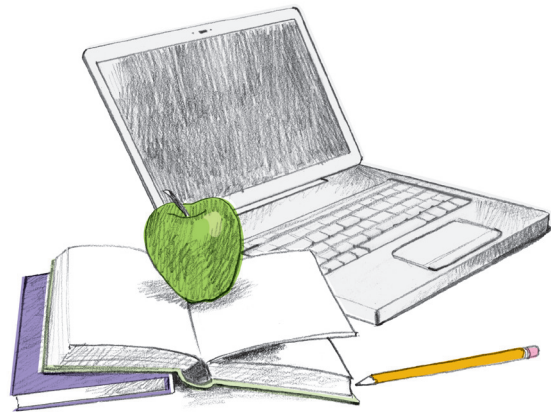


# Academy News



September 2011

## Defined Benefit pension – what a difference a month makes (or does it?)

**During late July world stock markets were riding high and still we had headlines about rising pension deficits.** The August deficit situation is predicted to be much worse as markets plummeted during the lead up to the late August bank holiday. The arguments regarding increasing benefit by the retail prices index (RPI) or the lower consumer prices index (CPI) continue.

With this picture of gloom and doom where do trustees and sponsoring employers stand in delivering promised benefits and managing associated risks?

One thing that has not changed, pension promises are long term

commitments requiring long term solutions.

For those Bursars with only the Teachers' Pension Scheme to consider the month's events may not impact greatly in the short term. For those with other defined benefit commitments, maybe a review of the deficit management strategy is needed.

However a month can make considerable difference for senior teaching staff securing promotion. For those teachers benefitting from the Teachers' Pension Scheme, a pay increase could result in a tax charge. There are new limits in place on how much can be paid into a pension scheme

with full income tax relief. This limit is a contribution valued at £50,000 in one year and may seem very high, but for final salary pension scheme members with reasonable service, a promotion could easily lead it to be breached.

As an example, an increase in salary from £50,000 to £60,000 for someone with 30 years' service, would easily reach this limit. There are other considerations, but if care is not taken, a promotion could result in a most unwelcome surprise of an income tax charge on their pension contributions.

**A month can make a difference!**

## Systems and technology

**Every academy is essentially a business and that means it needs a means to keep proper accounting records and to provide suitable financial management reports.**

Here are some top tips when selecting a suitable financial system:

- understand the requirement before you start – while there are all sorts of pressures for young businesses, selecting a solution without understanding all of your needs, both immediate and in the medium term, risks a significant waste of money and effort. It may be a good idea to use third party assistance in documenting the requirements in a way that will most effectively assist the selection process.
- package not bespoke – nowadays package systems are flexible so they can meet the needs of a wide range of businesses. A package system will be faster to implement, less expensive overall and will have a ready-made user community with whom to share ideas.
- a supplier who understands the marketplace – if a supplier understands the issues that face academies they will already know the right questions to ask to ensure that the system is configured to meet your needs. It means usually that someone else has overcome the issues before you and a track record in the sector is a real benefit
- proven robustness – no-one wants to spend their time waiting for a system to be fixed. Check out the robustness of any system through references or user groups
- support – if a system is robust the amount of support required should be minimal but when you need support you need it to be timely and friendly. Check out what is provided and again use those references to assess how good the supplier really is
- do not skimp on the implementation – it is easy of course to look to save money by taking less training or implementation assistance than is offered. This is all too often a false economy, however, as this may create greater problems down the line.

## Have you updated your fraud procedures?

**In the current economic climate, Academies are just as likely to suffer from fraud and/or the misuse of funds as any other trading entity.** Indeed,

according to the latest statistics from the National Fraud Authority, public sector fraud is currently running at £21.2bn as against £12.0bn in the private sector, £4bn against individuals and £1.3bn from charities.

Academies have control over more funds than ever before but our experience is that many have not

upgraded their fraud prevention and fraud response policies. The risk is that fraudsters will be aware of the increased funds and out-dated controls and will start to actively target Academies because they believe that they will be soft targets. In order to protect themselves we would recommend that all Academies review their fraud prevention controls and fraud response policies.

Our experience of what happened with Further Education Colleges a decade ago when they gained their

freedom from the local Training and Enterprise Councils indicates that Academies will be subject to increasing challenges to the level of oversight being given by headmasters and governing bodies. This will mean that if the worst happens and Academies are victims of a major fraud, then they will have to have a strategy for independent review of any probity issues arising in order to demonstrate that actions have been appropriate, proportionate and lessons learned to ensure they never happen again.

## A series of Academy seminars

**What does financial independence mean for an academy? Why does an academy need to deliver a cash flow forecast? What sort of legal issues do academies face? How are accounts prepared?** Filling the knowledge gap confidently is one of the biggest issues facing converting schools and recent converters. To alleviate this situation Grant Thornton, PS Financials Plc and the United Learning Trust have joined forces to help guide new academies and aspirational schools through these changes by providing a one day seminar to schools and academies in similar situations. The no cost one day seminar includes:

- VAT and accounting issues by Grant Thornton
- Lessons learnt and guidance on implementing a new accounting system from PS Financials Plc
- Financial operations of an Academy in practice from the United Learning Trust
- Discussion of legal issues by a specialist local law firm.

Our seminars are taking place at the following locations:

### 2 November

Grant Thornton UK LLP  
No 1 Whitehall Riverside  
Whitehall Road  
Leeds  
West Yorkshire  
LS1 4BN

### 14 November

Grant Thornton UK LLP  
Enterprise House  
115 Edmund Street  
Birmingham  
West Midlands  
B3 2HJ

### 21 November

Barceló Oxford Hotel  
Godstow Road  
Oxford  
OX2 8AL

### 24 November

Grant Thornton UK LLP  
101 Cambridge  
Science Park  
Milton Road  
Cambridge  
Cambridgeshire  
CB4 0FY

### 9 December

Grant Thornton UK LLP  
Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT



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PS Financials

### 30 November

Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

### 14 December

Grant Thornton UK LLP  
Melton Street  
Euston Square  
London  
NW1 2EP

### Time

9.30am Registration  
10.00am Seminar commences  
4.00pm Close

Places are limited, so register today at one of our events by contacting PS Financials on **01733 367 330** or by e-mail [info@psfinancials.com](mailto:info@psfinancials.com)