

# Southend-on-Sea Borough Council

## Report of Director of Finance and Resources

to

### Education Board

on

15 March 2017

Report prepared by: Christine Hickey  
Schools Finance Manager

Agend  
Item N

---

## Academy Accounts as at 31 August 2016

---

### 1 Purpose of Report

To advise on the financial position of Southend Academy Trusts as at 31 August 2016.

### 2 Recommendation

2.1 That the report be noted.

### 3 Background

3.1 This report relates to Academies only. Their accounting year runs between September and August. Academies are required to report directly to the Education Funding Agency; preparing an annual report and financial statements that are audited by an independent auditor. Academies must submit the accounts to the EFA by 31 December following the year end, file them with the Companies Registrar and publish the accounts on the school website. The audited accounts are produced in line with the 'Statement of Recommended Practice (SORP) for Charities. Academy accounts are public documents and can be accessed via the school website or from Companies House.

3.2 When considering the figures presented in the appendices to this report it should be noted that Academy Trusts are stand-alone charitable entities which operate without the backing of a Local Authority.

3.3 It is also worth noting, when comparing to 2014/15 figures, Legra Multi- Academy Trust (formerly Belfairs Academy) now includes Darlinghurst Academy and Cecil Jones Academy, and the 2014/15 figures relate to Belfairs only

- 3.4 Academies are required to prepare their accounts analysing the income and expenditure by funds. This is reflected on the Statement of Financial Activities and the Notes to the Accounts.
- 3.5 Unrestricted funds represent those resources which may be used towards meeting any of the charitable objects of the Academy Trust at the discretion of the Governors
- 3.6 Restricted general funds contain revenue (running costs) resources which can only be spent for particular purposes. It would include the grants from the Education Funding Agency / Department for Education.
- 3.7 Restricted fixed asset funds contain resources to be spent for particular capital purposes where the conditions of funding state that the asset must be retained and utilised on an on-going basis. This would include EFA capital grants, donated fixed assets such as academy buildings transferred from the local authority and related expenditure e.g. depreciation.
- 3.8 The restricted general funds also reflect in the accounts the amounts of income, expenditure and surplus relating to the General Annual Grant (GAG) which represents the core funding for the educational activities of the school that has been provided to the Academy Trust via the Education funding.
- 3.9 The restricted general funds also include the Pension reserve. This relates to a surplus or a deficit on a defined benefit pension scheme that results in an asset or a liability being recognised, the recognition of the pension asset or liability will result in the creation of a pension reserve. This reserve will be negative. This relates to the Local Government Pension Scheme (LGPS) available to non-teaching staff.

#### **4 Review of Funds**

- 4.1 Appendix 1 provides figures taken from the Statement of Funds as at 31 August 2016 for all Academy Trusts in Southend, together with some information on available resources, capital commitments and fund transfers. Please note that available resources could include donations, receipts or grants made for specific purposes, for example the Pupil Premium.
- 4.2 Appendices 2 and 3 highlight total available resources as at 31 August 2016, net current assets (excluding pension liabilities and fixed asset funds), and gives the working capital ratio for Academies in Southend.
- 4.3 From these figures we see that at this point in time most Academies, or Trusts, had available resources of over 10% as measured as a % of incoming resources. However there are three exceptions with much smaller levels of available resources. Similarly four schools have available resources over 30%, with the highest being nearly 70%. This includes restricted and unrestricted revenue resources.
- 4.4 Analysis of the net current assets and working capital ratios provides a consistent picture to that above, where most Academy Trusts had net current assets of over

£1 million. The working capital ratio of three academies is below 2 and could be cause for concern. The working capital ratio indicates whether there is sufficient short term assets to cover the short term liabilities.

- 4.5 During 2015/16, 4 Multi Academy Trusts were in operation in Southend; Legra Academy Trust, Brentwood Academies Trust, Portico Academy Trust, South East Essex Academy Trust.

## **5 Conclusion**

- 5.1 This report has set out the fund balances available to Southend Academies as at 31 August 2016. Education Board are asked to note the report.

## **6 Appendices**

- Appendix 1 Statement of Academy Funds as at 31 August 2016  
Appendix 2 Restricted Reserves as a % of in year funds; Total Reserves as a % of in year funds  
Appendix 3 Balance sheet information as at 31 August 2016 and Analysis of net assets relating to general restricted and unrestricted funds only