

# **FINANCIAL PROCEDURES FOR SCHOOLS CONVERTING TO ACADEMY STATUS**

**Version 1  
September 2021**

## Contents

Introduction .....	3
SAP Accounting .....	4
Payroll and Personnel .....	6
Contracts .....	6
Insurance .....	6
Banking .....	7
Other Funds .....	8
Information Retention .....	8
FAQs .....	9
Further Information .....	10
Annex A: Pre Conversion Financial Checklist .....	11
Annex B: Post Conversion Financial Checklist .....	13

## Introduction

As part of the conversion process the school's financial management will need to move away from the maintained school arrangements, and the school's accounts with Oxfordshire County Council (the "Local Authority" - LA) will be closed down.

Under the Academy Conversion (Transfer of School Surpluses) Regulations 2013 (SI 2013/3037), the local authority has four months from the date of conversion to determine whether the predecessor school had a surplus balance at that date, prior to transferring that amount to the trust, assuming that the school has complied fully with the final accounting requirements.

The Regulations are available at:

<https://www.gov.uk/government/publications/academy-conversion-surplus-and-deficit-balance-transfer-process>

If the convertor is a voluntary convertor and the local authority determines that there is a deficit at the date of conversion, the local authority will be reimbursed that sum by the DfE (subject to the amount being agreed) and the ESFA will recover the sum from the academy's General Annual Grant (GAG). The timetable for doing so will be agreed between the ESFA's financial monitoring team and the Academy Trust and will take account of the amount involved and the affordability of repayments given the academy's financial position. For sponsored conversions, no reimbursement is forthcoming, and the deficit is funded by the council's core budget.

All transactions relating to staffing costs and goods and services received and in use prior to conversion need to be reflected in the accounts of the local authority. This is important because both the local authority and the academy need to report accurate accounts for their respective financial years. It is also important because a different VAT regime applies to academies and they are not part of the local authority's VAT registration. Goods should not be received pre-conversion if they are for use post-conversion.

The conversion process will be much simpler if transactions are posted to the correct accounts with no subsequent need for correction. Any staffing costs and goods and services received after conversion will need to be reflected in the finance system and bank accounts of the new academy. It will help if schools minimise the amount of ordering of goods and services that are likely to be used in the lead up to conversion.

To facilitate ensuring that all relevant transactions are reflected in the correct accounts, the LA will process invoices on behalf of convertors provided they are submitted no later than three months after conversion. This ensures there is adequate time for invoices to be processed before the four-month deadline for agreeing balances. This is only for goods and services used pre-conversion, as above, schools cannot purchase goods for use post-

conversion. No invoices can be processed by the LA after balances have been agreed.

We recommend that you run all the reports available using the help information provided. These reports include:

- Revenue monitoring
- Capital monitoring
- Project monitoring
- Staffing costs
- Income and debt
- Travel and expenses

As an example, within the school's reporting SAP tiles to get to the 'Staffing actual costs' report help page, navigate as follows (selecting the named tiles):

Home -> Help -> Finance -> Reports

Then for staffing: Staffing costs -> Staffing actual costs

The report will default to the current period so (as per guidance, section 2) you need to select the report period on the 'variable entry screen'.

The above reports can be exported to Microsoft Excel.

In addition to the above, we strongly recommend that the school run a final version of each of the listed reports before conversion. These reports will not be available to the school from the post-conversion date. Where a report relies on financial information, it is crucial to run the report before payroll suspend the service in order to run their own monthly reports as the information is not available during the suspension period. We recommend that the school runs the payroll report as close to conversion as possible which would normally be around 23rd / 24th of the month prior to conversion.

## **SAP Accounting**

Irrespective of your choice of financial systems as an academy, you will not be able to use the local authority SAP system. Your accounts in SAP will be closed down so that the final balance can be agreed and transferred. The academy will not have access to the school's current (pre-conversion) SAP system, and it is therefore important that the following procedures and processes are carried out prior to conversion.

Under no circumstances should the converting maintained school make any payments from the schools existing accounts to the academy bank account. The local authority must be instructed as necessary.

## **Procurement**

Only transactions where the goods/services are received/provided for use prior to conversion should be recorded within the school's SAP system.

The school should ensure that for all goods that will be received before conversion that an official purchase order is raised at the time of ordering to reduce workload at the point of conversion.

All goods and services purchased prior to conversion under the SAP system must be used by the school pre-conversion and under no circumstances should be pre-ordered for the academy.

Orders raised in SAP for which it becomes apparent that the goods will not be received prior to conversion should be cancelled.

By the last day as a maintained school and no later than the first working day as an academy, all remaining orders on SAP should be cancelled, cleared, or closed.

Ensure that final day meter readings are taken for all utilities and service contracts (i.e., photocopying).

## **Income**

All income received up to the date of conversion will need to be banked and credited to the County Main Fund Account using the school's cash receipting book and recorded on SAP.

All invoices for lettings and services provided prior to conversion should be issued no later than a week before the last day as a maintained school. If lettings and services cover the period pre and post conversion, then one invoice must be raised by the school for the period up to the date of conversion and one by the academy post conversion.

Debtors – all debts relating to invoices issued by the school pre-conversion should be collected within one month of the conversion date. Any remaining outstanding debt will be passed to the academy for collection or resolution and effectively deducted from the closing school balance.

## **Petty cash**

All claims should be agreed and processed prior to conversion.

No reimbursements from petty cash should be made for any goods purchased after the conversion date.

A reconciliation of petty cash should be completed by the last day as a maintained school.

Any petty cash held and reconciled at the day of conversion will need to be credited to the County Main Fund Account.

## Payroll and Personnel

All supply teachers, casual staff, overtime, and staff travel, and expenses claims incurred by the school up to the last day as a maintained school should be authorised in accordance with the school's internal procedures and must be submitted to the IBC within the agreed receipt deadlines.

Correctly completed claim forms, salary notifications and electronic returns received by the receipt deadline will be paid on the pay date that month. Notifications and claim forms that miss the deadline will have to be picked up by the academy. **Please note that retrospective adjustments to payroll should not be made on the system after the payroll deadline in the last month before conversion as these will not be processed or included in the transfer of balances.**

A reconciliation of payroll transactions should be completed by the last day as a maintained school.

The school will have personnel records that are kept on site. To ensure the security of the information and to enable the local authority to comply with Her Majesty's Revenue and Customs (HMRC), Superannuation schemes, reference requests and so forth, the records should be kept as financial archives of the school for a minimum of six years.

## Contracts

The converting school will need to consider their position in relation to the contracts they (i.e., the Governing Body) may hold with external suppliers, for such services as catering, cleaning, security, and ICT products and services. If the governors wish to maintain a contract with an existing supplier, they will need to discuss with the supplier how it could be transferred to the Academy Trust. Contractors are unlikely to object to the transfer as it allows them to retain the business and most contracts will, in any case, contain an assignment clause, permitting its transfer to a new entity.

Decisions will also need to be made about services currently provided by or bought from the local authority, which the academy might wish to obtain elsewhere.

## Insurance

Insurance will need to be in place in the school's name up until the last day as a maintained school in respect of all insurance covers.

The academy will need to make alternative insurance arrangements and it is imperative that a converting school is insured from midnight of the date of conversion so that there is continuity of cover.

The main types of insurance cover to be arranged are:

- Premises and contents (these should be insured at replacement cost against damage by subsidence, fire, lightning, explosion, storm, flood, riot, malicious damage, terrorism and similar risks).
- Business interruption; Works in Progress
- Employer's liability and public liability insurance and Professional Indemnity insurance (if undertaking work for external parties)
- Any statutory motor transport insurance.
- Engineering insurance
- Travel insurance

NB. This note does NOT deal with insurance schemes for staff absence through sickness etc., which is not regarded as insurance in the same way as the risks set out above. Academies receive funding for such insurance in their formulaic General Annual Grant, not as additional reimbursement, and must decide for themselves whether to take out absence insurance or cover their own risk.

Insurance can with be obtained through a Broker or alternatively please see the DfE guidance on Academies risk protection arrangement (RPA). Further information available through link below.

<https://www.gov.uk/government/publications/risk-protection-arrangement-rpa-for-academies/academies-risk-protection-arrangement-rpa>

## **Banking**

### **Local Expenditure Bank Account**

Only transactions where the goods/services are received/provided for use prior to conversion should be paid through the local expenditure bank account.

Prior to conversion all un-presented cheques should be actively chased and any cheques more than six months old must be cancelled.

Within 4 weeks of conversion the academy will be expected to further review any outstanding cheques and cancel any remaining un-presented cheques before the final balance can be agreed.

All direct debits on the local expenditure bank account and/or OCC County Fund Main Account will need to be cancelled once all mandated payments for lettings and services provided prior to conversion have been charged to the account. The academy will need to make alternative payment arrangements for vendors for any future payments.

A reconciliation of the local expenditure account should be completed by the last day as a maintained school and the latest entries should be input to SAP via the IBC portal. The final balance calculation cannot be processed until this has been completed by the school.

The school will need to provide a written reconciliation to the local authority within one month of school's conversion date. The reconciliation will be between the bank balance (expenditure and 'top ups') in the local expenditure account (as at the last day as a maintained school) and the original advanced float. The final balance calculation cannot be processed until this has been completed by the school.

The school or those responsible for voluntary funds must make formal agreement as to what is to happen to the funds following the school's conversion to an academy.

Once access to the bank account statements is no longer required via commercial banking online, you must provide the Finance Helpdesk with a list of user IDs to be deleted.

## Other Funds

All devolved non-delegated funds that the school was previously responsible for managing but will no longer be the responsibility of the academy must be reconciled, accounted for and the balance returned in full to the Local Authority.

## Information Retention

The governors will need to notify the Information Commissioner's Office (ICO) in writing that the academy is opening and will now be responsible for processing personnel and pupil data (failure to do so is a criminal offence). The information provided will be added to the Information Commissioner's register which is available to the public. Further guidance can be found here: <https://ico.org.uk/>

The converting school will need to ensure that financial records are retained for the last full six years and the financial year to the date of conversion. The list of documents that need to be kept for each year are shown below.

### **List 1: Documents which should be kept for the current and previous six financial years**

1. Budget formula papers showing allocations, pupil numbers and forward planning data. This includes papers on Grants showing amounts given under each grant and the accompanying papers describing the legitimate use of the Grants.
2. Copies of all letters and schedules from the LA that give details of increases/decreases to the fund, which are received during the year.



3. Copy of the school's signed budget.
4. Copy of all subsequent, revised budgets.
5. Copy of papers relating to all versions of the budget, showing which budget allocations should be included in which cost centres in SAP.
6. Copy of final formula allocations papers, which are usually issued end of January/early February prior to financial year.
7. Copy of any requested local carry forward pro-forma that is completed in school and sent to the Local Authority.
8. Copy of published carry forward figures.

### List 2: Other documents to be retained

1. Original demands for rates payments, invoices, orders, and suppliers' statements for the current and previous six financial years.
2. Originals of bank statements for all accounts (not just official funds), for the current and previous six financial years.
3. Staffing printouts – keep printout for the current and previous six financial years and keep printouts for every month for all “open” financial years. Any other documents as prescribed by section A45 Documentation retention Schedule of the Financial Manual of Guidance – the Manual itself should also be readily available.

## FAQs

### Will we get extra funding?

- Academies are funded directly by the Education and Skills Funding Agency (ESFA) rather than through the local authority.
- The Government has stated that becoming an academy will not provide more money for a school: the school will receive the equivalent per-pupil amount that the local authority would have spent through the **General Annual Grant (GAG)**.
- Early Years and High Needs funding will be allocated in the same way as is done for maintained schools and will be passed to Academies by the Local Authority.

### What are the extra costs?

- Oxfordshire County Council schools buy back into a wide range of central “traded” services. Governing Bodies decide every year which services they wish to use and which they wish to source elsewhere. Academy Trusts may have their own preferred services and providers. Back-office functions provided by the local authority, such as Personnel HR, Payroll, and finance related services, will not be available to you as an academy. Other services may be available and can be purchased, usually on an annual basis by your academy in the same way as you buy services now.

## **Further Information**

For further information, please refer to the Academies Financial Handbook 2021 available through the following link:

<https://www.gov.uk/guidance/academies-financial-handbook>

## Annex A: Pre-Conversion Financial Checklist

Activity	By when	Owner
Contact all service contractors if contracts are to be extended to the academy	As soon as the Academy Trust has been set up	
Set up a bank account for the newly formed Academy Trust	As soon as the Academy Trust has been set up	
Provide new bank account details to the ESFA and Local Authority so that a vendor can be created	As soon as new account is open	
Ensure that SAP purchase orders are only raised when goods and services will be received and used prior to the conversion date	Within one month prior to the conversion date	
Cancel all orders raised in SAP if goods will not be received prior to the conversion date	Within one month prior to the conversion date	
Review and cancel all purchase order commitments that are no longer valid on SAP	Within one month prior to the conversion date	
Proactively chase any outstanding cheques issued from the Local Expenditure Bank account.	Within one month prior to the conversion date	
Ensure that procurement cards are only used for goods/services received and used prior to conversion	No later than one week before the last day as a maintained school	
Ensure all invoices for lettings and services provided prior to conversion are issued	No later than one week before the last day as a maintained school	
Download all financial reports available on the IBC Portal. Where a report relies on financial information, it is also crucial to run the report before payroll suspend the service in order to run their own monthly reports as the information is not available during this period.	Normally around 23 <sup>rd</sup> / 24 <sup>th</sup> of the month prior to conversion.	
Complete a reconciliation of the Procurement card statements	Statements available from 26 <sup>th</sup> of each month. Reconcile by the last day as a maintained school	

Arrange new insurance cover for buildings, employer's liability, and public liability	Cover to be effective from midnight of the day of conversion	
Arrange for final day meter readings for all utilities and service contracts (i.e., photocopying)	By the last day as a maintained school	
Approve and submit to the Local Authority payroll provider all final supply staff, casual staff and overtime claims incurred by the school	By the last day as a maintained school	
Complete and submit any valid staff sickness/absence claims for absences up to the last day as a maintained school	By the last day as a maintained school	
Complete the school's final payroll reconciliation	By the last day as a maintained school	
Cancel, clear, close all remaining orders on SAP	By the last day as a maintained school	
Ensure all income received up to the date of conversion is recorded and banked	By the last day as a maintained school	
Ensure all outstanding invoices and debts are chased for payment	By the last day as a maintained school	
Process final Local Expenditure Bank account transactions for goods/services received/provided prior to conversion	By the last day as a maintained school	
Cancel all direct debits from the Local Expenditure Bank account once all pre-conversion payments have been made	By the last day as a maintained school	
Complete a reconciliation of the Local Expenditure Bank account and post entries to SAP	By the last day as a maintained school	
Ensure all Procurement cards are securely destroyed	By the last day as a maintained school	
Process all authorised petty cash claims for all goods/services received prior to conversion	By the last day as a maintained school	
Complete a reconciliation of petty cash and credit any final balance to the County Main Fund Account using cash receipting	By the last day as a maintained school	

## Annex B: Post Conversion Financial Checklist

Activity	By when	Owner
Ensure that no reimbursements are made from petty cash for goods/services purchased after the conversion date	The first day as an academy	
Notify Lloyds of any school unofficial accounts that will now fall outside of the OCC banking contract with Lloyds	The first day as an academy	
Ensure new internal financial procedures are adopted	The first day as an academy	
Start using the new academy accounting for all academy transactions	The first day as an academy	
Commence monthly academy payroll reconciliations	Within 2 days of month end and no later than 5 working days after salary payment dates	
Review and cancel all outstanding cheques on the Local Expenditure Bank account	No later than one month after the conversion date	
Provide a final reconciliation of the Local Expenditure Bank account to the LA Banking Services Manager	No later than two months after the conversion date	
Provide confirmation to the LA Banking Services Manager that all Procurement Cards have been securely destroyed	No later than two months after the conversion date	
Ensure that unofficial funds (those not held on SAP) are audited up to the date of conversion	No later than two months after the conversion date	
Send the local authority all pre-conversion invoices where goods and services have been received and used prior to conversion	No later than three months after the conversion date	
Ensure that a quarterly review is completed by the Responsible Officer	Three months after the conversion date and quarterly thereafter	
Agree the transfer balance of the pre-conversion school account	Within one month of the draft balance calculations issued to the academy	

Appoint a Responsible Officer	During the first term of academy status	
Commence regular reconciliations of the academy bank account	On receipt of bank statements	