

Academy Year End File 2019/20
Guidance

Contents

Introduction	3
Key Year End Adjustments to Remember	5
Statutory & Legal.....	7
Fixed Assets	8
Stock.....	9
Debtors.....	10
Creditors.....	11
Hire Purchase & Finance Leases.....	12
Provisions, Commitments & Liabilities.....	13

Introduction

Welcome to the Bishop Fleming Electronic Academy Year End File for 2019/20. Please read the below guidance to help you complete this file and become more prepared for your Academy audit for the period ended 31 August 2020.

Multi-Academy Trusts:

As a Multi Academy Trust you will need to collate information that covers all the academies in your trust. The most efficient way to complete this will depend on the setup of your trust and how you operate. There are a few simple items to consider however:

- One person (usually the CFO or equivalent) needs to take responsibility to ensure that all the information is prepared, and collated.
- Central information (i.e. Trustee information etc.) can be prepared centrally
- If not held centrally, information from individual schools (fixed asset items, debtors, creditors, income and expenses etc) may need to be delegated to the individual school business managers to prepare. You will need to ensure that all schools have completed this for the audit.
- If you have any queries, please do not hesitate to contact your usual Bishop Fleming contact to discuss your exact circumstances.

Aim of electronic file:

- Give you the opportunity to collect information ahead of the period end so less to do in September and October
- To facilitate efficient preparation and audit of your Academy accounts

Best approach:

- The questions asked will be tailored to your situation, e.g. there will be slightly different questions if you are a new Bishop Fleming client or an existing client.
- Questions will be organised into sections, based on areas of the accounts. Within sections, questions should be completed from the start to end, as answers may show additional questions. As a rule, by filling in all the multi-choice questions, all the potential questions and requests for information will be shown.

Recommendations:

- Read the Academies Accounts Direction 2019 to 2020 (*issued by the ESFA*) before the preparation of the Academy Year End File
- Start preparing the file as soon as you can to identify and rectify any issues prior to our audit visit

Notes on the spreadsheets:

- Green cells require population by you
- Grey cells contain formulae that should not be amended and will auto-complete
- The pro forma spreadsheets are there to help you but if you already have the information in a different format we will work with your schedules

Pro-forma schedules

- Please note that each section may ask you to prepare a pro-forma, if you have already prepared your own schedules with similar information you will not have to prepare the pro-forma, just send us the schedule you have prepared.

Deadlines:

- The year-end file is organised into different sections, which are presented as different questionnaires.
- The various questionnaires should be completed at the following times to assist with the accounts and audit process:
 - "Academies – Documents for planning" – This should be completed as soon as possible, as it enables us to plan an efficient audit. It should be completed no later than 31 August 2019
 - "Academies – Accounts Preparation" – This should be completed at least 2 weeks before the start of the on-site audit
 - "Academies – Audit Fieldwork" – This should be completed and ready for the day the on-site team arrive
 - Academies – Other Information" – This will be used by the audit team for any additional queries, and also includes information we require for your AAR (if applicable). This should be completed upon the request of the team, or after the audit has finished.

Queries:

- Please feel free to contact your Bishop Fleming advisor should you have any queries or require any assistance

Access to other records:

- As before, we will require access to the following records up to the period end date and also post period end:
 - Accounting software - with own log in details or remote access, if possible
 - Otherwise, please provide the general ledger activity in Excel
 - Sales invoices / purchase invoices / remittances
 - Staff expense claims
 - Bank statements
 - Cheque books and paying-in slips (*or computer generated equivalent*)
 - Petty cash records
 - Sales ledger
 - Purchase ledger
 - Month end procedures file
 - VAT records
 - Payroll reports
 - Employee records
 - Statutory records
 - Declarations of business / pecuniary interests
 - Minutes of Trustee and local Governor meetings

Key Year End Adjustments to Remember

Accrued income:

This is income that relates to the current year but has not been received by the year end.

Pupil Premium – Pupil premium is received in arrears via quarterly instalments and follows the financial year, i.e. Q1 is April, May and June. Therefore the November payment relates to funding for July, August and September. Two thirds of the funding (being July and August) needs to be included as accrued income on the balance sheet.

Condition Improvement Fund (CIF) – If your academy has been awarded funding for a CIF project, the full amount of the funding should be recognised as income in the year, regardless of whether all the cash has been received. You should be able to calculate the amount to be included as accrued income from the balance sheet using the CIF payment schedule provided by the ESFA.

Generally, capital income should be recognised in full on entitlement (i.e. confirmation of award) and therefore it is generally not deferred in the accounts. Any cash received should be recognised as income from the bank and the remainder of the award not yet received should be accrued at the year end and be included as accrued income on the balance sheet. This is most common with CIF funding (as described above).

Deferred income:

Deferred income is an adjustment made to account for income which has been accounted for prior to 31 August 2019 but for which the right to receive the amount has not yet been earned, normally due to specific timing conditions.

UIFSM – This funding is received in July. The instalment includes the final funding allocations for academic year 2019 to 2020 as well as a preliminary payment of 7/12ths of the 2019 to 2020 payment. This preliminary payment needs to be included as deferred income on the balance sheet. (the amount can be found in the funding allocations as published online by the ESFA)

Rates – you should claim rates for 2020/21 and defer the amounts that relate to the period after August 2020.

Other types of deferred income could be amounts received in advance for trips that are occurring in the following year.

Prepayments

Prepayments are an adjustment made to accounts for expenditure which has been recorded in the accounting system but either all or part of that expenditure relates to services or goods relating to a period after the year end.

Key prepayments for most Trusts include insurances, subscriptions or software licences, rent and rates, payments for school trips that are occurring in the following academic year. The Trust should consider a de-minimis limit to the level of transactions that are adjusted for prepayments.

Accruals

Accruals include all costs relating to the year that have not yet been invoiced. For example, if the trust has carried out building works in the summer term, it is possible that the work has been completed but the invoice was either received after the year end or the invoice has not yet been received at all. To ensure the full costs of the project are included in the year in which the work was carried out, the Trust should accrue this expenditure (excluding VAT) and therefore include on the balance sheet as accruals.

Further examples of accruals:

- Audit fees
- Any goods ordered and received but no purchase invoice received yet
- Any expenditure paid for in arrears (gas, electricity etc)

The Trust should consider a de-minimis limit to the level of transactions that are adjusted for accruals.

Top tips for identifying accruals:

- Review purchase day book for September 2019 and highlight any items which relate to the period ended 31 August 2019. In most cases suppliers will invoice for work reasonably quickly and so invoices should be received during September.

- Review the outstanding purchase orders at 31 August 2019. For some of these you may have received the goods/services but still be waiting on the invoice to be received.
- Don't forget to consider any invoices which haven't yet been posted to the accounting software due to query / dispute.
- Make sure you identify the department / ledger account that the accrual relates to - this will be required for the reversal of opening balances into the following year.

Depreciation

Depreciation should be calculated using The Trust's fixed asset register using the depreciation rates as per the Trust's Tangible Fixed Assets accounting policy and posted to the accounting system.

Other Creditors

Post 16 Bursary – This represents an agency arrangement and therefore all income and disbursements should be recognised on the balance sheet as a net creditor owing to the ESFA and not included as income or expenditure in the accounting system.

Capital income

Grant	Payment	Purpose
School Condition Allocations (SCA)	4 equal instalments May to August	Investment should be prioritised on keeping school buildings safe and in good working order by tackling poor building condition, building compliance, energy efficiency, and health and safety issues.
Devolved Formula Capital (DFC)	Single payment in July	Devolved formula capital (DFC) is direct funding for individual institutions to maintain their buildings and fund small-scale capital projects.
Healthy Pupils Capital Fund (HPCF)	4 equal instalments May to August	Capital investment in facilities for physical activity, healthy eating, mental health, wellbeing and medical conditions.
Condition Improvement Fund (CIF)	As per CIF payment profile	The Condition Improvement Fund is an annual bidding round for eligible academies and sixth-form colleges to apply for capital funding. The priority for the fund is to address significant condition need, keeping academy and sixth-form college buildings safe and in good working order.
Donations	Ad-Hoc	Donations from other sources can be received specifically for the purchase of fixed assets.

Statutory & Legal

Assets transferred on conversion:

On conversion, the Local Authority / Diocese / Other Institution are likely to have transferred assets to the Academy. These assets should be included in the Financial Statements at their valuation on conversion. A pragmatic approach should be taken when carrying out the exercise of identifying such assets, concentrating on the assets with material values.

For property, you will need to consider whether the Academy premises are freehold, leasehold or under licence. This will then determine at what value the property is brought into the financial statements. (*linked to Section 8*).

Other assets, such as computer equipment, motor vehicles and furniture and equipment will need to be brought into the financial statements at 'fair value'. For example, if a mini bus was purchased for £10,000 on 1 September 2013 and the useful economic life for motor vehicles is deemed to be 5 years, then at 1 September 2015 (example conversion date) the value is £6,000 - the mini bus has 3/5ths of its original cost remaining.

We recommend that pre-conversion records, such as capital expenses, nominal codes from the accounting software and inventory lists, are reviewed to identify any significant items which should be included in the balance brought forward on conversion.

Fixed Assets

Fixed Asset Register:

The fixed asset register (*usually prepared on an excel spreadsheet*) is a list of all items purchased with a value over the Academy's capitalisation limit. The asset register should include the following information as a minimum:

- Asset description
- Date of acquisition
- Cost
- Source of funding used to purchase the asset (GAG, capital grant, donation etc)
- Expected useful economic life
- Depreciation charge brought forward
- Depreciation charge for the current period
- Current book value (cost less depreciation charge to date)

The fixed asset register is not the same as the inventory list - for example, it may be considered appropriate to include digital cameras on the inventory list to keep track of where they are, however at a cost of £100 they would not be over the capitalisation limit and so would not be included on the fixed asset register.

The items on the fixed assets register should be categorised into:

- Land and buildings, analysed between freehold and leasehold
- Furniture and equipment
- Computer equipment and software
- Motor vehicles
- Assets under construction (if applicable)

Depreciation Rates:

A depreciation policy for fixed assets, needs to be agreed. Suggested depreciation rates are:

- Buildings 50 years straight line (*see below*)
- Furniture and equipment 5 years straight line
- Computer equipment and software 3 years straight line
- Motor vehicles 5 years straight line

Freehold / leasehold buildings should be considered on an individual basis. For example, a building dating from 1900 in good condition is likely to last another 100 years, however a prefab 1960 block is probably coming to the end of its useful life. It would not be unusual for different buildings within the Academy to be depreciated over different years.

Additions:

Fixed asset additions must be posted to an appropriate nominal code, split by funding source. The balance on this nominal code should be reconciled to the Fixed Asset Register. Purchase invoices for these additions must be copied.

Disposals:

Any fixed asset disposals should be accounted for on the Finance Software Package. A schedule of disposals along with supporting information (*date of disposals, sales proceeds, etc*) must be provided.

Stock

Only if material, stock should be brought into the accounts at the lower of cost or net realisable value. Examples of potential stock items are:

- Catering provisions
- Cleaning materials
- Classroom supplies
- Oil / heating fuel

Debtors

Aged Debtors:

Amounts owing to the Academy at 31 August 2019 - being invoices raised before 31 August 2019 but payment not received at that date. It is important that all invoices relating to goods and services supplied prior to 31 August 2019 are invoiced to the customer and posted to the accounting software dated before 31 August 2019.

Prepayments:

A prepayment is an adjustment made to the accounting software via a journal at the period end to account for purchase invoices that have been received and recorded during the period, but for which the service has not yet been fully received, therefore all or a portion of the purchase invoice is a payment in advance.

(For example - an Academy paid an invoice for £12,000 for an annual software license covering the year 1 April 2019 - 31 March 2020. At 31 August 2019 the Academy had 'prepaid' 7 months of service - hence the prepayment adjustment would be £7,000)

Further examples of prepayments are:

- Insurance
- Exam fees
- Subscriptions
- Rent / rates

Accrued Income:

Accrued income is an adjustment made to the accounting software via a journal at the period end to account for income which has been earned or there is a right to receive the amount, but at 31 August 2019 the income had not been accounted for in the accounting software.

Creditors

Aged Creditors:

Amounts the Academy owes to suppliers at 31 August 2019 - being invoices dated before 31 August 2019 but not paid at that date. It is important that all purchase invoices dated prior to 31 August 2019 are posted to the accounting software before the Trial Balance is finalised and with the correct invoice date.

Accruals:

An accrual is an adjustment made to the accounting software via a journal at the period end to account for an item of expenditure (net of VAT) which relates to that period, but for which the purchase invoice was not received until after period end.

(For example, a cleaning contractor carries out a deep clean of the Academy premises during w/c 24 August 2019, however the purchase invoice is not issued by the supplier until 3 September 2019 - this expense will need to be accrued (net of VAT), as the goods / services were received prior to 31 August 2019, but the invoice will be posted on the system using the purchase invoice date of 3 September 2019, which is in the 2019/20 year.)

Further examples of accruals:

- Audit fees
- Any goods ordered and received but no purchase invoice received yet
- Any expenditure paid for in arrears (gas, electricity etc)

Top tips for identifying accruals:

- Review purchase day book for September 2019 and highlight any items which relate to the period ended 31 August 2019. In most cases suppliers will invoice for work reasonably quickly and so invoices should be received during September.
- Review the outstanding purchase orders at 31 August 2019. For some of these you may have received the goods/services but still be waiting on the invoice to be received.
- Don't forget to consider any invoices which haven't yet been posted to the accounting software due to query / dispute.
- Make sure you identify the department / ledger account that the accrual relates to - this will be required for the reversal of opening balances into 2020/21.

Deferred Income:

Deferred income is an adjustment made to the accounting software via a journal at the period end to account for income which has been accounted for prior to 31 August 2019 but for which the right to receive the amount has not yet been earned.

(For example - on 1 April 2019 the Academy received £6,000 from a firm to allow them to use the Academy sports hall for 6 months (i.e. 1 April - 30 September 2019) - at 31 August 2019 one months funding has been received in advance, therefore £1,000 of income is deferred into 2019/20)

Hire Purchase & Finance Leases

Lease:

A lease is a contract between a lessor and a lessee for the hire of a specific asset. The lessor retains ownership of the asset but conveys the right to use the asset to the lessee for an agreed period in return for the payment of specified rentals.

Finance Lease:

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all of the fair value of the leased asset.

Hire Purchase Contracts:

A hire purchase contract is a contract for the hire of an asset which contains a provision giving the hirer an option to acquire legal title to the asset upon the fulfilment of certain conditions stated in the contract.

Provisions, Commitments & Liabilities

Capital Commitments:

Details of any significant capital expenditure approved by the Trustees and formally entered into before the period end, where invoices have not been received before the period end. Information required includes the following information:

- Date of Trustee approval
- Date supplier appointed
- Details of expenditure
- Commencement date and expected completion date
- Amount involved

An example of a capital commitment - on 1 May 2019 the Trustees approved construction of an additional suite of classrooms on a section of the car park. During May the formal tendering process selected a contractor who quoted £500,000 to complete the work. The construction agreement was signed on 31 July 2017, work to commence on 10 September 2019. This is a capital commitment at 31 August 2019 which would require disclosing in the financial statements.

Contingent Liabilities:

Contingent liabilities are:

- Possible obligations that arise from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Academy's control.
- Present obligation that arises from a past event but at the time of preparing the financial statements it is not probable that a transfer of economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

An example of a contingent liability - staff member has made a claim for wrongful dismissal against the Academy, which may result in an employment tribunal case.

Operating Leases:

An agreement where only the right to use the property is transferred to the Academy and not the actual ownership of the asset.

Examples of items that could be held on operating leases are:

- Photocopiers
- Fax machines
- Franking machines
- Property

Provisions:

A provision is:

- A present, legal or constructive obligation as a result of a past event;
- For which it is probable that a transfer of economic benefit is required to settle the obligation; and
- A reliable estimate of the amount of the obligation can be made.

An example of a provision - a staff member slipped on a wet floor in the school hall on 16 July 2019. In September 2019 the Academy agreed to pay £2,000 compensation. This provision would be made in the financial statements for the period ended 31 August 2019.