

Financial procedures for Nottingham maintained schools converting to academy status (2017)

Introduction

This document provides information on how to deal with financial management and administration issues that will arise as a result of schools converting to academy status. When a school converts to academy status the LA must take over the operation of the school's financial system & bank account and calculate a balance that is then paid to the academy. A more detailed schedule of the work required is included in Appendix A.

In case of queries or clarification please contact:

Schools Finance Support Tel: 0115 87-65053

Email: schools.finance@nottinghamcity.gov.uk

Timetable

Time Period	Converting school	Academy
School Closure Date	Converting school change name on the School Fund account.	Academy opens new bank account prior to the Academy conversion date.
Academy Opening 0-60 days	Continue to produce monthly VAT submittal, VAT full report and REC1 submit to Schools Finance Support for two months.	Academy staff need to ensure schools invoices are paid via the closing schools FMS6 and academy invoices are paid via the academy finance system Ensure Direct Debits and Standing Orders are set-up for suppliers Where direct income is received notify customers/parents of the new academy account to pay this too.
	Converting school submit Change of Bank Signatories form to Schools Finance Support one month after the conversion.	
	Academy continues to process outstanding converting schools invoices on the schools FMS6 system	
	Invoice processing for closing school should be completed at this time. Direct Debits and Standing Orders cancelled or transferred to the Academy Bank Account Notify customers that credit account directly of new bank account	
	Closing schools deadline to submit Oracle Amendment Forms to LA	
	FMS6 and financial records for closing school transferred to LA, who take over the operation of the school's accounts	
Academy opening 60-120 days	Submit copy of School Fund Final Audit certificate to LA	Academy pays any outstanding converting school invoices and also unrecoverable income.
Academy opening 120 days after		Academy advised by LA of final balance
Academy opening 150 days after		Academy agree to final balance and LA transfer cash to academy

Banking

1.0 Academy bank account

A new bank account must be opened for the academy; this should be opened by the closing school in time to receive the first monthly payment from the EFA.

1.1 Transferring maintained school bank account to LA control

To enable the operation of the school's financial system the LA will take over control of the school bank account (usually 60 days after conversion). If your account is with Lloyds Bank, Schools Finance will email the change of signatory form for you to complete. If your account is not with Lloyds Bank the school must contact the bank account manager for a copy of the Change of Signatory form and this need to be completed by all existing signatories and then submitted to Schools Finance Support by the end of the first month of academising.

Schools Finance Support will require the bank to change the bank signatory after 60 days of conversion , that is to say schools are expected to pay invoices for the first two months after conversion.

Schools Finance Support will close existing bank accounts within 120 days after the conversion date.

1.2 School Fund

If the School Fund is to continue the bank account name should be changed accordingly. A final audit for the period up to school closure must be completed and a copy of the audit certificate submitted to the LA within 2 months of school closure.

1.3 Disposal of assets: petty cash

The petty cash account must be balanced and signed off and any remaining petty cash should be banked before the closure of the school.

2 Budget/Cash Allocations

Where an academy conversion is known at the beginning of the financial year an apportioned budget will be allocated. Where a conversion is not known a full year budget will be allocated.

Cash advances will be made monthly to schools in the term leading up to conversion. Schools that use an external payroll provider will receive a final cash advance after the final budget has been apportioned and school closing date finalised. If the school has received more cash than the final budget allocation then the LA will adjust the cash when they take control of the bank account.

3 Loans and Leases

All leases and loans must be transferred into the name of the academy and should be detailed on the CTA (Commercial Transfer Agreement). Please contact Mick Evans on 0115 87-65022 in the Contract Management team for assistance in the transfer and termination of leases, he can review your current contracts and offer advice.

Loans made by the LA to the school must be repaid in full unless a separate written agreement exists between the LA and the academy to repay the loan.

Accountancy

4.0 Financial records & systems (FMS 6)

The academy will continue to pay all invoices and maintain the school's FMS for 60 days after the conversion date. Following this the LA will arrange for the FMS system to be transferred to them. LA officers will operate the system (including payroll queries, REC1 returns, VAT reports and payment of Traded Service charges).

On this date all relevant financial records (see list below) for the current financial year must be sent to Schools Finance Support. We have a checklist that needs completing on handover to Schools Finance Support.

- Bank statements for current financial year or the last 6 months if before October
- Cheque books (part used and unused including printed cheques)
- Cheque cards
- Internet banking logon equipment i.e card readers and cards
- Paying in books

4.1 Income

When the school converts there may be outstanding income owed from external sources including grant claims, credit notes from suppliers, invoices to customers (e.g. lettings) and charges to other educational establishments.

Before transferring the financial system to the LA, the school must ensure that all outstanding income is received and old debt where unrecoverable should be written off. Please ensure that you contact all organisations that pay income direct into your bank account to advise them of the academy bank details and the date of conversion.

If this income has not been received within the school by the time the bank account and FMS system are transferred to the LA, **the academy will pay for any unrecoverable income relating to the closing school after 60 days.**

4.2 Ordering

When goods and services are purchased for the school prior to conversion these should continue to be ordered from the school budget. However, no goods or services should be ordered unless there is sufficient funding available from within the schools LA approved budget plan. When goods and services are purchased for use in the academy these should be ordered and paid for from the academy budget.

4.3 Paying Invoices

Schools will be paying for invoices up to 60 days after the conversion. **Any outstanding invoices relating to goods or services received for the closing school after 60 days will need to be paid by the Academy from the academy budget and not by the LA.**

4.4 Un-cashed Cheques

Any cheques that have been raised to a supplier but not cashed within 90 days of the school conversion will be cancelled by Schools Finance Support. We will send you details of cheques still not cashed after 85 days, we request that you make a final chase of these to request the supplier banks them immediately. Any cheques not

cashed will then need to be re-raised by the academy. Please ensure that any cheques older than 6 months have been cancelled and re-issued if necessary before handing over FMS.

4.5 Purchase cards

The purchase card should be cancelled by school within 60 days of the school conversion. Purchase card team contact in the Council is Sue Rush, contact number is 0115 8764208.

Calculation and Transfer of Balances and Cash

The final balance (carry forward) for the closing school is calculated within **120 days** after closing and the LA will notify the academy of the balance and how this has been calculated (including copies of relevant reports from FMS). The academy will have 30 days to agree the balance and this will be transferred to the academy in line with statutory requirements. For “converter” academies (i.e. without a sponsor) any deficit balance will need to be repaid by the academy to the EFA.

Deficit Budget and Deficit Balance

If the school is setting a deficit budget or projecting a deficit balance, the deficit must not exceed the greater of 5% of the school budget share or £35,000 for primary schools and the greater of 2.5% of the school budget share or £70,000 for secondary schools unless **approved by the Corporate Director of Children & Adults and the Chief Finance Officer**. If the predicted deficit is below the level mentioned above, it needs to be **approved by Director of Education and Head of Access and Learning**. A written letter will be issued to the deficit school to approve the deficit level. If the deficit is not approved, any overspend will need to be paid from the academy budget.

The LA will work closely with schools becoming an academy to ensure that they manage the risk of an increasing deficit and if a school is not managing its expenditure in a satisfactory manner, the LA may withdraw delegation of the school’s budget share in order to limit the potential cost to the LA’s budget.

Finance officers from the LA will work closely with the school improvement officers to identify issues at early stage schools which are underperforming and may require a sponsored academy solution and provide additional financial monitoring prior to them becoming an academy. If schools have a significant deficit, applications may be postponed until it has been managed down to a reasonable level.

Appendix A

Requirements

Schools Finance Support to support

The LA is required to undertake the following statutory work as a consequence of a maintained school choosing to convert to academy status.

- Bank account – change of signatories, correspondence with bank and closure of bank account
- Transfer, storage and archive of FMS database (I.T. charge)
- Collection and review of accounting records if necessary
- Prepare final bank reconciliation (REC1) after bank account closed
- Final balance check including any late salary payments
- Ensure FMS balances to Corporate Financial System (Oracle)

School to complete

School should ensure that the FMS has been maintained and is up to date by the end of two months following conversion. When final copy of FMS is transferred to LA the school should complete a signed checklist (see below) and a Fund Review confirming that the work done is complete and FMS is accurate and up to date. When the copy of FMS is transferred to the LA this becomes the live system and no further changes can be recorded on the school copy, which will be retained in school as read-only.

It may create delays to calculating the final balance if the above is not completed after two months of the conversion date.

Schools Finance Support will be able to support the school to complete the following tasks in the checklist with a service fee if required, please contact us on 0115 8765053 or email schools.finance@nottinghamcity.gov.uk.

Pre-Conversion Checklist

Please complete the pre-conversion checklist below and return a scanned copy to: schools.finance@nottinghamcity.gov.uk after the conversion meeting with Schools Finance Support which will usually take place three months before the conversion. **Final balance cannot be released unless we have received this information.**

School to complete before the conversion:

- Pay all invoices up until 2 months after conversion
- All invoices after 2 months conversion will be paid from the Academy budget
- All credits and debits on bank account are posted onto FMS
- REC1 completed and balanced until 2 months after conversion
- Run VAT file for last month of invoice processing until 2 months after conversion
- Submit monthly outturn 3 months prior to the conversion
- All past periods and old years closed
- Checked no entries on Fund Review for obsolete codes (ie only 01 and 03 should have balances on)
- Capital expenditure is correctly charged to capital codes only (CFR)
- Pay and non-pay balanced to corporate system (Oracle)
- All income on all bank statements is posted up to date on FMS
- Removed outstanding orders (including part-paid)
- All outstanding income has been received – if not this will be paid by the Academy after the conversion date.
- Removed all outstanding debtors from Accounts Receivable ensuring any written off in accordance with Financial Administration & Control Policy
- Cancelled unrepresented cheques (issued over 6 months ago) and cancel relevant invoices
- Accounted for correct proportion of all traded services charges, all payments are up to date and credit notes received and input
- All payments to the Local Authority are up to date (request a statement from EMSS Accounts Receivable)
- Cancelled any DD's on bank account (e.g. telephone bills)
- Notified all customers that pay direct into bank account of new Academy account
- All items of budget share letter posted onto FMS
- Finally run a Fund Review and ensure it balances to Oracle report
- The closed school will not close in deficit. If it is going to close in deficit, the licensed deficit will need to be approved by Corporate Director of Children and Adults before the conversion, any overspend in relation to the licensed deficit will be picked up by the Academy. If the school closes in deficit without any license deficit approval, this will require an agreement between the LA and the Academy to settle the deficit.

I confirm that I agree with all the tasks on the pre-conversion checklist above in relation to the accounts of the school.

Any further work required by the LA to correct incomplete or incorrect accounting entries on FMS will result in an administration charge of £500.

Completed by (Head Teacher or School Business Manager):

Signed:

Date:

Post Conversion Checklist

Please complete the checklist below and return a scanned copy and a fund review to: schools.finance@nottinghamcity.gov.uk after two months of conversion date. **Final balance cannot be released unless we have received this information.**

School to complete post conversion date:

- Paid all invoices up until 2 months after conversion
- All invoices after 2 months conversion will be paid from the Academy budget
- All credits and debits on bank account are posted onto FMS
- REC1 completed and balanced until 2 months after conversion
- Run VAT file for last month of invoice processing until 2 months after conversion
- Submit monthly outturn 3 months prior to the conversion
- All past periods and old years closed
- Checked no entries on Fund Review for obsolete codes (ie only 01 and 03 should have balances on)
- Capital expenditure is correctly charged to capital codes only (CFR)
- Pay and non-pay balanced to corporate system (Oracle)
- All income on all bank statements is posted up to date on FMS
- Removed outstanding orders (including part-paid)
- All outstanding income has been received if not this will be paid by the Academy after conversion date.
- Removed all outstanding debtors from Accounts Receivable ensuring any written off in accordance with Financial Administration & Control Policy
- Cancelled unpresented cheques (issued over 6 months ago) and cancel relevant invoices
- Accounted for correct proportion of all traded services charges, all payments are up to date and credit notes received and input
- All payments to the Local Authority are up to date (request a statement from EMSS Accounts Receivable)
- Cancelled any DD's on bank account (e.g. telephone bills)
- Notified all customers that pay direct into bank account of new Academy account
- All items of budget share letter posted onto FMS
- Finally run a Fund Review and ensure it balances to Oracle report
- The closed school will not close in deficit. If it is going to close in deficit, the licensed deficit will need to be approved by Corporate Director of Children and Adults before the conversion, any overspend in relation to the licensed deficit will be picked up by the Academy. If the school closes in deficit without any license deficit approval, this will require an agreement between the LA and the Academy to settle the deficit.

I confirm that I have completed all the tasks on the checklist above in relation to the accounts of the school and that FMS has been accurately maintained during the current financial year. **Any further work required by the LA to correct incomplete or incorrect accounting entries on FMS will result in an administration charge of £500.**

Completed by (Head Teacher or School Business Manager):

Signed:

Date: