

THOMAS MILLS HIGH SCHOOL



POLICY DOCUMENT 58 – APPROVED 06/05/2021

ACCOUNTING POLICIES

Vision Statement

*We, the staff and governors, aspire
to ensure that all our students,
irrespective of ability
and regardless of anyone's doubts,
achieve their potential in full;
and we aspire in this way to make Thomas Mills High School
the best in the country.*

Thomas Mills High School is an Academy and a company limited by guarantee incorporated in England & Wales under number 7605059

1. Introduction

1.1 This document comprises:

- VAT Policy (Section 2).
- Investment Policy (Section 3).
- Fixed Asset Policy (Section 4).
- Bad Debt Policy (Section 5).
- Redundant Equipment (Section 6)
- Disposal of Equipment Form (Annex A).

1.2 The policies will be reviewed annually by the Finance and Premises Committee and any changes recommended by them to the Academy Trust for approval.

1.3 Related Policies:

- 49 - Finance Policy.
- 28 - Financial Probity Code of Standards and Practice.
- 53 - Policy on Information and Communication Technology.
- 46 - Information, Records and Copyright.

2. VAT Policy.

2.1 This section outlines Thomas Mills High School's VAT procedures following the School's conversion to Academy Status with effect from 1 June 2011.

2.2 Responsibilities

The Business Manager is responsible for: -

- accurate accounting of the VAT return;
- regular submission of the VAT return;
- annual review of the methods of apportionment;
- annual review of this policy with input from the review of methods of apportionment;
- liaising with Auditors/Accountants regarding changes to VAT regulations and the effect of such changes upon the school.

2.3 Accounts Receivable

Thomas Mills High School is not VAT registered and, therefore, no VAT will be added to invoices raised relating to services provided by the Academy.

2.4 Accounts Payable

VAT, where charged, will be paid in full by the Academy. VAT will be reclaimed quarterly from HMRC using form V126 backed up by a detailed breakdown of the claim.

Non-Business VAT reclaim (i.e. goods/services purchased for the provision of free education services) VAT will be reclaimed in full.

Business VAT reclaim (i.e. services/goods purchased for financial gain to the school) This includes sports centre facility hire, school facility lettings, uniform, catering not related to education provision, school visits not considered to be for educational purposes. VAT will not be reclaimed.

2.5 Where costs are incurred for both business and non-business activities, the VAT will be apportioned on a fair and reasonable basis, as set out below: -

Sports Centre & Lettings (utilities)

The Sports Centre provides free education services during the school day and is open for financial gain during the evening, weekends, and school holidays. The apportionment will be calculated as a percentage of expected lettings income for the academic year against the anticipated General Annual Grant income.

General Services (miscellaneous costs for apportionment)

Invoices received relating to services provided across business and non-business use, not covered above, will be apportioned in a fair and reasonable manner. The method of apportionment used will be relevant to the nature of the service provided. These methods may include:

- (a) Ratio of staff numbers (HR/Payroll related services);
- (b) Ratio of floor area of buildings (Professional services).

2.6 As part of any VAT reclaim, we will identify the apportionment method used.

2.7 This list of apportionment methods will be updated upon review of this policy

2.8 HMRC state that there should be no de-minimis limit in this respect so even if the business proportion is considered to be insignificant; an apportionment will still be carried out.

2.9 Charitable Status

As a charity the Academy qualifies for certain zero-rating reliefs as described in the VAT guidance for charities and not-for-profit organisations issued by HMRC. Where conditions are met, the Academy will provide suppliers with a certificate of eligibility in order to qualify for the relief.

Examples of the types of supply that may qualify for relief are:

- The construction of new buildings intended solely for use for a relevant charitable purpose.
- Aids and facilities for the disabled.

2.10 School Staff acting as Agents when making purchases

Any purchases made by staff for which reimbursement is required must go through the appropriate authorisation channels before any reimbursement payment is made to staff. All supporting documentation is filed with the relevant petty cash/invoice documents.

2.11 The following documentation may be held as evidence to support a VAT claim:

- VAT Submittal Form
- Hard copy of original VAT 126 report before adjustments
- Copies of any adjustments made.
- Hard copy of amended VAT 126 report after adjustments
- A valid VAT invoice (held in monthly invoice file)
- Petty cash claims (held in petty cash file)
- Hard copy of signed submitted VAT 126 form.

All documentation is held in the Business Manager's office (apart from invoices and petty cash documentation held in the Finance Office).

3. Investment Policy

3.1. Principles

The Academy aims to manage its cash balances to provide for the day-to-day working capital requirements of its operations, whilst protecting the real long-term value of any surplus cash balances against inflation. In addition, the academy aims to invest surplus cash funds to optimise returns, but ensuring the investments are such that there is no risk to the loss of these cash funds.

3.2. Purposes

3.2.1. To ensure adequate cash balances are maintained in the current account to cover day-to-day working capital requirements.

3.2.2. To ensure there is no risk of loss in the capital value of any cash funds invested.

3.2.3. To protect the capital value of any invested funds against inflation.

3.2.4. To optimise returns on invested funds.

3.3. Guidelines

3.3.1. Regular cashflows are to be prepared and monitored to ensure there are adequate liquid funds to meet all payroll related commitments and outstanding supply creditors that are due for payment.

3.3.2. Where the cashflows identifies a base level of cash funds that will be surplus to requirements these may be invested only in the following:

- Interest bearing accounts with the following:
 - Barclays Bank PLC
 - COIF
- Treasury deposits, with maturity dates which do not result in the cash funds being unavailable for longer than 8 weeks.

3.3.3. On maturity of investment, the Business Manager will review the interest rates being achieved and will compare with the other investment opportunities that comply with the parameters of this policy.

3.4. Instructions

3.4.1. Before monies are placed, sanction from the Headteacher will be gained by the Academy Manager.

3.4.2. Any documentation will be signed in accordance with the Bank signatory instructions, i.e. any two of the four signatories specified.

4. Fixed Asset Policy

4.1. Parameters

4.1.1 This Policy defines the treatment of non-current, current, tangible, and intangible fixed assets.

4.1.2 This Policy is written in accordance with and with reference to:

- Accounting Standard FRS10 – Goodwill & Intangible Assets, for reporting periods prior to 1 January 2015.
- FRS 102 Section 18 & 19 – Goodwill & Intangible Assets, for reporting periods starting on or after 1 January 2015.

- Accounting Standard FRS15 – Tangible Fixed Assets, for reporting periods prior to 1 January 2015.
- FRS 102 Section 17 – Property, Plant & Equipment, for reporting periods starting on or after 1 January 2015.

4.1.3 The purpose of this Policy is to ensure the calculation of the school's Balance Sheet as at the year-end correctly reflects the assets and liabilities of Thomas Mills High School.

4.1.4 The Fixed Asset Register is maintained by the Business Manager and checked by the Academy's professional advisors as part of the month end close procedures.

4.2 Fixed Asset Register

4.2.1 The Register is a listing of items (or specific group of items purchased with the accounting period) valued over £1,000 that are considered to have a life longer than the financial year they were purchased in.

4.2.2 Capitalised assets are not necessarily bought on one order; so long as a group of items is purchased within the same accounting period they can be capitalised.

4.2.3 Fixed assets are categorised as follows:

- Land and Buildings.
- Plant and Machinery.
- Furniture and Equipment.
- Computer Equipment and Software.
- Assets under Construction.

4.2.4 Current Assets and Stock are excluded from the Register. Current assets include debtors, bank and cash balances which are controlled through reconciliations to control accounts on a regular basis. Stock includes school uniform.

4.2.5 The appropriate accounting transactions are processed for all capitalised assets and recorded on the Register. Transactions will be recorded within the Fixed Asset Fund account in addition to the transaction to the Balance Sheet.

4.2.6 All items that have been included on the Register will be security marked, where practicable, as the property of the school.

- 4.2.7 Physical counts will be undertaken against the Register annually and the evidence presented to the Finance and Premises Committee.
- 4.2.8 Discrepancies between the physical count and the Register will be promptly investigated by the Business Manager.
- 4.2.9 Any discrepancies found over the value of £500 will be reported to the Finance and Premises Committee.
- 4.2.10 All disposals of assets are recorded in the Register and the appropriate transactions recorded through the Fixed Assets Fund account.
- 4.2.11 All working papers for the purchase of assets, including copies of invoices are kept with the Register, (the original invoice is kept in the banking file within the Finance Office).
- 4.2.12 The Finance Policy also refers to the detail required for the Register.
- 4.2.13 Items of equipment that fall below the £1,000 capitalisation limit, such as digital cameras will be recorded on the Equipment Inventory.

4.3 Depreciation

- 4.3.1 Fixed assets will be depreciated to reflect the recoverable amount in the financial statements, over the useful life of the asset.
- 4.3.2 A budget will be set within the Fixed Asset Fund to provide an indicative depreciation charge for the year.
- 4.3.3 Groups of assets will use the same method of depreciation. If an item is deemed not to fit within one of the following categories, the Finance and Premises Committee will decide the appropriate course of action for the individual item.
- 4.3.4 The method and percentage depreciation to be charged is as follows:

Asset Group	Depreciation Method
Land and Buildings (buildings element only)	2% (50yrs) Straight Line
Plant and Machinery	20% (5yrs) Straight line with nil residual value.
Furniture and Equipment	20% (5yrs) Straight line with nil residual value
Computer Equipment and Software	33% (3 yrs) Straight line with nil residual value
Assets Under Construction	These are not depreciated until the asset is brought into use
Motor Vehicles/Minibuses	20% (5yrs) Straight line with nil residual value

- 4.3.5 The expected useful life of all assets will be assessed prior to depreciation calculations and recorded in the Register.
- 4.3.6 A bi-monthly reconciliation will be completed between the Register and the balances held on the finance system.
- 4.3.7 The depreciation charge will be calculated on an annual basis for the preparation of the year-end accounts.

4.4 Asset Disposal Procedure

- 4.4.1 The best possible value should be obtained from the disposal of any assets.
- 4.4.2 Assets to be disposed of, which have a carrying amount within the accounts (Cost less accumulated depreciation) of £9,999 or less must be approved by the Senior Management Team and those above £10,000 must be approved by the Finance and Premises Committee. A Disposal of Equipment Form (Appendix A) will be completed in all cases.
- 4.4.3 The Academy will take all appropriate steps to ensure all data and hardware is completely cleared of sensitive data, and considerations have been given to the Waste Electrical & Electronic Equipment (WEEE) directive.
- 4.4.4 Equipment would not normally be disposed of to staff as it is difficult to provide evidence that the Academy obtained value for money in the sale or scrapping of the equipment. If computer equipment is disposed of, licences for software programmes must be legally transferred to the new owner. Pecuniary interests must be considered at all times.
- 4.4.5 Under the Academy Funding Agreement the approval of the Secretary of State is required before the sale, or disposal by other means, or reinvestment of proceeds from the disposal, of an asset (or specific group of assets) for which a Capital Grant in excess of £20,000 was originally paid.
- 4.4.6 The Academy agrees to reinvest the proceeds from all asset sales for which Capital Grant was received and therefore every effort will be made to maximise the sale of such assets.
- 4.4.7 If such proceeds are not reinvested, the Academy will repay to the DfE the same proportion of the proceeds of the sale or disposal as equates to the proportion of the original cost met by the Secretary of State.
- 4.4.8 The proceeds from the sale of assets acquired with a grant from the Secretary of State cannot be used to contribute to further named grant-aided projects or purchases.
- 4.4.9 The proceeds of sale of assets not subject to Capital Grant will be reinvested to the capital account for the benefit of the Academy.

4.5 Gifted Assets

- 4.5.1 Gifted Assets on conversion should be valued at 'Fair Value' and subject to the same depreciation process as detailed above.
- 4.5.2 Gifted Assets will be entered on the Fixed Asset Register. Members of staff are required to inform the Business Manager of any donated items received in school, to enable entry on the Fixed Asset Register or the Equipment Inventory.

5. Bad Debt Policy

5.1 The procedures for debt recovery and for the write-off of any debt which is deemed to be irrecoverable will follow this guidance.

5.2 Wherever possible, income due will be collected before or at the time the relevant sale or service is provided. If this is not possible, an invoice will be issued.

5.3 All debts will be recorded, and non-payment will be followed up by issuing reminders at the following intervals: -

- 3 weeks from date of account – 1st reminder
- 6 weeks from date of account – 2nd reminder
- 8-10 weeks from date of account – Final reminder

The final reminder is sent by recorded delivery and threatens legal action if the account is not settled within 14 days.

After 10 weeks from the date of the account, where the debt is still outstanding, legal action may be considered, and the debtor will be informed of this in writing.

5.4 If, after every effort has been made to collect the debt and legal action is considered impractical or has been unsuccessful, individual bad (irrecoverable) debts may be written off in accordance with the following procedures: -

- The Headteacher/Business Manager on behalf of the Academy Trust must provide 30 days notice to the Secretary of State for Education of its intention to write off any debts owed to it as set out in Section 83 of School's Funding Agreement. This notice is required whether or not the circumstances require the Secretary of State for Education's approval (see below).
- Those debts *below* the value set out in the Annual Letter of Funding can then be approved and written off by the Finance and Premises Committee reported to the next meeting of the Academy Trust
- Any proposed write off of debts *above* the value set out in the Annual Letter of Funding require the prior written consent of the Secretary of State for Education in accordance with section 82 of Schools Funding Agreement.

5.5 To ensure sound internal control, staff who raise invoices, will not have the authority to write off debts. The VAT element of any debt must not be written off, as this contravenes HM Revenue & Customs statutory requirements.

5.6 The School will retain a Bad Debt Write-Off Summary.

6. Redundant Equipment

6.1 The Academy Trust has the authority to declare equipment, furniture or other assets or stores, surplus to requirements and to make arrangements for their sale or write off, provided that the items concerned were purchased in whole or in part with a grant from the Secretary of State for Education.

6.2 A Disposal of Equipment form will be completed for all items which are to be disposed of and internal control will be exercised to ensure that the asset is no longer of use (i.e. it is obsolete) and that obsolete stocks are destroyed to ensure they are not illegitimately procured and then resold.

6.3 Where the estimated disposal value of surplus or redundant assets (equipment) is less than £500 or sale is to be by public auction or competitive tendering, disposal can be authorised by the Head Teacher.

6.4 The prior approval of the Academy Trust will be required if;

- The estimated disposal value is above £500, and the sale is not to be by public auction or competitive tendering;
- The estimated disposal value is above £500 or;
- The sale is to be to a Trustee or employee of the School.

6.5 The prior written consent of the Secretary of State for Education is required in accordance with section 89 of the School Funding Agreement as follows;

- Before the disposal of any asset for which a grant of over £20,000 was made, or land and buildings which had been transferred from the Local Authority at no cost to the School.
- Before the sale or disposal by other means, or reinvestment of proceeds from the disposal of an asset or group of assets, for which a capital grant in excess of £20,000 was paid.

6.6 As set out in section 93 of the School Funding Agreement the School will provide 30 days written notice to the Secretary of State for Education of its intention to dispose of assets for a consideration less than the best price that can reasonably be obtained, whether or not such disposal requires the Secretary of State for Education's consent as detailed above.

**Annex A
Disposal of Equipment Form**

Item to be disposed of	
Reason for disposal	<ul style="list-style-type: none"> - Broken - Surplus to requirements - Irreparable - Obsolete <p style="text-align: right;"><i>(delete as appropriate).</i></p>
Residual value <i>(if appropriate)</i>	
Action to be taken	Disposal/ sale
By whom	
Signed:	
Date:	
Designation:	<i>Chair of Trustees</i>

Finance Office use only –

Value obtained for item	
Cost centre code	
Ledger code	
Fund	
Original Cost	
Accumulated Depreciation	
Carrying Amount	
Grant Received for original purchase	Yes/No
Reinvested Grant	
Repayment to Secretary of State	
Value Repaid	
Removed from fixed asset register	Date