

Autumn 2014

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SCHOOLS BRIEFING

No 1 "Overall Service Award" 2011, 2012 & 2013 | "Charity Expertise Award" 2011, 2012 & 2013 | *Charity Finance* Audit Survey



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LETTER FROM THE EDITOR



Welcome to the autumn edition of the haysmacintyre schools briefing.

It is a busy time for schools, with Bursars wrestling with auditors and governors alike. The Charities SORP was issued in the Summer and while the changes

have not been revolutionary there are a few transition provisions to consider. Perhaps an area of more concern is the Data Protection Act. Although many organisations have had to become compliant since 1 March 2000, it would seem compliance is not as strong as it might be and large fines have been handed out to organisations falling foul of the rules.

Solar panels are increasingly being seen as worthwhile investments by many charities, including schools. While the benefits include the reduction in fuel bills, the income from both generation and feed-in tariffs is potentially taxable. A variety of staff at Independent Schools are regularly provided with living accommodation. Our tax team explain the importance of budgeting for the property costs, including the tax treatment of accommodation provided to staff and their families for less than full rent, as well as the tax implications of solar panels.

We are always very grateful to our guest writers. The audit season has highlighted the issue of recovering debt and Chris North, the Chairman of Redwood Collections, addresses the utilisation of the County Court.

Jennifer Agate, Associate at Farrer & Co LLP, notes how social media can be an invaluable tool for schools but highlights the importance of guidelines on appropriate use to ensure that both safeguarding and reputational issues are avoided.

A key consideration for schools at this time of the year is the performance of investment portfolios. Jon Rolfe, founding partner of Epoch Wealth Management, addresses the issue of absolute return funds and whether they might be suitable for your school.

Finally, may I wish you a successful end to what seems like a very long term and a good Christmas break. I look forward to welcoming you to the haysmacintyre independent schools' conference on 3 February 2015.

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CHARITIES SORP (FRS 102) - TRANSITION DAY HAS ARRIVED!

The FRS 102 SORP will be mandatory for most schools' 2015/16 financial statements, which means that their transition date, the first day of the comparative period for the first set of accounts prepared under this SORP, has recently passed. The transition date is significant because the effects of any changes of accounting policy, whether optional or mandated by the new SORP, will take effect from this date. The 2013/14 balance sheet figures will need to be restated accordingly in 2015/16 as the opening reserves for the comparative amounts. Schools will also need to consider whether they will need to recognise assets or liabilities in accordance with the new SORP that are not recognised at all under SORP 2005 – key examples of these are holiday pay accruals and interest rate swaps but we note this will only be relevant to a few schools.

If the school intends to take advantage of the opportunity to restate its land and buildings at fair value, it is the fair value at the date of transition that must be recognised. Complex financial instruments will also need to be valued as at the transition date so you will need to obtain a valuation soon if you haven't already!

The other main changes that the SORP will require, if they are material, are accruals for holiday pay (and potentially other employment benefits), if the holiday year is different to the accounting year, and the application of discounting to long-term financial assets and liabilities, such as deposits. Whilst these can, in principle, be assessed and calculated at a later date, it would be advisable to consider the need for adjustments now while all the relevant data is current.

If you are in any doubt about whether these issues apply to your school, or for more information about transition, please get in touch with Tom Brain or your usual haysmacintyre contact.

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SOLAR PANELS AND MICROGENERATION

Solar panels are increasingly being seen as worthwhile investments by many charities. In addition to providing free energy and reducing future fuel bills, installations benefit from the payment of both a generation and a feed-in tariff in respect of the electricity that they generate. A typical school will consume large amounts of energy and have ample space available to accommodate an installation. When this is combined with the anticipated income flow from the feed-in tariff, the likely returns can be an attractive incentive.

Although the reduction in fuel bills does not have any tax implications, it is important to recognise that the income from both the generation and feed-in tariffs is potentially taxable. This should not present a problem if the income qualifies for the "small trading" exemption (i.e. the combined turnover from this and any other potentially taxable activities is less

than £50,000 per annum). If, however, the £50,000 small trading turnover limit is exceeded, tax liabilities can arise and the school may incur additional administrative costs in preparing corporation tax returns. It may be possible to reduce the tax liabilities by using a trading subsidiary but, if no subsidiary is currently used, this would also result in significant additional costs. This should be taken into account when assessing the effective rate of return.

Please contact James Cameron if you require any further information on this topic.

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RECOVERING DEBT – A COST SAVING OBSERVATION

The Spring 2014 edition of 'Schools Briefing' touched on budgets and how to save money, or at least maximise value for money. This included some observations and useful tips by Marcus King (The Cost Detectives) on page three.

In addition, more recently, I chanced upon a back edition of the Bursar's review (Summer '13) and an article by Toby Walker regarding the often vexed question on how best to recover unpaid School fees and I thought of combining the two and to point out that more costs can be recovered than you may think?

With the appropriate wording being introduced into your contractual terms and conditions, any reasonable third party collection costs, howsoever incurred, may be reclaimed from your debtor, pre or post legal action.

However, whilst well written concise contracts are out there (and many of our clients from this sector can demonstrate robust Ts&Cs), not all have this clause which enables them to reclaim collection costs, which you are entitled to and may now wish to consider?

Toby's article made good reading and highlighted the importance of having tight paper trails, concise documentation and properly signed and completed parent agreements by all parties. I echo his sentiments and whole heartedly

agree that prevention is better than cure, furthermore this also serves to save large amounts of both money and time being wasted on hopeless and often expensive Court cases.

Toby's article went on to cover a typical collection process utilising the County Court, which I am sure many of the readers will have had first-hand experience.

We have found that many of our clients from this sector and indeed others, have grown frustrated at the length of time a typical County Court action can take, slowed down with the myriad of excuses a debtor can throw at the system to deter the creditor, including spurious defences, adjournments, multiple Court attendances and then a high volume of enforcement failures, in other words despite all this still no money being collected.

In order to achieve maximum value for money there is an alternative approach.

One good telephone call can be worth a handful of letters or a premature Legal action, a good accredited debt collection agency (DCA) will operate outside normal working hours to allow maximum exposure to the debtor.

A well-placed call in the early evening or during the weekend, can often serve to prompt the debtor into action.

On occasions it may transpire there is a real grievance or reason for non-payment that has been overlooked. This could be managed sympathetically to achieve maximum return, without the embarrassment of back pedalling out of an expensive Court action at a later date.

More often than not an agreeable repayment plan can be set up and monitored without recourse to law, particularly in cases where 'fees in lieu' have needed to be explained and remember, any costs associated with this effort may be reclaimed if covered off in the contractual terms.

The County Court is very busy processing hundreds of thousands of claims, no wonder the process appears stretched and under pressure, particularly in the face of more cuts and Court closures.

AN ALTERNATIVE APPROACH?

Sadly it seems the stigma that was once associated with the burden of carrying a County Court Judgment (CCJ) has long gone and so those debtors out there, that seemingly work hard to avoid their responsibilities, may be brought to task by the personal service of a Statutory Demand, issued in accordance with the Insolvency Act 1986.

Unlike a County Court Claim, this document does not invite debtors to make soft offers of repayment, neither does it openly invite disputes or require a Court attendance by the School.

Providing the case meets stringent criteria, the School is entitled to instigate the personal service of this precursor notice of an intended bankruptcy petition.

There is a place for the County Court, but selectively and certainly not in all cases.

Chris North, Fellow of the Institute of Credit Management and Chairman of Redwood Collections Limited

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RESIDENTIAL ACCOMMODATION FOR STAFF: AT WHAT COST?

A variety of staff at Independent Schools are regularly provided with living accommodation. That living accommodation may be within the fabric of the school building itself, within the grounds, or nearby, and requires finance to buy, maintain and insure. Accommodation may be provided out of necessity, through tradition, or both.

When budgeting for property costs each year, it is vital that the tax treatment of accommodation provided to staff and their families for less than full rent is carefully considered. HM Revenue & Customs (HMRC) expect schools to review how and by whom accommodation is occupied, and the resulting tax and National Insurance (NIC) treatment, on a regular basis. Accommodation is generally subject to tax and NIC, unless an exemption applies. We see HMRC reviewing accommodation costs as part of scheduled PAYE visits. Historic agreements may not stand the test of time: HMRC may now look to collect tax and NIC, where an exemption has been agreed in the past.

EXEMPTIONS

There are three key exemptions:

- The accommodation is necessary for the proper performance of the employee's duties;
- The accommodation is provided for the better performance of the employee's duties, and is customary for the particular employment; and
- Representative occupiers: employees who hold an employment position which remains substantially unchanged since 1977; is contractually obliged to occupy the accommodation; and the employee is reasonably required to reside in the accommodation for the better and more effective performance of his/her duties.

HMRC generally accepts that the provision of accommodation to caretakers with out of hours on-call duties, chaplains, and green keepers can be treated as exempt, on the basis that the accommodation is necessary for the proper performance of their duties. Where this exemption is to be relied on, records of out of hours call outs and duties should be maintained.

BOARDING SCHOOLS

In addition, at boarding schools, HMRC accepts that:

- Headmasters;
- Housemasters and other teachers "with pastoral or other irregular contractual duties outside normal school hours";
- Bursars; and
- Matrons, doctors, nurses etc;

can be provided with accommodation tax-free, on the basis that it is for the better performance of his/her duties and is customary for these roles.

DAY SCHOOLS

HMRC does not generally accept that there is an established custom of providing accommodation for day school staff. To qualify as tax-free, the provision of accommodation must therefore meet the proper performance or representative occupier test. Both tests are strictly interpreted.

BENEFIT IN KIND

Where no exemption applies, the employee will be taxed on the cash equivalent of the benefit of the accommodation. An additional charge applies where the cost of the accommodation is £75,000 or more. The basic and additional charges (along with any ancillary costs benefits – see below) must be reported on P11D forms each year.

ANCILLARY COSTS

Where the provision of accommodation is exempt, the payment of council tax, water and sewerage charges will also be exempt. However, where the provision of accommodation is a taxable benefit in kind, the payment of these charges will also be subject to tax and NIC.

A school may also pay for:

- Heating and lighting;
- Cleaning;
- Decoration and internal repairs;
- Telephone/Broadband; and
- The use of furniture and appliances.

Where the provision of the accommodation is itself exempt, these ancillary costs will be taxed up to a maximum of 10% of the employee's earnings (net of pension contributions).

Ancillary expenditure will be assessable in full where the provision of accommodation is not exempt.

ACCOMMODATION REVIEWS

Schools should review the residential accommodation they provide and the basis on which it is provided. The provision of high value properties to staff can lead to unwelcome substantial additional tax and NIC costs for the school and staff. Planning ahead can reduce these costs and ensure that staff remain on hand for the benefit of the school and pupils.

Please contact Katharine Arthur or Nick Bustin if you require any further information on residential accommodation for staff.

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AN INTRODUCTION TO ABSOLUTE RETURN FUNDS (ARFs)

The financial crisis of 2008 has had far reaching consequences for investors. Having experienced the immediate losses caused by sovereign nations and banks needing bailouts, as well as property and equity funds dramatically falling, many investors now more keenly understand that any form of investment or deposit carries risk.

However, the economic strength of much of the world feels shaky, even though there are many indicators of recovery and more favourable sentiment in the markets. Deposit rates remain at historic lows across the Eurozone and even though inflation is receding, it's still likely to be outstripping the return on savings accounts. This means that deposits are losing value in real terms (after accounting for inflation).

Many people are uneasy stepping away from cash as an investment, particularly those tasked with the stewardship of a charity or not for profit organisation. Their unease usually centres on the volatility of equity based investments.

Furthermore, traditional low-risk alternatives to equities such as fixed interest securities (corporate bonds or gilts) may look over-valued at present, particularly given that it is more likely for interest rates to rise in the near future than drop further. A rise in interest rates makes a fixed interest security less attractive, relatively. Therefore, the price drops to make the interest rate more attractive once again and this can lead to capital losses for those selling them.

So the question is "Where can an investor make a return in the current market"?

ABSOLUTE RETURN FUNDS (ARFs)

ARFs may provide a compromise between risk and return, such that an investor's objectives can be met. They are not a new invention; in fact the first was launched in New York by Alfred Winslow Jones, almost 70 years ago in 1949.

WHAT IS AN ARF?

An ARF is a fund that aims to provide positive returns in all market conditions. Traditional "relative return" funds look to beat their benchmark whether that produces a positive return or a loss. An ARF covers a wide range of investment styles, meaning it's important to get advice to be sure you know what's 'under the bonnet'.

The very high level advantages and disadvantages of each can be summarised as follows:

HOW DO ARFs WORK?

ARFs aim to achieve an absolute return in most market conditions by using different management techniques through the purchase of multiple asset classes. Put simply, they take a number of decisions on markets which mean they can make money whether the market rises or falls. They won't always get their calls right, but assuming they get them right more often than they get them wrong, this will mean that the fund makes money irrespective of what's happening in the outside world. This approach means that ARFs typically have much more manager influence on the outcomes of the fund. Investors can therefore blend two or more ARFs to reduce the dependence on a single manager and reduce overall risk.

Care should always be taken when investing as these funds carry additional complexity over traditional funds and increased risk when compared to cash. You should also remember that past performance is no indication of future returns and you may get back less than you invested.

HOW CAN ARFs FIT INTO A PORTFOLIO?

Where a portfolio contains one or several ARFs, the inclusion of these holdings is normally designed to be the bedrock of an investment portfolio. It may be appropriate to include some satellite holdings which can target a sector or region which is pertinent to the investor, but on the whole, the use of ARFs is to reduce the risks associated with traditional equity investment and to produce an absolute return each period.

BENEFITS IF TAKING AN INCOME

Clients who rely on investments to generate an income to sustain their day to day activities have a particularly difficult job. On the one hand, the return on cash means almost any withdrawal amount will deplete the capital value. On the other, taking income from volatile investments such as equities can risk depletion at a faster rate, particularly if there is a sequence of negative returns at outset.

An ARF aims to provide returns greater than cash but with lower volatility than equities, therefore addressing both issues. Returns over the longer term are likely to be lower than equity funds. Care and attention is needed to assess the most appropriate strategy for your needs.

<p>Relative return- advantages</p> <ul style="list-style-type: none"> • Potential for high returns if sector performs well • Less complex structure 	<p>Absolute return- advantages</p> <ul style="list-style-type: none"> • Potential for a positive inflation adjusted return in most market conditions • Diversification of holdings means that the portfolio is more resilient to downturns in particular sectors
<p>Relative return- disadvantages</p> <ul style="list-style-type: none"> • Potential for low or negative returns if sector performs poorly 	<p>Absolute return- disadvantages</p> <ul style="list-style-type: none"> • May be less transparent, more expensive or be more complex (see next section) • Returns not likely to be as high as some relative return funds

What are the possible drawbacks of ARFs?

- As mentioned, the returns from an ARF are likely to be less than a traditional equity fund in periods of equity growth.
- ARFs can be more opaque as a result of their more complex structure.
- Some may be more expensive.

ARE ARFs SUITABLE FOR YOU?

For many investors, ARFs could be considered as part of a balanced portfolio. The type of ARF and level of investment depends entirely on circumstance. It is very important to get financial planning advice from an independent financial adviser before making an investment. Epoch advises many clients on this subject and can assist with both helping clients decide if ARFs are appropriate and also selecting the right ARF(s) if suitable.

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DATA PROTECTION ACT

Since 1 March 2000 many organisations have had to become compliant with the Data Protection Act 1998 (DPA). This places a series of legal obligations on those who handle personal data about individuals, this being information which relates to an identifiable living individual that is processed as data. For schools, this applies to all information held in education records, such as pupil names, dates of birth, address details, medical information, examination results and SEN assessments.

Within the DPA are eight data protection principles which define how data should be used and protected. Amongst those stating that data must be processed fairly, for specific purposes and must be relevant is principle seven which states that:

“Appropriate technical and organisational measures shall be taken against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, damage to, personal data”

In a nutshell, what this is really saying is that for organisations which store personal data on their IT system, there needs to be adequate security controls in place so that data cannot be deliberately or accidentally compromised.

More specifically, the DPA states that security controls should be appropriate to:

- the nature of the information in question; and
- the harm that might result from its improper use, or from its accidental loss or destruction

Before an organisation implements any form of security controls, the first step is to perform an information risk assessment to review which personal data is being held, how it is used, how valuable, sensitive and confidential it is and what damage or distress could be caused to individuals if there was a security breach. As part of the risk assessment, organisations must also consider if they are using third-parties which hold or use personal data on their behalf.

The DPA does not and cannot define which security measures should be implemented, but the following is a list of areas which would usually be considered:

- **Security Policies** – is a policy in place, who manages and updates it, have staff been made aware of it?
- **Personal Security** – are staff/contractors aware of their security responsibilities, and how to recognise and report security incidents, suspected weaknesses or threats to the system?

- **Physical & Environmental Security** – what security controls are in place to protect physical access to the IT system and data. Without appropriate technical and/or procedural controls, it might be possible for an unauthorised individual to plug a laptop into a spare network connection in a visitor area and gain access to personal details stored on it, without requiring any type of network username and password. Or worse still, plug a laptop into it and launch a malicious application which starts deleting data!
- **Organisational & Operational Management** – who within the organisation is responsible for security, how are data backups performed and more importantly are backups tested on a regular basis to ensure that data can actually be restored in the event that loss occurs? Often the weakest link within an organisation's security controls are the end-users themselves. Hackers will often exploit people in an attempt to get them to do something they shouldn't which can result in data compromise e.g. a hacker pretending to be from an IT department who phones a user and asks them to reveal their password! These type of attacks are much simpler and are often more effective for a hacker than attempting to exploit vulnerabilities in technical controls, such as firewalls. Organisations must therefore ensure they have considered the risk from social engineering and have educated end-users so they do not fall victim to such attacks.
- **Virus Protection & Endpoint Security** – what controls are in place to prevent viruses, spyware and other malicious software from infecting PCs and laptops?
- **Internet Security** – what technical controls are in place to protect the internal network and server resources from Internet launched attacks?
- **Remote and Wireless Access Security** – Remote access technologies, such as the use of VPNs, and WiFi technology is commonplace within most organisations but how are these systems controlled to ensure they are accessible only by authorised users?
- **Security of Laptops, Tablets & Smartphones** – organisations will often allow laptops to download files to them and the likes of iPhones, iPads and Android devices to access internal data, such as email which might have attachments containing personal data. Controls need to be considered to ensure that data is secure should the devices become lost or stolen?

The Information Commissioner's Office (ICO) is the UK's independent authority which has overall responsibility for data protection and it essentially does three things:

- Promotes good practice in handling personal data, and gives advice and guidance on data protection
- Keeps a register of organisations that are required to notify the ICO about their information-processing activities
- Takes action to enforce compliance with the DPA and brings prosecutions for offences committed under it

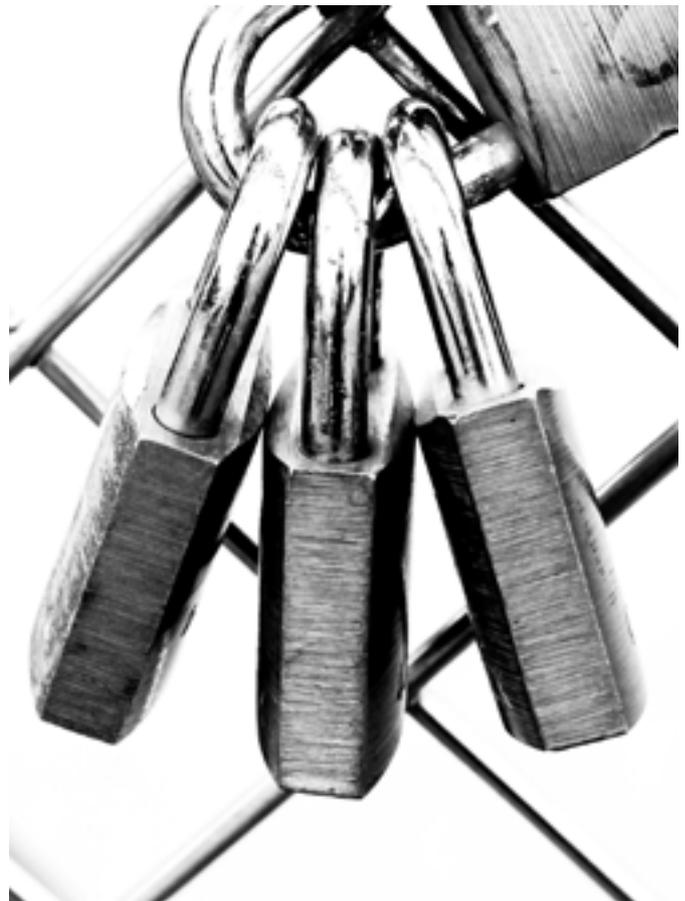
Over the last few years the ICO has demonstrated that it is not afraid to make examples out of organisations which fail to protect personal details. Recent cases include:

- The Ministry of Justice was fined £180,000 for failing to protect sensitive and confidential data relating to 3,000 prisoners stored on an unencrypted hard drive which later became lost (this followed a similar incident which had occurred several years earlier).
- Lincolnshire Council was fined £80,000 when an unencrypted memory stick left in a laptop was found to contain personal information about 286 children with special education needs.

There is little doubt there will be many other examples in the future of the ICO handing out large fines to organisations who fall foul of the DPA. As well as the financial loss incurred with fines, there is also the reputational risk to consider.

For further information on how to address data protection please contact Simon Bulleyment.

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PREVENTION AND PROTECTION: SOCIAL MEDIA FOR SCHOOLS

Social media can be an invaluable tool, allowing quick and effective communication with both parents (prospective and current) and pupils. However for schools, even more so than other institutions, guidelines on appropriate use are vital to ensure that both safeguarding and reputational issues are avoided.

LIABILITY

As a general rule, nothing should be said on social media that you wouldn't say in any other form of publication. While the legal risks are largely the same online as in print publication, social media posts are often wrongly seen as a less permanent form of publication. In fact, light-hearted comments can easily be misconstrued, making it important to remember that the legal meaning will be what the ordinary reader would interpret the comments to mean, not always what the poster intended. Crucially, the medium of social media amplifies the speed and width of any distribution.

While the most commonly recognised legal issue remains defamation, a whole host of other pitfalls can arise, including breach of confidentiality, privacy, intellectual property infringement and even discrimination, as well as criminal threats, harassment and contempt of court. For schools constituted as charities, there is the additional sensitivity of the expression of political opinions, a particularly pertinent issue in the run up to election year.

With this in mind, schools should be watchful of any statements which could be attributed to the institution, whether directly through authorised school accounts or vicariously through posts by employees or governors in what they intend to be their personal capacity, but which could still be associated with the school. While disclaimers are often used in an attempt to separate an individual's personal and professional opinions, where an individual can be linked to the school it could still suffer impact, whether in the form of legal liability or ethical issues leading to reputational damage. Schools should also be alive to the threat of claims by employees who claim they have been subject to harassment or discrimination from fellow colleagues via social media outside work.

PERSONAL V PROFESSIONAL USE

For all sectors there is a need to consider the separation of personal and professional social media accounts. Not only to avoid the risk of bringing the employer into disrepute and/or being associated with views expressed in a personal capacity, but for the employee's own privacy. For schools there is the additional safeguarding aspect, which requires careful handling. The acceptance of 'friend' requests from pupils can damage the distance between the teacher's professional role and personal life, giving both parties access to content which it could be inappropriate to share. As well as blurring the boundaries between the pupil/teacher relationship, such access also increases the teacher's vulnerability to accusations of inappropriate conduct, whether false or otherwise.

Where teachers choose to maintain personal social media accounts they should set appropriate privacy settings, maintain security with strong passwords and ensure that they do not leave the account open on shared school computers (one of the most infamous leaks of recent times came from a memory stick left in a school computer room). Even when these precautions are taken it is important to remember that once content has been shared with other social media contacts, however trusted, the poster has effectively lost control of its forward distribution.

Where social media is used as an educational tool to communicate with pupils, a solution is to set up a bespoke group page with appropriate privacy settings to restrict access to students within the relevant class/year.

CYBERBULLYING

Social media also provides a platform for negative comments, whether it be legitimate criticism or a deliberate and unjustified campaign of abuse or 'trolling'. When deciding on an institutional response, a sense of perspective is important. For example, a campaign on a lesser known blog could run out of steam naturally without reaching the mainstream media, in which case responding publicly will only give the detractors more oxygen. Before engaging, consider who the negative messages are reaching. Are the critics credible? Are they causing distress to pupils or staff? Are they reaching a key audience? Do you need to engage? Sometimes doing nothing can be the most effective tool.

If you do decide to respond, until and unless the detractors of the campaign step over the line, the focus will often be on a PR response as opposed to legal action. Stepping in with legal threats is likely to make the school appear heavy handed, leading to further reputational damage and potentially gaining a wider audience for the story.

Where a legal solution is appropriate, there are remedies available in both the civil and criminal law.



HOW A SOCIAL MEDIA POLICY HELPS

Implementing and enforcing a bespoke social media policy can assist schools in tackling the legal risks in four key ways:

- **Education:** many people still aren't aware of the legal boundaries of social media. When accompanied by effective implementation and training, the policy can have a key role in educating both staff and pupils, heightening awareness of the key risks and need for responsible use.
- **Prevention:** in turn, the increased awareness provided by education can minimise the incidences of internal issues and need for disciplinary action.
- **Protection:** combined with proactive enforcement, a policy will assist the school in pushing back on any claims of vicarious liability related to the social media activities of its staff and pupils. The process of preparing the policy (and an associated crisis management plan) will also ensure that you have thought through and prepared for all the scenarios that might occur.
- **Transparency:** when problems do arise, the school will be able to rely on the procedures and rules set out in the policy to ensure a transparent disciplinary process.

DRAFTING POINTS

Particular points which will need to be considered in preparing your own policy include the following:

- **Scope:** consider who you want the policy to apply to (staff and/or students) and which activities you wish to capture (school/private use).
- **Status/incorporation:** consider the interplay between the policy and staff contracts of employment and/or school/student relationship. Will your policy be standalone or incorporated?
- **Duties of care:** how far would you be willing to step in to support a staff member or student being subjected to social media abuse? How far will you police internal use?
- **Acceptable use:** each school will have its own definition of what constitutes acceptable use of social media, with a further variation between the behaviour expected from staff as distinct to students.

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HAYSMACINTYRE INDEPENDENT SCHOOLS MANAGEMENT SURVEY 2015

We are pleased to announce that the 2014/15 survey will be open for schools to complete from Thursday 20 November 2014. The deadline for submission is Friday 30 January 2015.

Participating schools receive a customised report of your school's financial performance measured against the averages for your category in February 2015 and a copy of the haysmacintyre Independent Schools Management Survey 2015 in late Spring. Participation is free!

If you have any questions about the forthcoming survey or would like a copy of last year's then please contact Tracey Young.

Tracey Young, Partner

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TERMS OF REFERENCE FOR A SCHOOL FINANCE COMMITTEE

COMPOSITION AND QUORUM

1. The Finance Committee has a monitoring and advisory role relating to the school's financial health, accounting compliance, staff establishment and appointment procedures, terms and conditions of employment, and levels of remuneration.
2. The Committee will meet each term or more frequently if required.
3. The Committee will consist of at least five governors, one of whom is to be the Chair of the Estates Committee. The Chair and Vice-Chair of Governors will be ex-officio members. The Committee Chair will be nominated by the Chair of Governors.
4. Meetings of the Committee will be attended by the Head, the Bursar and the Finance Bursar. Other members of staff and advisers may be invited by the Committee. Attendees do not have a vote.
5. The Clerk to the Governors will be the Committee Secretary.
6. The quorum is three governors.

COMPLIANCE WITH INDEPENDENT SCHOOL STANDARDS

7. The Committee are to have regard to the regulations relating to standards in independent schools and on behalf of the Governing Body receive reports, review, monitor compliance and make recommendations on the:
 - Central appointments register and related processes.
 - Publication of the staff list.

DUTIES

8. On behalf of the Governing Body the Committee are to receive reports, review, monitor implementation, consider changes, and where required make recommendations on the:
 - Adoption of strategic financial targets e.g. cash reserves, level of surplus, percentage of staff costs to gross fees etc.
 - Financial forecast and cashflow covering the next five to 10 years.
 - Revenue budget, capital budget and cashflow forecast for the next financial year.
 - Financial performance against budget.
 - Revenue cost centres.
 - Level of borrowing and borrowing facility arrangements.
 - Tuition fee and additional charges for the next financial year.
 - Policy on and application of additional charges, fee concessions, discounts, scholarships and bursaries.

- Status of fee debtors and application of related recovery policy.
 - Operation of trading operations and subsidiary companies.
 - Proper application of accounting procedures contained in the Charities Act and the Companies Act.
 - Internal management accounting systems.
 - Investment policy and targets, investment portfolio and overall rate of return.
 - Fundraising policy and appeal campaigns.
 - Financial status of pension schemes used by the school.
 - Delegated financial powers to the Bursar and other staff e.g. cheque signing limits, expenditure approval limits, power to sign contracts etc.
 - Reports from the other committees and their financial implications.
9. On behalf of the Governing Body the Committee are to receive reports, review, monitor implementation, consider changes, and where required make recommendations on the:
 - Establishment levels for teaching and support staff.
 - The case for a new post and any compensating staff reductions.
 - The terms and conditions of employment for teaching and support staff.
 - Levels of remuneration and their periodic review.
 - The procedures for complying with existing employment legislation.
 - Implications, financial or otherwise, of proposed employment legislation.
 10. Establish ad hoc working groups to carry out investigations and projects, and make recommendations as required.
 11. Undertake tasks and further research as directed by the Governing Body.

REPORTING

12. The minutes of a meeting constitute the report of the Committee to the Governing Body. Papers considered by the Committee will be made available to Governors on the school intranet.
13. In relation to those duties set out at Paragraphs 8 & 9, the Committee has the power to make decisions where the proposed change is in accordance with an existing policy and/or strategic plan objective and where there are no financial implications outside the approved budget provision. The Governing Body will be asked to ratify such decisions at its next scheduled meeting.

Future events

The haysmacintyre Independent Schools' Conference

3 February 2015

To book your place at the conference please visit www.haysmacintyre.com/events/independent-schools-conference-2015

ISBA Finance Conference (London) *	28 January 2015
ICT Conference - ISBA (London) *	11 February 2015
Tax Update and Financial Reporting Issues for Independent Schools	25 February 2015
Catering Conference - ISBA (London) *	25 February 2015
VAT & Tax Untangled for Academies	11 March 2015 AM
Academies Governance Seminar	11 March 2015 PM
ISBA Finance Conference (Manchester) *	12 March 2015
P11Ds and Reporting Expenses for Independent Schools and Academies	29 April 2015
Finance for the Non-Financial Governor - joint seminar with AGBIS	10 June 2015
Tax Update and Financial Reporting Issues for Independent Schools	15 September 2015

* haysmacintyre will be speaking at these events

For further information on any of the events above please visit www.haysmacintyre.com/events

For the full haysmacintyre schools events calendar please visit <http://www.haysmacintyre.com/schools>

Should you wish to receive an electronic version of our briefing in the future, please email Charlotte Gibbons on cgibbons@haysmacintyre.com



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A list of partners' names is available for inspection at 26 Red Lion Square, London WC1R 4AG.

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