

### GAG funds carry forward restriction for accounts purposes

The YPLA have released information detailing which funds are to be included as GAG funds for the carry forward calculation within the accounts. The GAG funds include the following grants:

- School Budget Share
- LACSEG
- Insurance
- Teacher Threshold
- Mainstreamed Grants

It is important to note that Pupil Premium and 16-19 Bursary are not currently classified as GAG funds, although this could change in the future. This needs to be correct in the accounts otherwise academies will potentially be decreasing the restricted funds that can be spend on revenue expenses in the next period due to the 2% carry forward restriction on GAG funds. Including unnecessary funds within the GAG carry forward calculation in the notes could also potentially give rise to clawback from the YPLA if the 2% rule is breached.

### Pension surplus / (deficit) treatment in the accounts

The YPLA have revised their opinion on the pension surplus / (deficit) within the Accounts Direction issued on 31<sup>st</sup> August 2011. In the Accounts Direction the pension reserve was recognised against the unrestricted fund however this is incorrect and after consultation with the auditor's forum and the DfE, the YPLA have announced that it should be recognised against restricted funds to match it against the GAG. This is the default position and how the YPLA and DfE expect to see all 2010/11 financial statements to be prepared. Please note that the accounts direction is wrong in this respect.

### Academy use of the Assisted Instrument Purchase Scheme

HMRC do not currently recognise that academies should be using the Assisted Instrument Purchase Scheme (AIPS). The scheme was originally set up for Local Authorities to reclaim VAT on a musical instrument and then be able to lease it on to the student without any VAT, thereby reducing the cost to the student. The legislation surrounding the AIPS scheme does not refer to academies being entitled to use it in the same way as an LA maintained school, and therefore, at present, academies should not be operating this scheme.

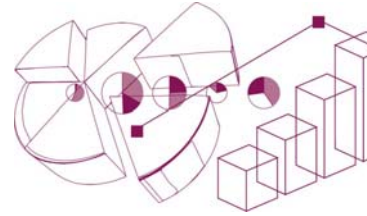
### Purchase of musical instruments for students

The purchase of musical instruments under the Assisted Instrument Purchase Scheme (AIPS) is not allowed by academies as this scheme was set up specifically for Local Authorities. However, new guidance issued by HMRC confirms that academies can recover VAT on musical instruments where they are closely related to the education provided and for the use of pupils in school music lessons or in school orchestras. The instrument can be sold on to the student without VAT provided that it is sold at or below cost and for use of pupils in School music lessons or in school orchestras. This should qualify as a "closely related supply" and therefore be included as a non-business supply.

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### FMGE Return

The YPLA have released the FMGE return along with guidance on how and when to complete it. There is a varying submission deadline depending on when the academy has converted, however the earliest deadline is 31<sup>st</sup> December 2011 for academies that had converted by 31<sup>st</sup> July 2011. Further information can be found at:

<http://www.ypla.gov.uk/academies/funding-and-finance/financial-monitoring-and-assurance/financial-management-and-governance/Summary.htm>

### Abbreviated Accounts Return

On 3<sup>rd</sup> November 2011 the YPLA released the Abbreviated Accounts Return and guidance documentation. This should be easily completed based on the academies accounts. The deadline is 31<sup>st</sup> December 2011. Further information can be found at:

<http://www.ypla.gov.uk/news/latest/academies-accounts-direction-2010-11.htm>

### Health & Safety: Managing Asbestos

The HSE have issued a report on managing asbestos in schools outside LA control. The report highlights the statutory duties of schools in relation to managing asbestos. Further information can be found at:

<http://www.hse.gov.uk/services/education/asbestos-summary-1011.htm>

### Academy procurement resource

The DfE released a resource on 31<sup>st</sup> October 2011 which is available to academies and highlights areas of spending where Academies can achieve value for money and financial savings. The resource covers:

- organisations that provide contracts, deals and frameworks;
- web links to finance, procurement and academy related information;
- procurement and management training opportunities; and
- information about buying green, and environmental initiatives.

The website for this resource is:

<http://www.education.gov.uk/academies/b0061257/how-to-become-an-academy/academies-procurement-resource>

### FMSiS replacement, Schools Financial Value Standard (SFVS)

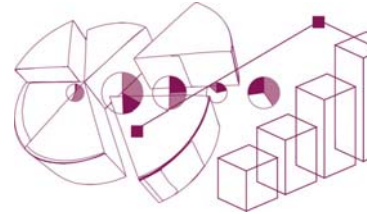
We have been asked on a couple of occasions whether this is mandatory for academies. The answer is that it is not mandatory for academies who instead must submit the FMGE return.

<http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schools%20financial%20value%20stand ard/a00197826/schools-financial-value-standard-sfvs-faqs#faq1>

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### Subsidiary Trading Companies

We have come across a few situations recently where the use of a subsidiary trading company has needed to be considered. General charity law applies in most circumstances meaning that if the level of income is above £50,000 or 10% of the charity's total income (the lower figure), then you should at least be enquiring about the use of a subsidiary company.

There are specific rules around primary schools running nursery schools which are currently under review by DfE.

### Responsible Officer Role

This role is under consideration. We consider that an appointment still needs to be made at this time. If you have somebody on the Governing body who is very knowledgeable about finances then they are probably better serving on the finance committee than as Responsible Officer. (They can't do both).

### Upcoming deadlines

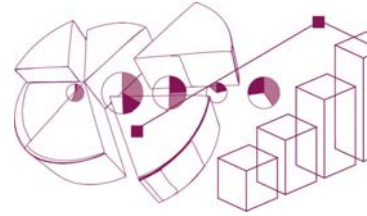
GAG2 Return (letter from YPLA dated 22 June 2011)	6 weeks after receipt of final funding letter
Annual Accounts filed at YPLA	31 <sup>st</sup> December 2011
FMGE due at YPLA (converted by 31 <sup>st</sup> July 2011)	31 <sup>st</sup> December 2011
Abbreviated Accounts Return (periods ended 31 <sup>st</sup> August 2011)	31 <sup>st</sup> December 2011
FMGE due at YPLA (converted by 30 <sup>th</sup> September 2011)	31 <sup>st</sup> January 2012
FMGE due at YPLA (converted by 30 <sup>th</sup> November 2011)	29 <sup>th</sup> February 2012
FMGE due at YPLA (converted by 31 <sup>st</sup> December 2011)	31 <sup>st</sup> March 2012
Annual Accounts due to be filed at Companies House	31 <sup>st</sup> May 2012
FMGE due at YPLA (converted 1 <sup>st</sup> January 2012 onwards)	Within 4 months of conversion / opening

This summary covers all financial returns that we are currently aware of. The need for a Whole of Government Return and replacement of the GAG2 with a forward Financial Plan are still under consideration.

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### Randall & Payne's VAT Guidance

As matters become clearer, we continue to review our Academies VAT guide. There are some minor amendments which will be released by the end of November, and a new guide will be issued free of charge to our clients. Rob Case is our VAT expert and can handle any VAT enquiries that you may have. Please contact Rob on 01242 548600 or email [ric@randall-payne.co.uk](mailto:ric@randall-payne.co.uk).

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