if a school's reserves are unnecessarily high, the school may be open to criticism that it is hoarding funds which should have been spent for the benefit of the pupils. Managing reserves can often be a juggling act, trying to maintain a balance between two extreme positions.

What level of reserves is appropriate?
There is no easy answer to this question and it depends very much on the individual circumstances of your school, although benchmarking can be a useful tool to ensure your level of reserves is comparable with other similar academies. A large Multi-Academy Trust would need a larger buffer in reserves than a small village primary school, however, schools facing unusual risks, challenges or opportunities are likely to need larger reserves to ensure they can adapt to their changing circumstances.

Important features
Ideally the reserves policy should have an upper and lower limit, giving the school a clear set of boundaries to work within and provides a timely warning when to take remedial action. It can also be helpful to be described as a proportion of day-to-day running costs (for instance an amount equivalent to 1 to 3 months of operational costs); ensuring the policy automatically adapts to inflation and the potential growth or contraction of activities. The policy should also include a mechanism for review.

In comparison to other Not for Profit organisations, 1 to 3 months of operational costs seems reasonably low, but Academies do benefit from steady income streams and low environmental risks.

Payment profiling

Previously GAG was paid at a rate of 12% in September, and 8% each month thereafter in order to cover front loading of costs relating to the new school year. From September 2014 this will no longer be the case, with the payments of GAG changing to 12 equal instalments (8.33% per month).
If you are in a position where you have previously relied upon the front loaded September payment to aid cashflow, you should start planning now to ensure adequate cash is held for supplies purchased for September.

Insurance voluntary risk pooling scheme

Currently most academies receive £25 per pupil basic entitlement plus an additional £20 per pupil to reflect the typically higher costs of insurance for academies. From September 2014 the additional £20 per pupil funding will be removed. However, academies will be able to participate in a new DfE scheme at a cost of £25 per pupil (this may be lower if existing insurance arrangements are less than £25 per pupil).

Full details of the scheme have not yet been announced. However, the DfE have announced that where insurance arrangements expire prior to 1st September 2014, Academies can renew their policy for a further 12 months and costs above £25 per pupil will be reimbursed. New multi-year contracts will not be reimbursed after the first year, academies need to consider their insurance arrangements to ensure any adverse effect is limited, and planned for.

6th form funding

Where a student does not hold a C or above in both maths and English GCSE then they must be enrolled upon certain courses. From August 2014, if this is not the case, these pupils will not be counted toward funding allocations.

Retakes will no longer be eligible for funding from 2014/15 unless there are exceptional circumstances.

Accounts & Value for Money Statement – make sure yours are on your website!

All academy schools that converted by 31 August 2013 should have completed their VFM, which must also be published on their website within one month of submission to the EFA.

A copy of the audited 31 August 2013 accounts must be published on your Trust website by 31 May 2014.

2013 Academy Financial Handbook

The EFA published the 2013 Academy Financial Handbook on 12 September 2013. This handbook applies to accounting periods commencing on 1 September 2013.

One point to highlight from the new handbook is: Para 2 -1-2 - *The academy trust **must** maintain an adequate fixed asset register.* The terminology used, 'must', indicates that this is now a legal requirement for academies, a change from best practice.
The Handbook may be downloaded from the Department for Education.

Benefits & Expenses Policy

A clear benefits and expenses policy allows for payments to be made to Governors and members of staff, by way of allowances or reimbursements in respect of expenditure necessarily incurred for the purpose of enabling that person to perform any appropriate duty.

All costs incurred should also take into account the need to ensure best value for money is achieved from the use of academy public funds. The policy should set out what is and what is not acceptable for reimbursement and may also take into account equality of participation for all Governors.

Examples of acceptable claims include:
Telephone charges, photocopying and stationary costs, travel and subsistence (mileage or travel expenses incurred by staff required to travel to other locations), childcare or babysitting expenses, or care arrangements for an elderly or dependent relative (for example where a Governor or member of staff does not have a spouse or other appropriate adult to care for a child or other dependent, for the purposes of meetings of the Governing Body).

A clear benefits and expenses policy should ensure that public funds are used, and seen to be used, only for activities and events, which are necessary to support the promotion of the aims of the academy.

TAX

PAYE (Pay As You Earn) final submission for the year and end-of-year tasks

As an employer, there are a number of important tasks you need to complete around the end of the tax year (5 April).

From 6 April 2013 employers started reporting PAYE information to HMRC in real time. You must report your payroll information by submitting FPS and EPS. Do not try to send forms P35 or P14 for 2013-14 or later tax years - if you do they will be rejected. However, P60 forms must still be provided to employees by 31 May 2014.

You must make sure that you submit your final Full Payment Submission (FPS) and/or Employer Payment Summary (EPS) for the final pay period in the tax year. For most employers, this means you will send your final FPS on or before your last payday in the tax year. You must also indicate on your last FPS or EPS for the year that it is your 'Final submission for the tax year' and answer the end-of-year questions and declaration.

HM Revenue & Customs (HMRC) uses the information that you send to make sure that you and your employees have paid the right amounts of tax, National Insurance contributions (NICs) and student loan deductions for the tax year.

Expenses and benefits

Forms P9D and P11D relate to any benefits and expenses paid to an employee. Form P11D(b) is your return of the overall amount of Class 1A NICs due on the expenses and benefits you have provided as well as your declaration that you are reporting all relevant expenses and benefits on those forms. These forms must reach HMRC no later than 6 July.

Dispensations from reporting certain expenses payments

You can apply to HMRC for a dispensation to cover expenses or benefits for which your employee can get a full tax deduction. Dispensations will generally take effect from the date on which HMRC issues them. However, in some cases HMRC may agree your dispensation can take effect from the beginning of the tax year in which you applied for it. As such if you do not already have a dispensation in place or the expenses you are paying have changed you should apply to HMRC prior to 5 April 2014 in order to avoid having to record the expenses payments on the year end P11D forms for 2013/14.

Deadline	Task
5 April	Last day of the 2013/14 tax year – deadline for final RTI submission and year end declarations
31 May	Give each employee a form P60
6 July	Send expenses and benefits annual return - forms P11D, P9D and P11D(b) - to HMRC, and give a copy of the relevant P9D/P11D to each employee.
19 July	Class 1A NICs - postal payments must reach your HMRC Accounts Office
22 July	Class 1A NICs - cleared electronic payments must reach HMRC's bank account

Contact us

To discuss your Academy accounting needs with our specialist teams, please contact your regional member firm by visiting: www.mha-uk.co.uk/our-members or email: info@mha-uk.com