

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Director of Finance and Resources

to
Education Board

on
13 March 2018

Report prepared by: Christine Hickey
Schools Finance Service Manager

Academy Accounts as at 31 August 2017

1 Purpose of Report

To advise on the financial position of Southend Academy Trusts as at 31 August 2017. This in turn provides the Education Board with a position of the overall current Financial Health for these Academy's as at 31st August 2017.

2 Recommendation

2.1 That the report be noted.

2.2 Education Board to advise whether the report is of interest and to agree for it to continue.

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 ESFA 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 2015/16 figures,

- 3.3.1 Southend East community Academy Trust (formerly Shoeburyness High now includes Bournes Green Infants, Bournes Green Juniors, Hinguar Community Primary School, Richmond Avenue Primary School and Thorpedene Primary School, and the 2015/16 figures relate to Shoeburyness High School only.
- 3.3.2 Portico Academy Trust now includes Hamstel Infant School, Hamstel Junior School, and Friars Primary school, the 2015/16 figures relate to West Leigh Juniors and Porters Grange Primary School only.
- 3.3.3 Westborough Primary School has been a single academy trust since 2010. The school became part of the Challenger Multi Academy Trust based in Bedford on 1st July 2017, the 2015/16 figures relate to Westborough Academy trust only.
- 3.3.4 Blenheim Primary School and the Federation of Greenways became part of the Learning in Harmony Trust based in Manor Park London on 1st September 2016 and 1st October 2016 respectively.
- 3.3.5 Seabrook College joined the Parallel Learning Trust based in West Norwood, South London on 1st July 2017 as a sponsored Academy. The college has been split into two distinct academies, Victory Park is an Alternative Provision (PRU) setting and Sutton House a SEMH provision.
- 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. e.g. GAG (General Annual Grant), Pupil Premium, UIFSM, Sports Grant.
- 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 ESFA 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 Skills Funding agency.
- 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 2017 for all Academy Trusts in Southend, and Academies that belong to multi academy trusts outside of the Borough 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. Appendix 4 compares the available resources between years.
- 4.2 Appendices 2 and 3 highlight total available resources as at 31 August 2017, net current assets (excluding pension liabilities and fixed asset funds), and gives the working capital ratio for single and Multi – Academy trusts that include Southend schools.
- 4.3 From these figures (App. 2) we see that at this point in time most Academy Trusts, had available resources of over 10% as measured as a % of incoming resources. However there are four trusts with much smaller levels of available resources and one trust reflecting a deficit. Two of the four trusts are based outside of Southend. Three of the trusts have available resources over 30%. 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 a working capital ratio greater than 2. There are 3 trusts with a working capital ratio of 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 One trust had a prior year adjustment relating to assets held for sale, the impact reflected an increase in the revenue surplus 2015/16 by £795,000. (*Legra Trust*).
- 4.6 The Seabrook College balances transferred on conversion to Sutton House and Victory Park of £102,679 do not appear to be included with the Trust accounts at 31st August 2017. Therefore the deficit balance recorded against Victory Park does not appear to be correct.
- 4.7 With the exception of one Southend trust (*Legra Trust*), the available revenue resources of our previously existing academies have increased compared to 2015/16.

5 Conclusion

- 5.1 This report has set out the fund balances available to Southend Academies as at 31 August 2017. Education Board are asked to note the report.
- 5.2 With Southend schools and Academies joining out of borough Academy Trusts it is considered worth reporting the individual academy balances within each trust to reflect the financial health as a whole.

6 Appendices

Appendix 1 Statement of Academy Funds as at 31 August 2017

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 2017 and Analysis of net assets relating to general restricted and unrestricted funds only