



M+A

Partners

Academies Benchmarking Report Norfolk and Suffolk

For periods ended 31 August 2016

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1. Introduction

Welcome to our fifth benchmarking report focusing on academies (including free schools) in Norfolk and Suffolk.

Although the Government had to back-track on its ambition to make every school an academy by 2022, as originally set out in the white paper entitled “Educational Excellence Everywhere”, the Government’s support of the sector continues. Lord Nash’s statement to Parliament at the end of October 2016, stated that “our ambition remains that all schools should benefit from the freedom and autonomy that academy status brings. Our focus, however, is on building capacity in the systems and encouraging schools to convert voluntarily”.

In Norfolk and Suffolk, the academy movement continues apace, with most schools now joining or forming Multi-Academy Trusts (MATs).

We believe that the current economic pressures facing the education sector make it increasingly important that school leaders understand the financial health of their school. We hope that by comparing data between similar schools, this report will assist this understanding and highlight areas where action may be required.

As in previous years, the information within this report is based on publicly available audited financial statements for the period ended 31 August 2016. We have scrutinised the information within the notes to the financial statements to ensure, as best we can, that our benchmarking data has been presented on a consistent basis. Where there are omissions in the data, the relevant information was not included within the available financial statements.

We have excluded those schools in the region who are part of national MATs however, where MATs are predominantly based in Norfolk and Suffolk with further schools in neighbouring counties, the results have been included within this report. We have also excluded alternative provision and special schools.

To assist the comparison of like-for-like academy trusts, we have “grouped” the results to show primary schools, secondary schools and MATs. Where an MAT within our sample only had one school open during the period, we have included the results within the relevant primary or secondary sector.

Throughout this report we refer to academy trusts by their registered company name as at 31 August 2016. Therefore where a trust has changed its name part way through the year, the reference is as per the financial statements at 31 August 2016.

I hope that by providing data on a trust by trust basis focused on Norfolk and Suffolk, this report is of more use than those that provide consolidated information from academy trusts across the country.

I would welcome any feedback on the report to ensure that the information contained within future versions is of practical value to governors and management teams within academies. I would also be happy to meet with you to discuss the report and our services to academies.



Frank Shippam
Partner

1. Key measures summary

+ Sector overview

- 2.1 Number of academies by school type
- 2.2 Number of academies by County

+ Income

- 3.1 Total income per pupil
- 3.2 GAG income / Total revenue income

+ Staff

- 4.1 Staff costs / Total resources expended (excluding depreciation)
- 4.2 Staff costs / GAG
- 4.3 Staff costs per pupil
- 4.4 Pupil : Teacher ratio
- 4.5 Staff restructuring costs
- 4.6 Principal's remuneration (CEO for MATs)
- 4.7 Principal's remuneration (CEO for MATs) / GAG

+ Surpluses

- 5.1 GAG carried forward / GAG
- 5.2 In-year GAG movement
- 5.3 In-year surplus / deficit
- 5.4 Net cash flow from operating activities / GAG
- 5.5 Movement in cash

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- 6.1 Capital expenditure and maintenance costs per pupil
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- 7.1 Current ratio
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- 7.3 Cash per pupil
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- 7.6 Free reserves

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- 8.1 LGPS deficit per non-teacher
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- 8.5 Pension costs / GAG income

+ Miscellaneous

- 9.1 Auditors
- 9.2 Total auditor fees
- 9.3 Total auditor fees / GAG
- 9.4 Bankers
- 9.5 Solicitors

2. Sector overview

2.1 Number of academies by school type

The rate of growth in schools converting to academy status continued at a similar rate to that of the previous year with 58 schools making the change.

Of the “converters” in the period, 88% (2015 - 83%) were primary schools.

All of the schools converting in the year joined or formed MATs (2015 – 88%) and as a result, by 31 August 2016, 77% of academy schools in the region were part of an MAT.

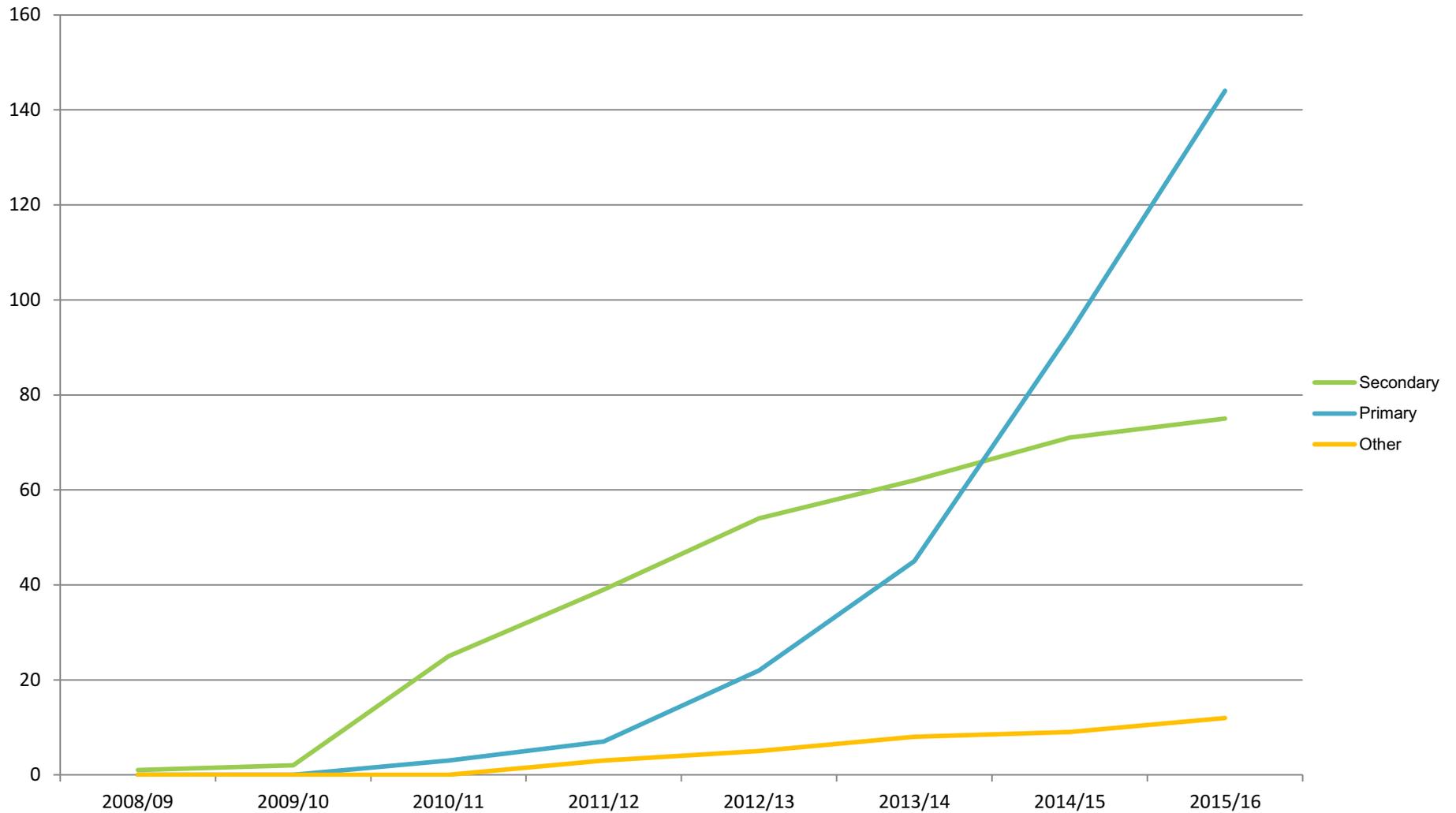
2.2 Number of academies by County

The number of conversions per County was similar in 2015/16, with 30 conversions in Norfolk (down 2 from the prior year) and 28 in Suffolk (up 2 from the prior year).

As at 31 August 2016 there were 125 academy schools in Norfolk and 106 in Suffolk.

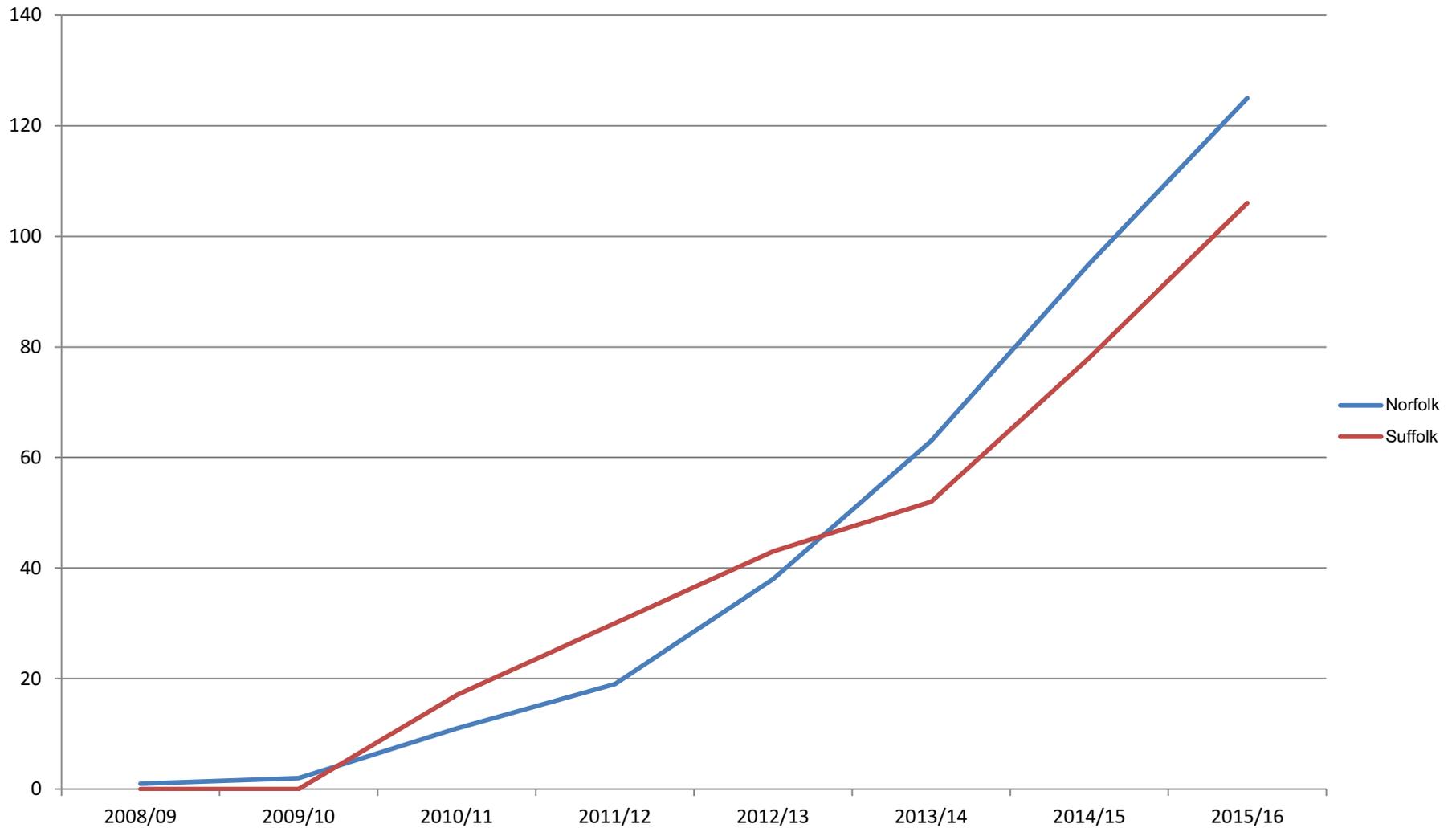
2. Sector overview

2.1 Number of academies by school type



2. Sector overview

2.2 Number of academies by County



3. Income

3.1 Total income per pupil

Total income excludes boarding fees, income recognised on conversion and any donations in kind received during the year.

The average total income per pupil has increased for primary schools from £4,880 to £4,949. However, secondary schools have again seen a fall, from £6,003 to £5,859 and the previously upward trend for MATs has reversed, falling from £7,653 to £5,758 between 2015 and 2016. This is primarily due to the large number of primary schools joining MATs in the period.

Capital grants, special school funding, start-up funds and other one-off income amounts will result in higher values.

3.2 GAG income / Total revenue income

Total revenue income is total income excluding capital grants and income recognised on conversion.

The average GAG as a proportion of total income figure has remained static between 2015 and 2016, with the percentage moving from 74% to 75% for primary schools, remaining at 85% for secondary schools and 78% for MATs.

Many of the MATs saw additional schools joining during the period and therefore further start-up funds have been provided along with conversion grants, sponsor capacity grants and school improvement grants. In addition there are now more primary schools within MATs and as a result we would expect the ratio for MATs to be lower than secondary schools.

The school leaders survey undertaken by the Association of School and College Leaders and Browne Jacobson LLP at the end of September 2016 found that 94% of school leaders were dissatisfied with the Government's funding of schools. Of these, 74% were "very dissatisfied", a rise of 35% on the previous year. It is worth noting that the level of dissatisfaction was no different between academy and maintained school leaders.

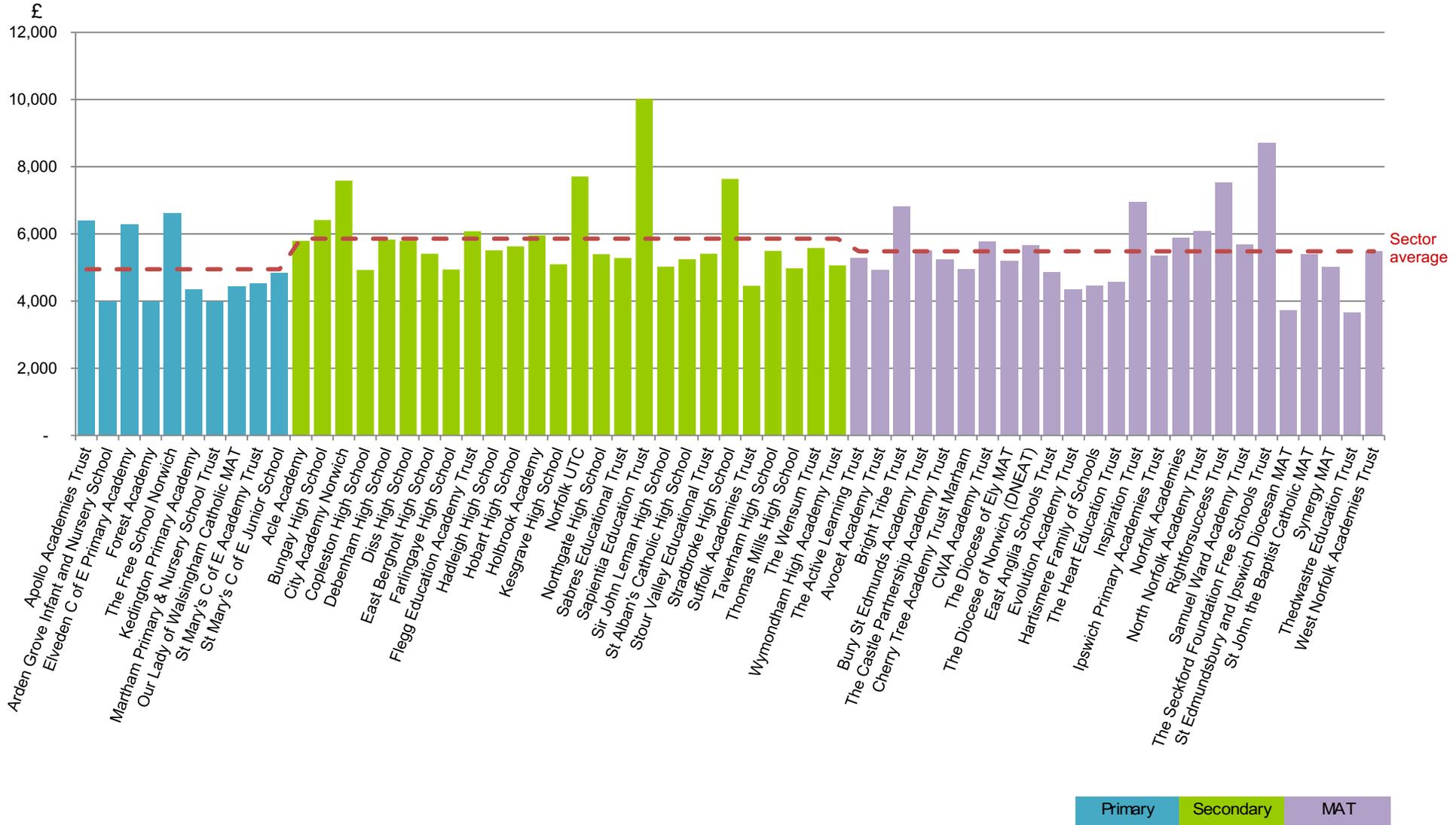
The National Funding Formula (NFF) continues to be in the news as further details of the impact of the new system, to come into effect from April 2018, are released. Although nationally there are set to be as many losers as winners under the NFF, the initial indicators show that the system is likely to be favourable to the majority of schools in Norfolk and Suffolk.

One thing that is certain is that the NFF is not going to give significant immediate increases in funding – the transitional arrangements limit any increases to 3% in 2018/19 and 2.5% in 2019/20.

Schools have also seen, and are expecting, further significant reductions in other funding, notably for Special Education Needs and the withdrawal of the Education Services Grant from April 2017.

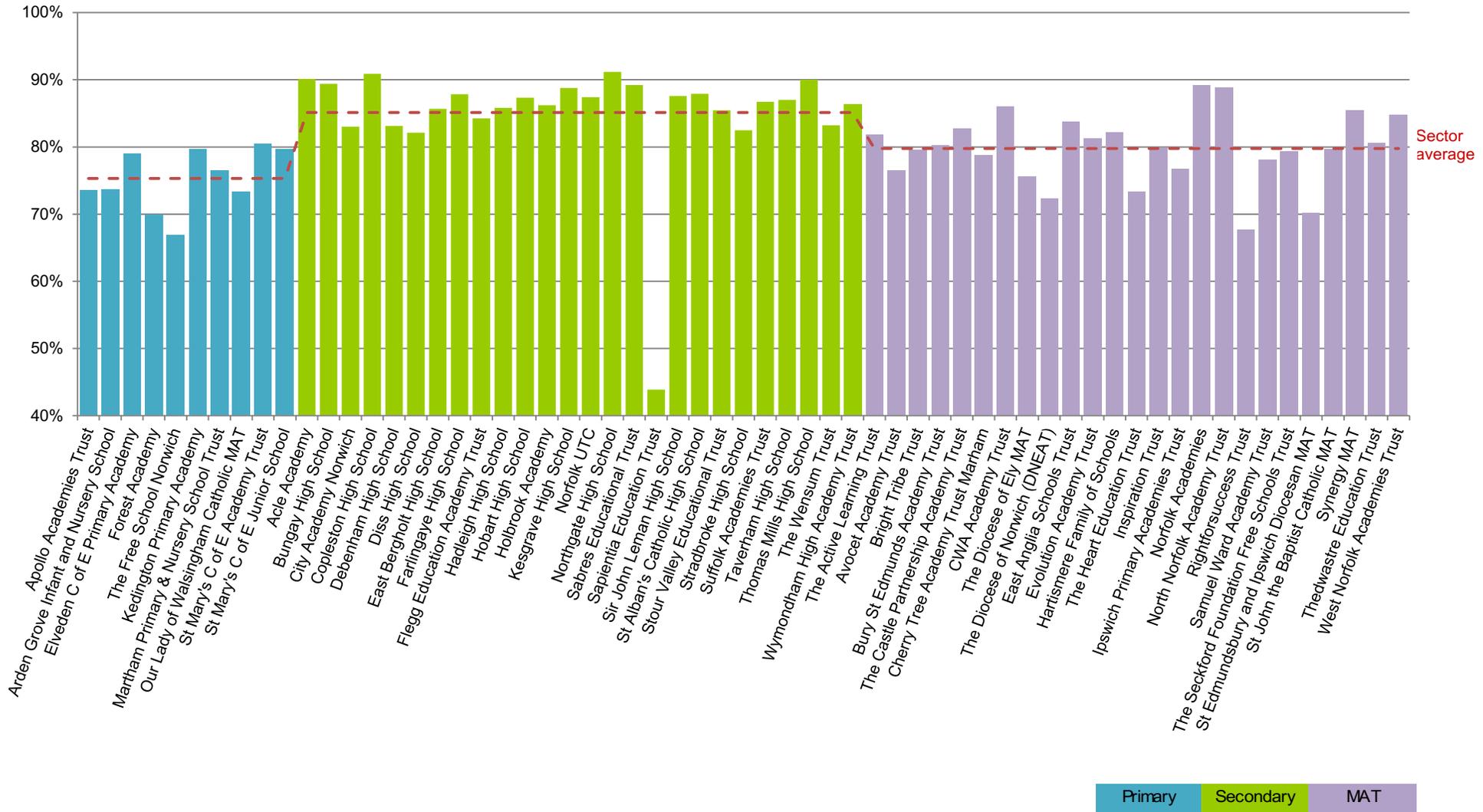
3. Income

3.1 Total income per pupil



3. Income

3.2 GAG income / Total revenue income



4. Staff

4.1 Staff costs / Total resources expended (excluding depreciation)

Staff costs include gross wages and salaries, employer's social security costs, pension costs, supply staff costs and any compensation payments made in the period.

Agency staff costs are not included and we have been unable to collate sufficient information from enough trusts to form any evidence based conclusions on the use of agency staff in the year. However, from conversations we have had, it is our view that agency staff costs have risen in the year as academies have had to fill posts where they have been unable to recruit or to cover long-term sickness.

As expected, staff costs represent the largest area of expenditure for all academy trusts. If one excludes depreciation, on average staff costs made up 71% of total resources expended for primaries, 76% for secondaries and 74% at MATs. These percentages have changed little from 2015.

4.2 Staff costs / GAG

We noted last year that staff costs as a proportion of GAG income had increased from the prior year, from 85% to 90% and that, due to changes to Teachers' Pension and National Insurance contribution rates in 2015/16, we expected this ratio to rise again. The actual results have borne out this prediction with staff costs in 2015/16 rising to 91% of GAG.

4.3 Staff costs per pupil

Average staff costs per pupil have risen 3% in 2016 for the primary sector, up from £3,178 to £3,274 but have fallen just under 1% for secondaries to £4,374. The figure for MATs is £4,090 with, as expected, the MATs with a focus on the primary sector having lower figures to those where the onus is on secondaries.

4.4 Pupil : Teacher ratio

With funding being primarily driven by pupil numbers and staff costs being the main expenditure for academy trusts, the relationship between the number of teachers and pupils is key financially as well as educationally. The 2015/16 Academies Accounts Direction required the disclosure of staff numbers based on the "average headcount" but permitted the disclosure of, in our opinion, the more useful "average as expressed as a full time equivalent". We have, where disclosed, used the full time equivalent figure in computing this ratio.

Nationally pupil : teacher ratios are approximately 24 for primary schools, 16 for secondary schools and 19 for MATs and our survey averages were broadly consistent with these figures.

When comparing pupil : teacher ratios for 2016 on a school by school basis against 2015, we noted that on average this ratio actually fell very slightly for secondaries, remained the same for MATs and only rose in primaries by less than 1%. This indicates that to date there have been no significant reductions in teacher numbers to address the difficult financial position many schools face.

4. Staff

4.5 Staff restructuring costs

Academies are required to separately disclose staff restructuring costs. Total staff restructuring costs across the academies in the survey were £1,505m compared with £1.269m in 2015 and £1.026m in 2014.

Academy trusts have the delegated authority to make special severance payments under £50,000. Payments over this amount require prior approval from the Treasury via the EFA. None of the academy trusts included within our sample disclosed individual non-statutory / non-contractual payments exceeding £50,000.

The value for money rules apply to all payments and academies should document why non-contractual payments are justified and considered to be in the interests of the trust. This judgement should be based on a legal assessment of the chances of the trust successfully defending the case at an employment tribunal.

The majority of the restructuring costs were incurred by MATs and probably reflects measures taken to remove duplicated roles and achieve economies of scale, particularly as schools join the MAT.

4.6 Principal's remuneration (CEO for MATs)

Within a single academy trust, the Principal is deemed to be an ex-officio governor. In these circumstances, the remuneration paid to the Principal should be disclosed within the Trustees' Remuneration note of the financial statements. This note requires disclosure of remuneration within £5,000 bandings, and for the purposes of this report, the lowest figure in the £5,000 banding has been used to measure the Principal's remuneration.

Where the period to 31 August 2016 was less than 12 months, the remuneration has been annualised.

For MATs, the remuneration for the Chief Executive Officer (CEO) has been included, where available, and considered in comparison to the Principal's remuneration in single academy trusts.

The average remuneration of primary school Principals was £64,500 (2015 - £60,909). The average remuneration for a secondary school Principal has risen from £98,635 to £99,200. There was a very broad range in the remuneration of MAT CEOs, reflecting the diverse nature and size of MATs, with the average being £99,881, up from £88,346 in 2015.

These regional results are broadly in line with the national picture. A report looking at 320 academy trusts across the country by Kreston UK for the year ended 31 August 2016 found the average Principal's or CEO's remuneration to be £63,950 for primary schools, £92,309 for secondary schools and £100,201 for MATs.

4. Staff

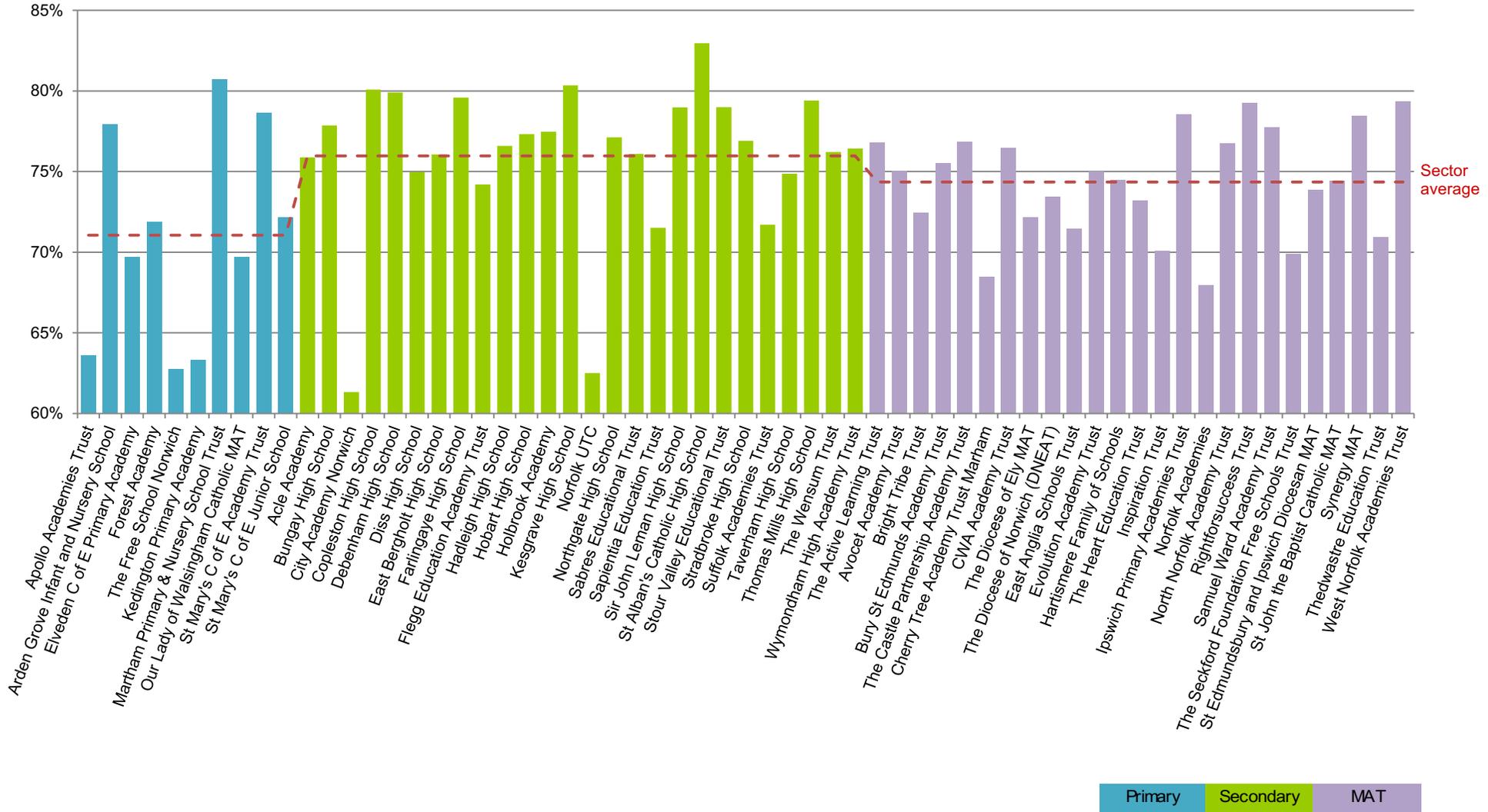
4.7 Principal's remuneration (CEO for MATs) / GAG

Although the average remuneration of primary school Principals is less than that of secondary school Principals and MAT CEOs, they are consistently a much larger proportion of the GAG income.

On average, primary schools are spending 8.0% (up from 7.6% in 2015) of their total GAG funding on the Principal's remuneration, compared to only 2.5% (2015 - 2.3%) and 1.9% (2015 – 1.9%) in secondary schools and MATs respectively.

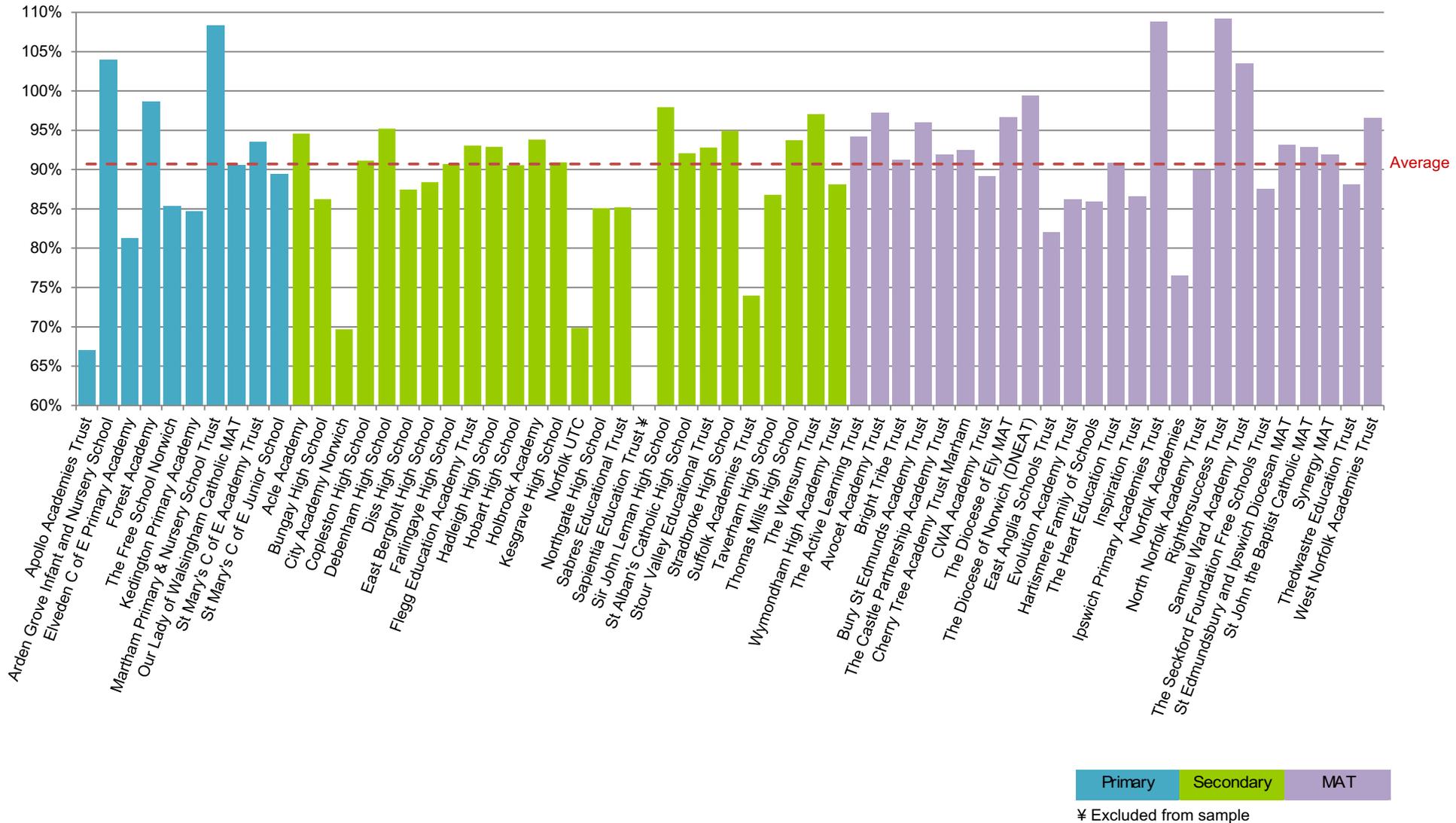
4. Staff

4.1 Staff costs / Total resources expended (excluding depreciation)



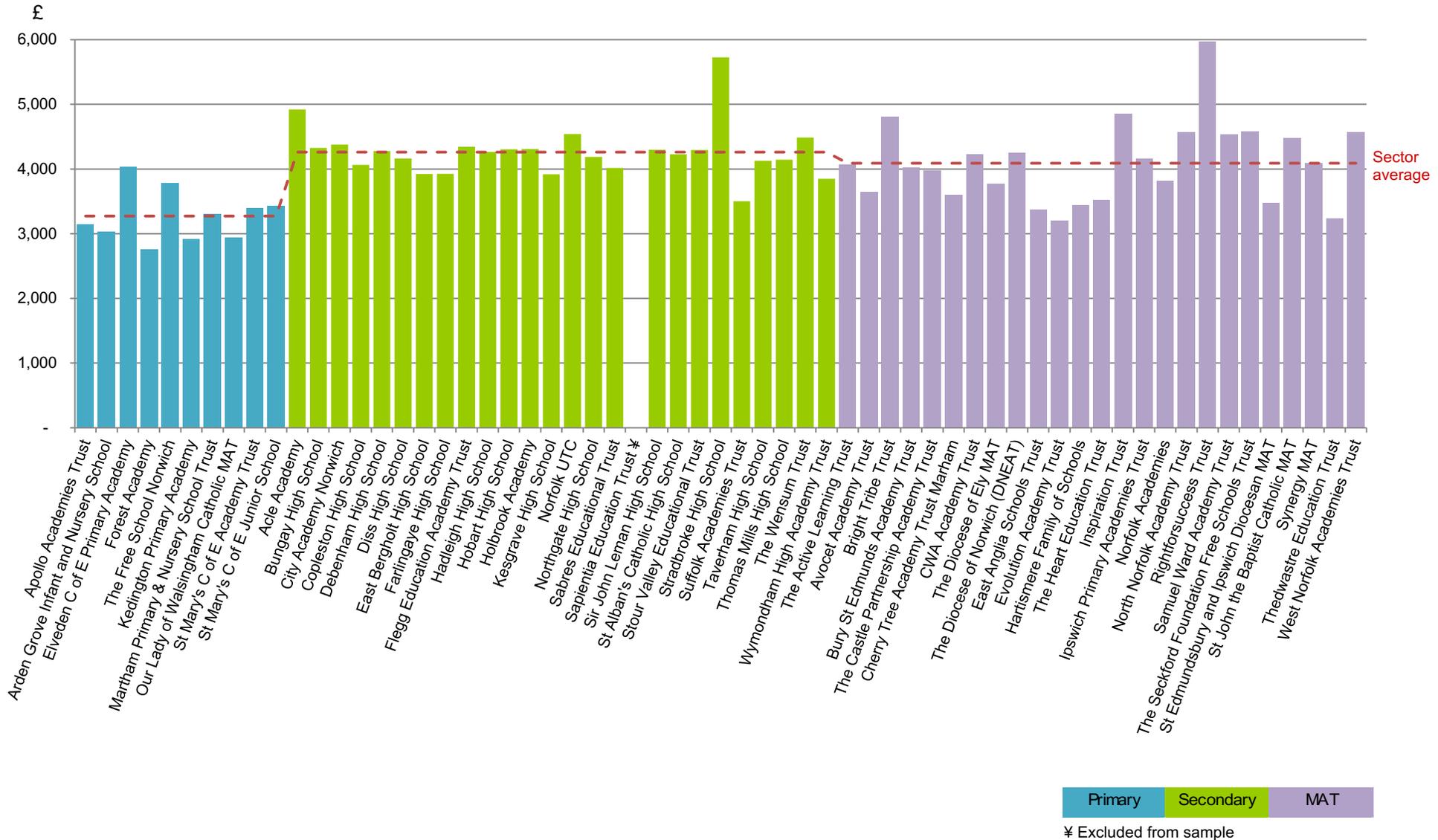
4. Staff

4.2 Staff costs / GAG



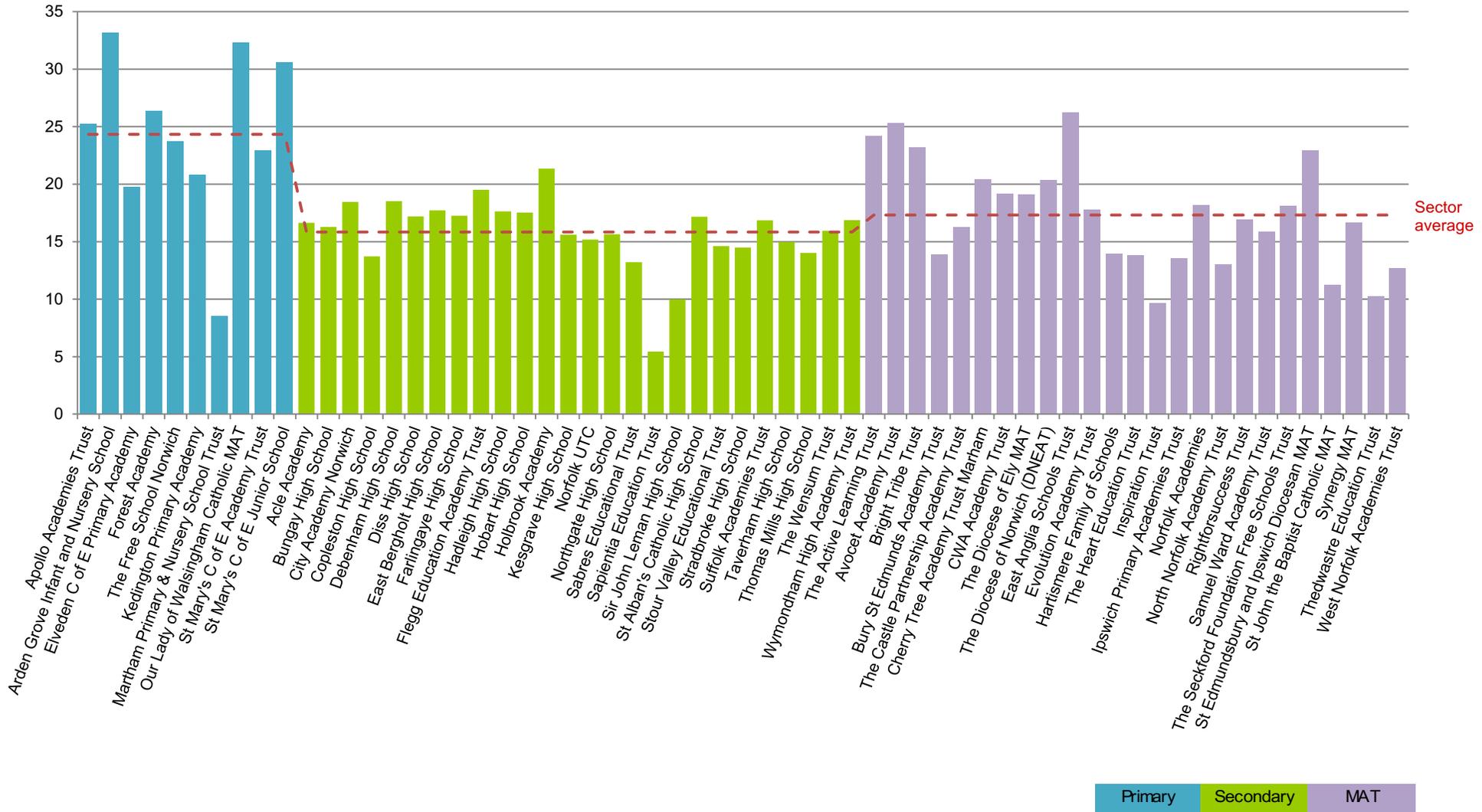
4. Staff

4.3 Staff costs per pupil



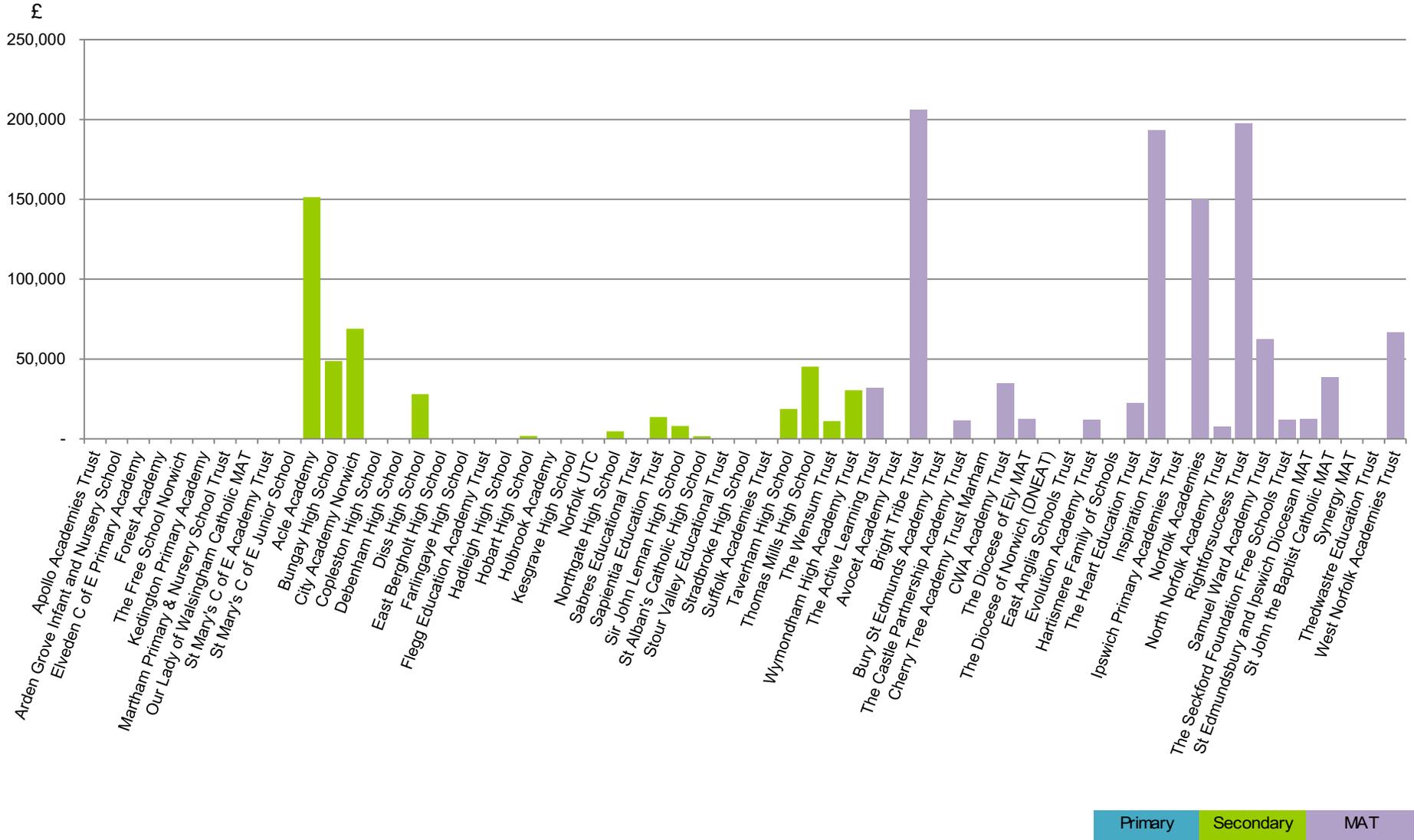
4. Staff

4.4 Pupil : Teacher ratio



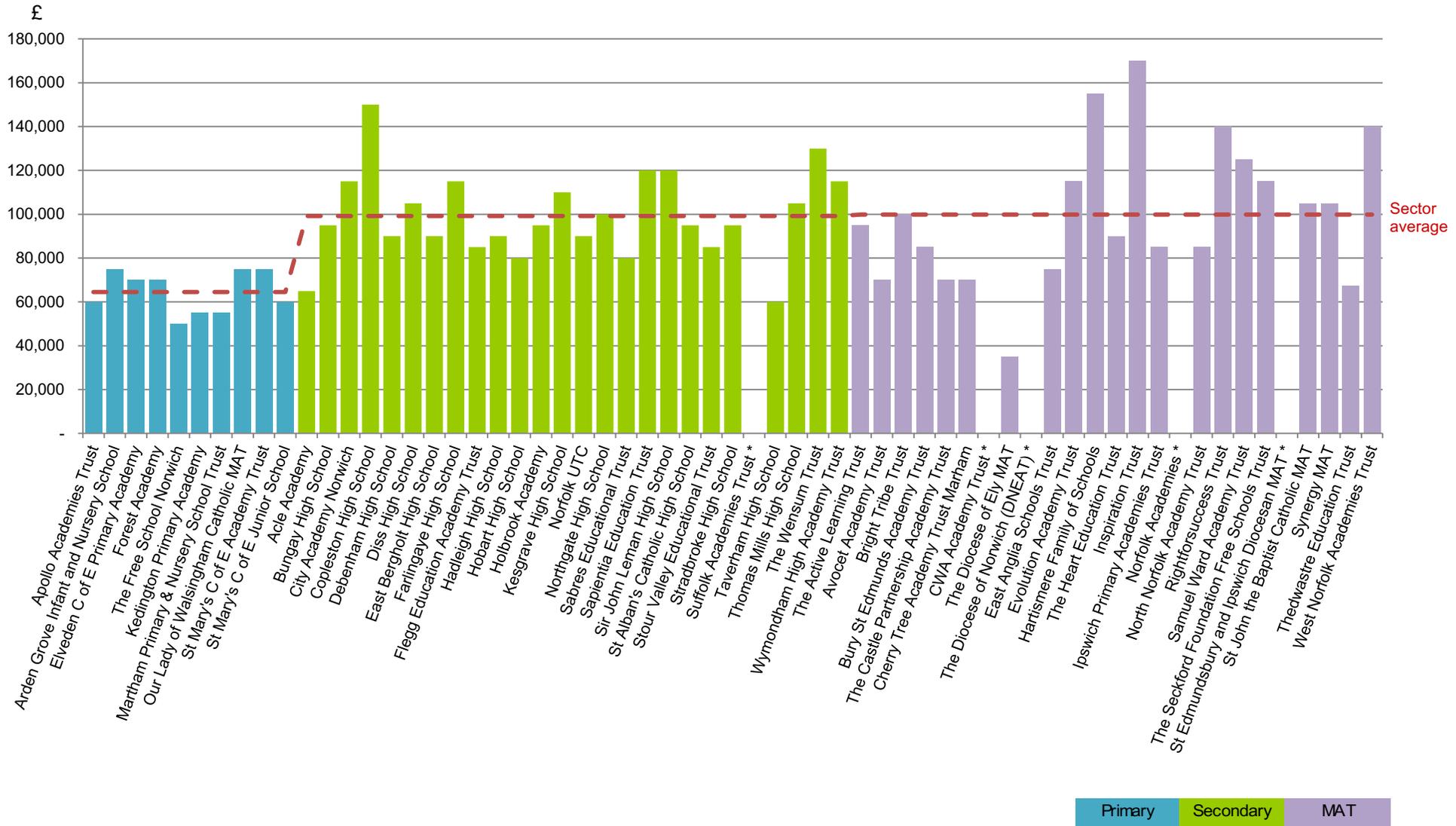
4. Staff

4.5 Staff restructuring costs (including severance and compensation payments)



4. Staff

4.6 Principal's remuneration (CEO remuneration for MATs)



* Information not available

5. Surpluses

5.1 GAG carried forward / GAG

Historically, schools were only permitted to carry forward a GAG balance of 12% of the current year GAG allocation. Almost all academy trusts examined have, where applicable, revised their funding agreements so that they are no longer subject to a limit on the amount of GAG that they can carry forward. Six academies in the sample breached the “old” 12% threshold, three of which were primary schools and the remainder were MATs.

The proportion of academies with a GAG carried forward balance of less than 1% of their in-year GAG funding increased from 41% in 2015 to 51%. This demonstrates that academies are continuing to struggle to meet their day-to-day costs from their core funding (or they are strictly adhering to the Academies Financial Handbook which states that trusts should use their allocated GAG funding for the full benefit of their current pupils).

The pressure on school leaders to prepare balanced budgets is greater than ever and is set to continue with, for example, the Institute for Fiscal Studies forecasting that “school spending per pupil is likely to fall by around 8% in real terms between 2014-15 and 2019-20”.

Whilst there have been reports of some extreme reactions to address this issue, including possibly even reducing the school week to four days, most schools are already looking at further reductions to staffing (typically now looking at teaching staff, having already made all possible reductions in support staff), increasing class sizes and scaling back curriculum offers. The increase in schools forming or joining MATs is also often a reaction to the difficult funding environment, with the hope that economies of scale and the sharing of resources will make school budgets more viable.

5.2 In-year GAG movement

The in-year GAG movement shows the difference between the opening and closing balances on the GAG fund as a proportion of the GAG income for the year. These figures were extracted from the funds analysis note. Transfers to or from the GAG fund will impact upon the surplus or deficit recorded. For example, 78% of the trusts reviewed had used GAG funds for capital expenditure thus reducing the fund balance carried forward.

From the trusts surveyed, 48% showed a fall in their GAG fund balance, this figure was 36% in 2015 and 27% in 2014 which illustrates that more and more trusts are struggling to match their GAG expenditure to their GAG income. Only 11 trusts recorded an increase on their GAG fund of more than 2%.

5.3 In-year surplus / deficit

In identifying whether an academy has made an in-year surplus or deficit we have eliminated donations, assets on conversion and capital funding from income to give a “normalised” income figure.

56% of academies in the survey made a pre-depreciation deficit in 2015/16 and 90% made a deficit once depreciation was included.

5. Surpluses

5.4 Net cash flow from operating activities / GAG

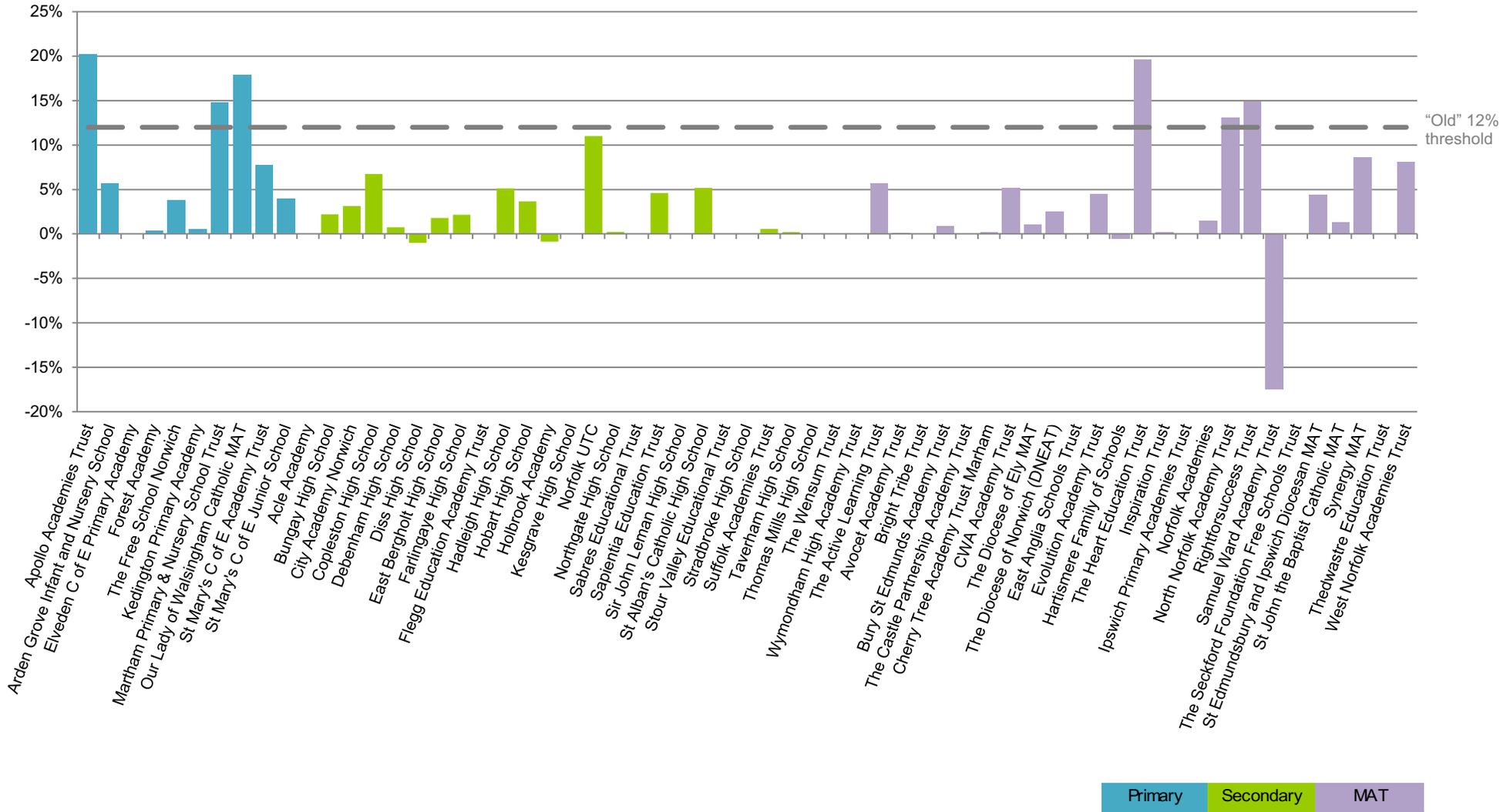
57% (2015 - 64%) of the academy trusts reviewed recorded a net cash inflow from operating activities in the period. This means that 43% of academies are spending more on their day-to-day activities than they are receiving.

5.5 Movement in cash

This analysis shows the overall movement in the cash balance of the academy over the period. Additional schools that join MATs with a large cash balance transferred from the Local Authority will impact upon this figure. It is also important to remember that the cash balance at 31 August can be distorted by the timing of payments or the receipt of capital funding for on-going or forthcoming projects.

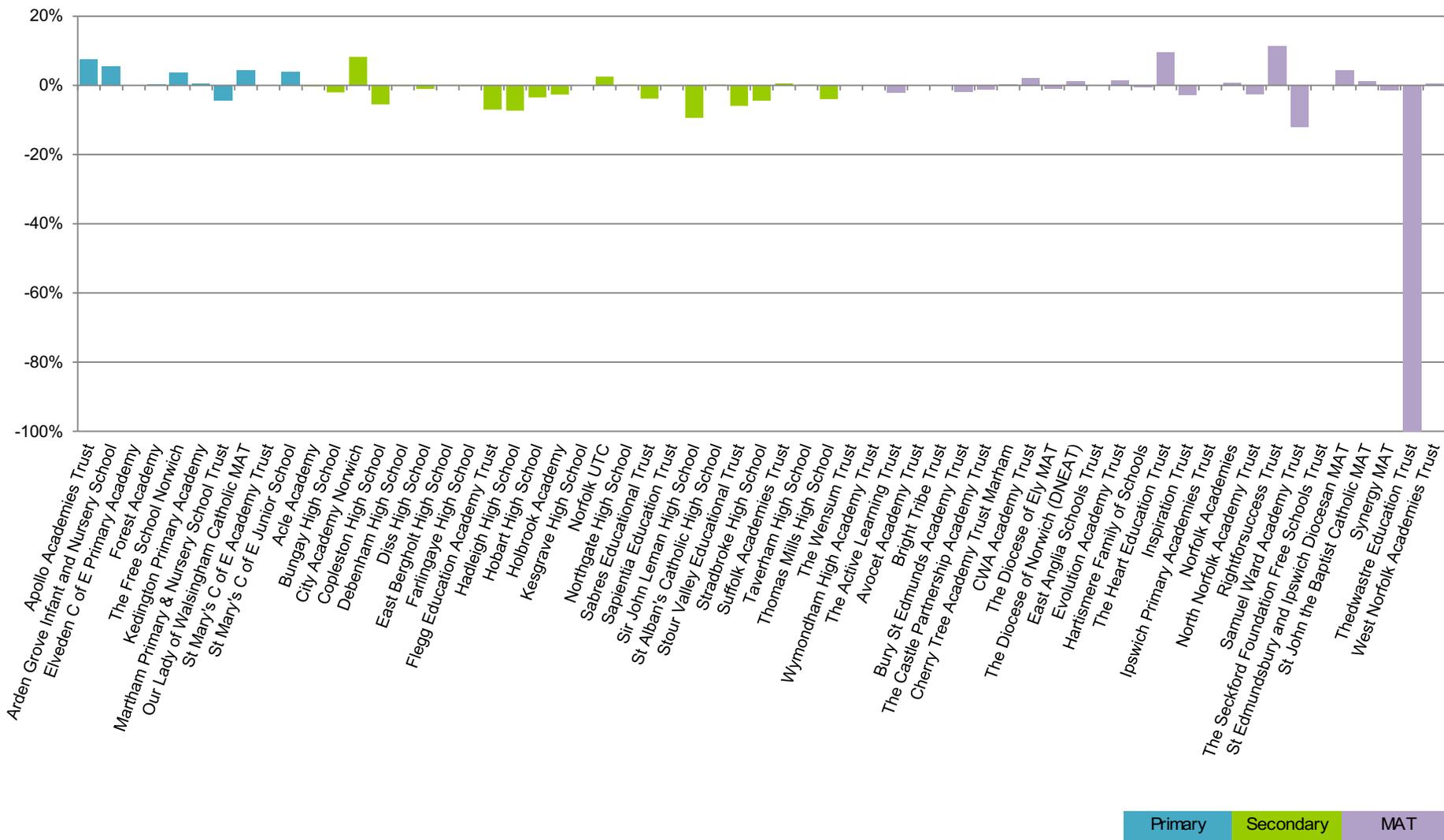
5. Surpluses

5.1 GAG carried forward / GAG



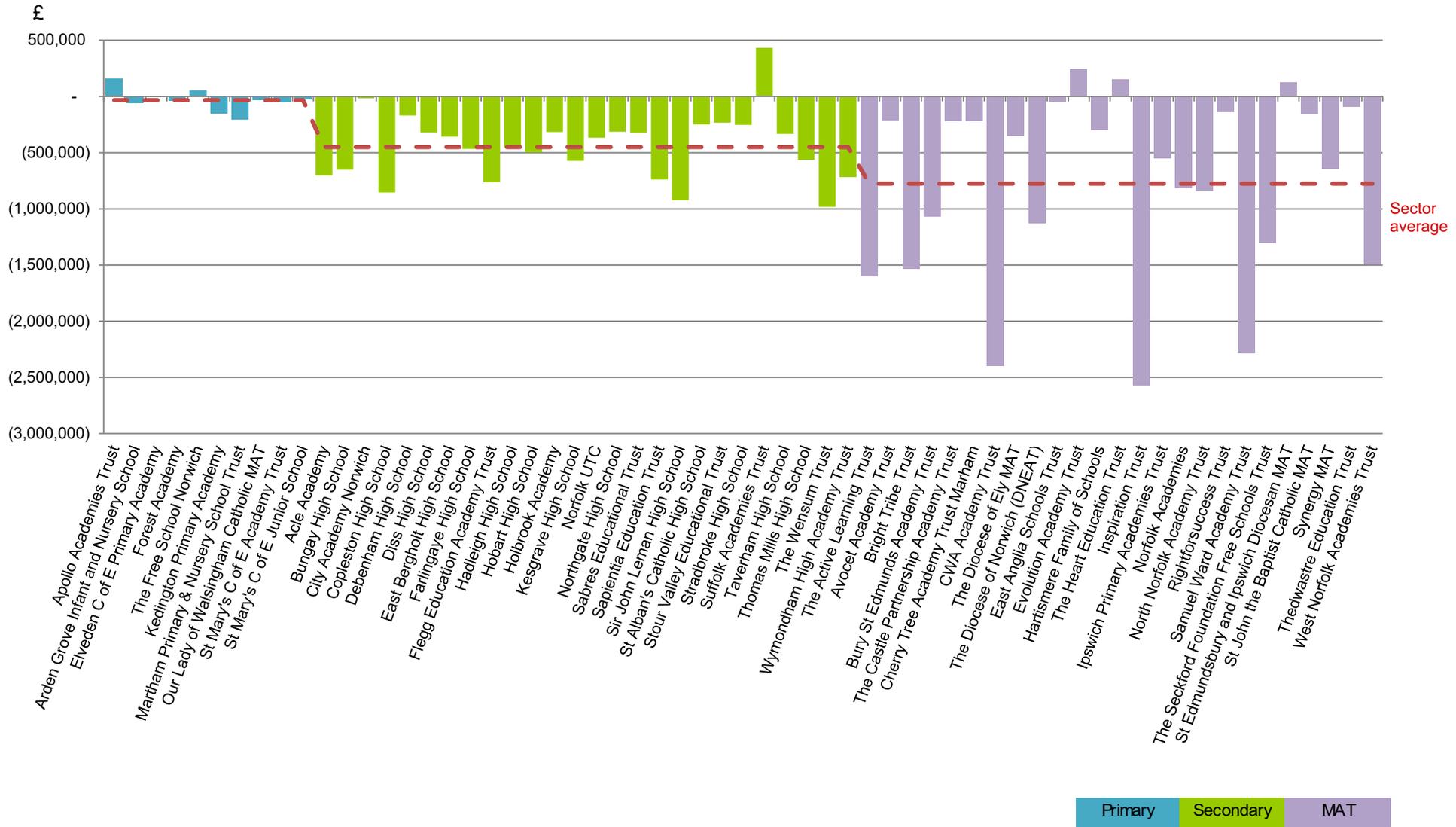
5. Surpluses

5.2 In-year GAG movement



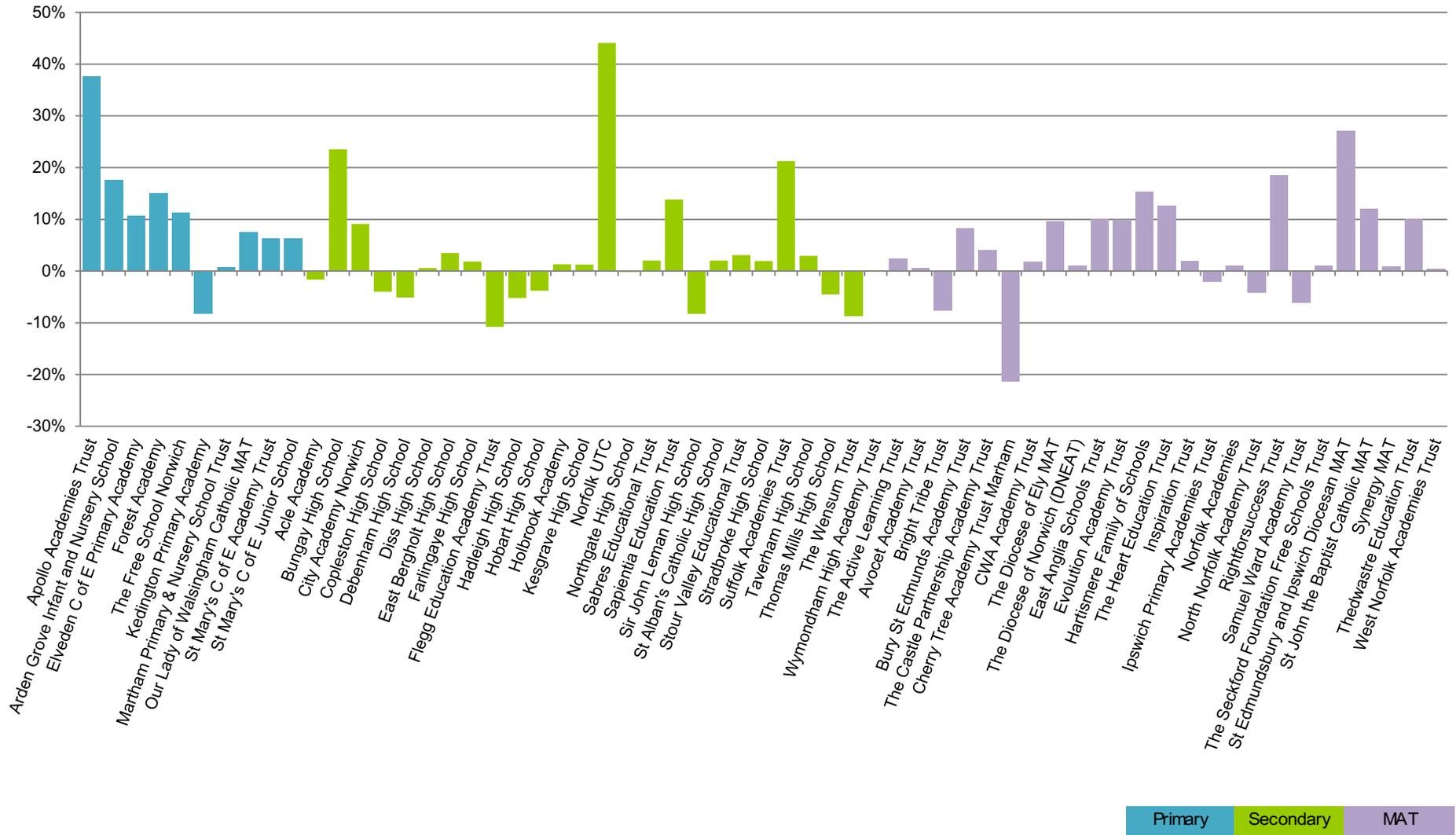
5. Surpluses

5.3 In-year surplus / deficit



5. Surpluses

5.4 Net cash flow from operating activities / GAG



6. Fixed assets

6.1 Capital expenditure and maintenance costs per pupil

Capital funding for most academies is accessed by way of bids to the Condition Improvement Fund (“CIF”) which continues to be significantly over-subscribed. For 2016/17 1,276 projects received funding from just over 3,500 applications.

MATs with at least five academies and more than 3,000 pupils receive specific capital funding (School Condition Allocation) and therefore do not need to apply to the CIF. The EFA will ask MATs to provide information about how they have used their funding allocation and what projects have been undertaken.

We await further details on how the £216m announced to be invested in school maintenance in the March budget will be distributed.

On average, combined expenditure on capital asset additions and maintenance costs for primary schools was £248 (2015 - £351) per pupil, compared to an average of £359 (2015 - £505) in secondary schools and £353 (2015 - £983) per pupil in MATs.

According to a National Audit Office report published in February 2017, the expected deterioration in the condition of the school estate is a “significant risk” to long-term value for money. The Department for Education’s property data survey estimates it would cost £6.7 billion to return all school buildings to satisfactory or better condition, and a further £7.1 billion to bring parts of school buildings from satisfactory to good condition.

6.2 Maintenance costs / GAG

The Academies Accounts Direction requires the quantification of premises costs. However, as a benchmark, this figure can be distorted by the depreciation rates adopted. We therefore reviewed the financial statements for premises maintenance costs or similar and show these as a percentage of GAG income.

We had anticipated that the level of maintenance expenditure may fall as academies look to minimise “discretionary” expenditure. However, on average academy trusts spent approximately 3.9% of GAG income on premises maintenance in 2016 compared with 3.9% in 2015 and 4.1% in 2014. The fact that this figure has remained stable may reflect that it has already reached the point where only essential work is being undertaken.

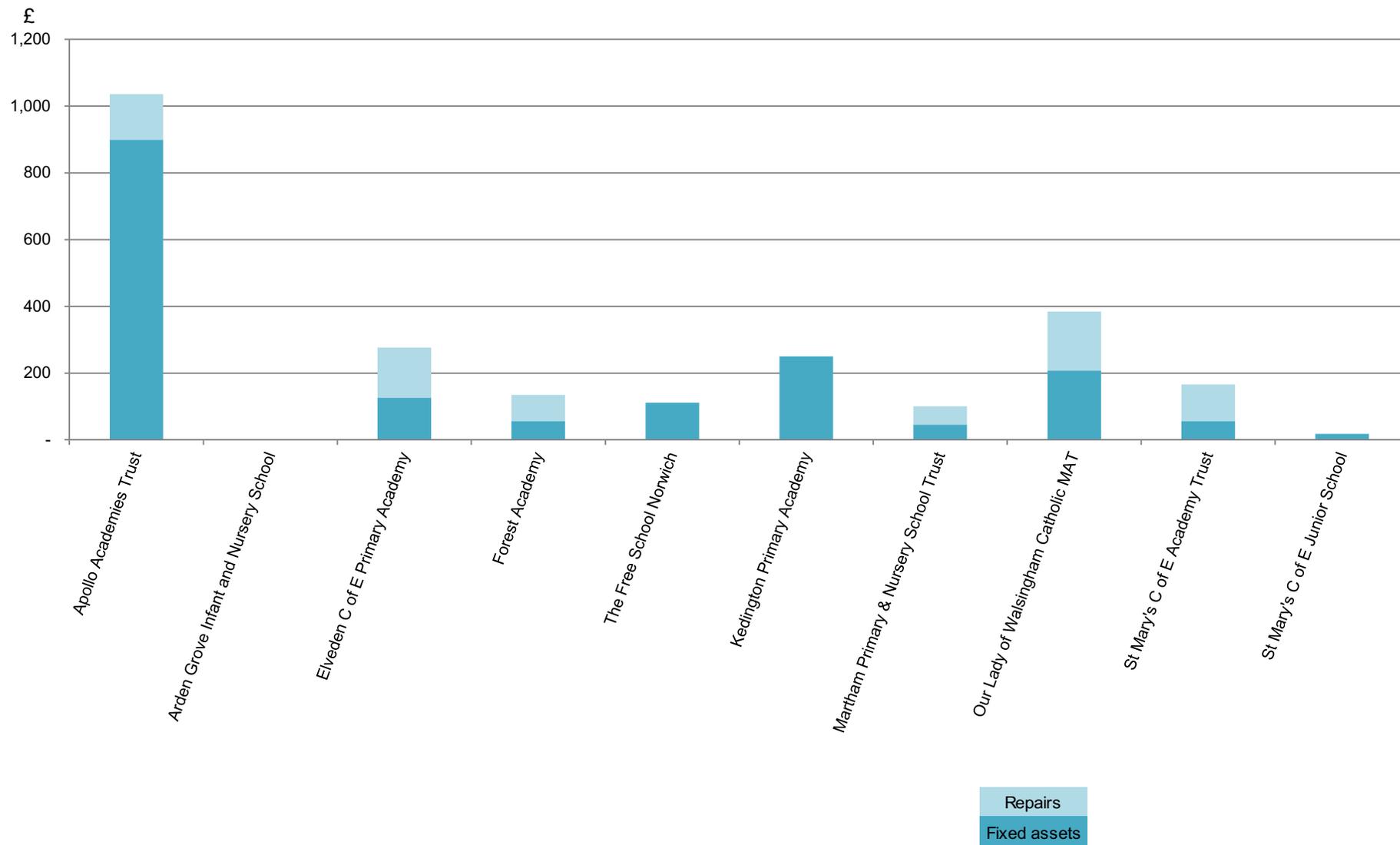
6.3 Capitalisation policy

The majority of academy trusts have adopted a policy of capitalising expenditure on additions in excess of £1,000, with the exceptions being predominantly the smaller primary schools.

As MATs grow, we would expect to see their thresholds for capitalising expenditure increase.

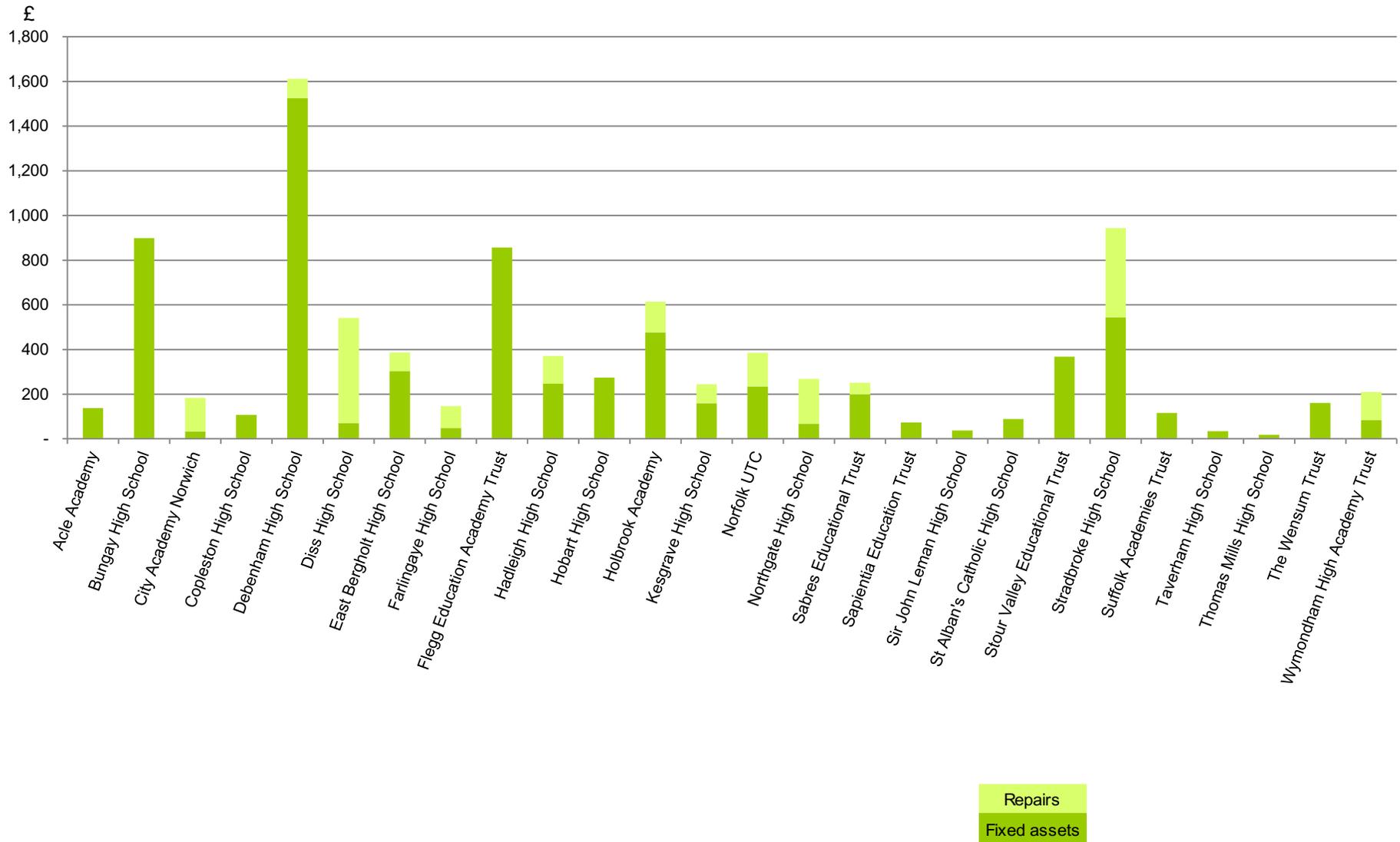
6. Fixed assets

6.1 Capital expenditure and maintenance costs per pupil (primary schools)



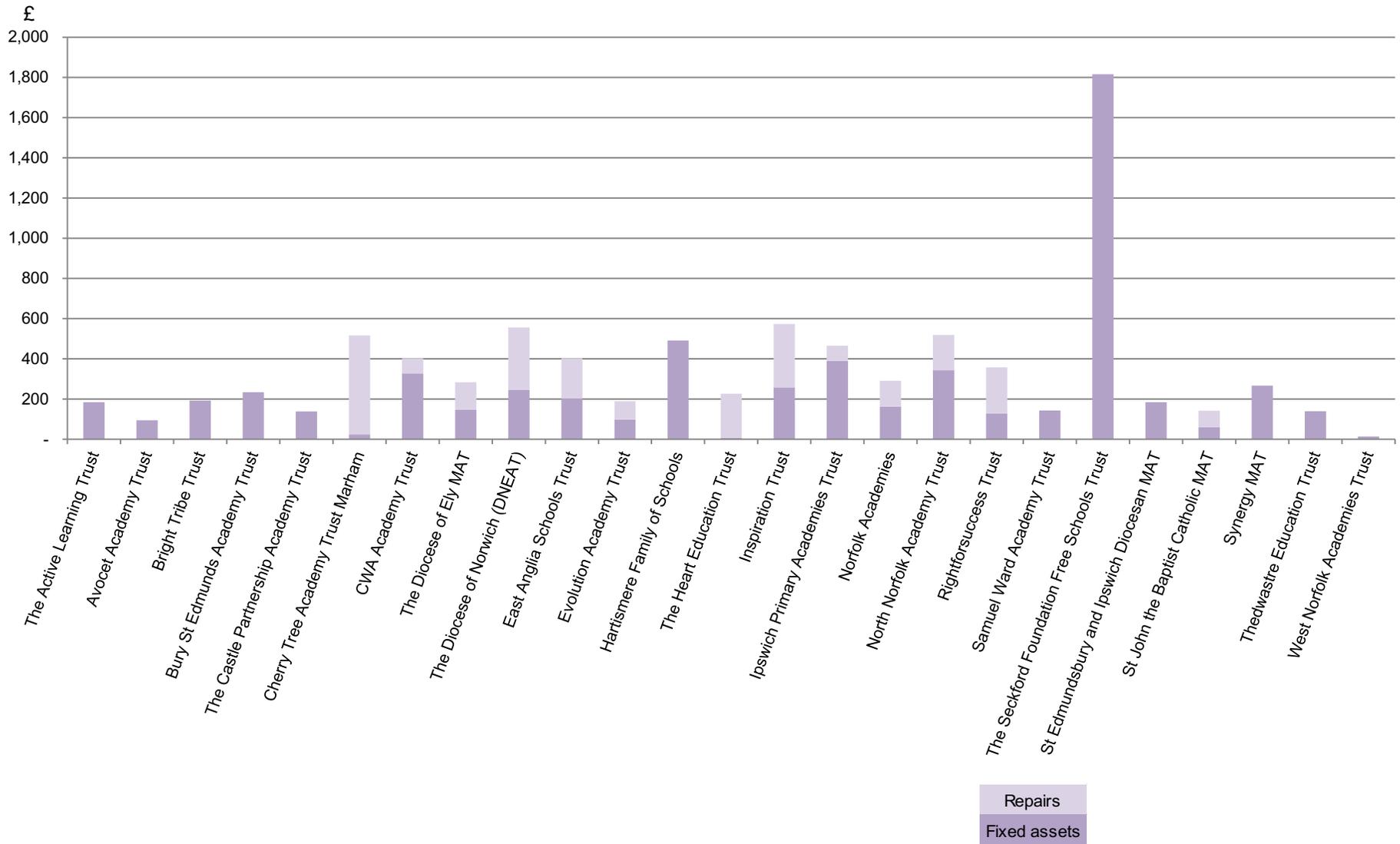
6. Fixed assets

6.1 Capital expenditure and maintenance costs per pupil (secondary schools)



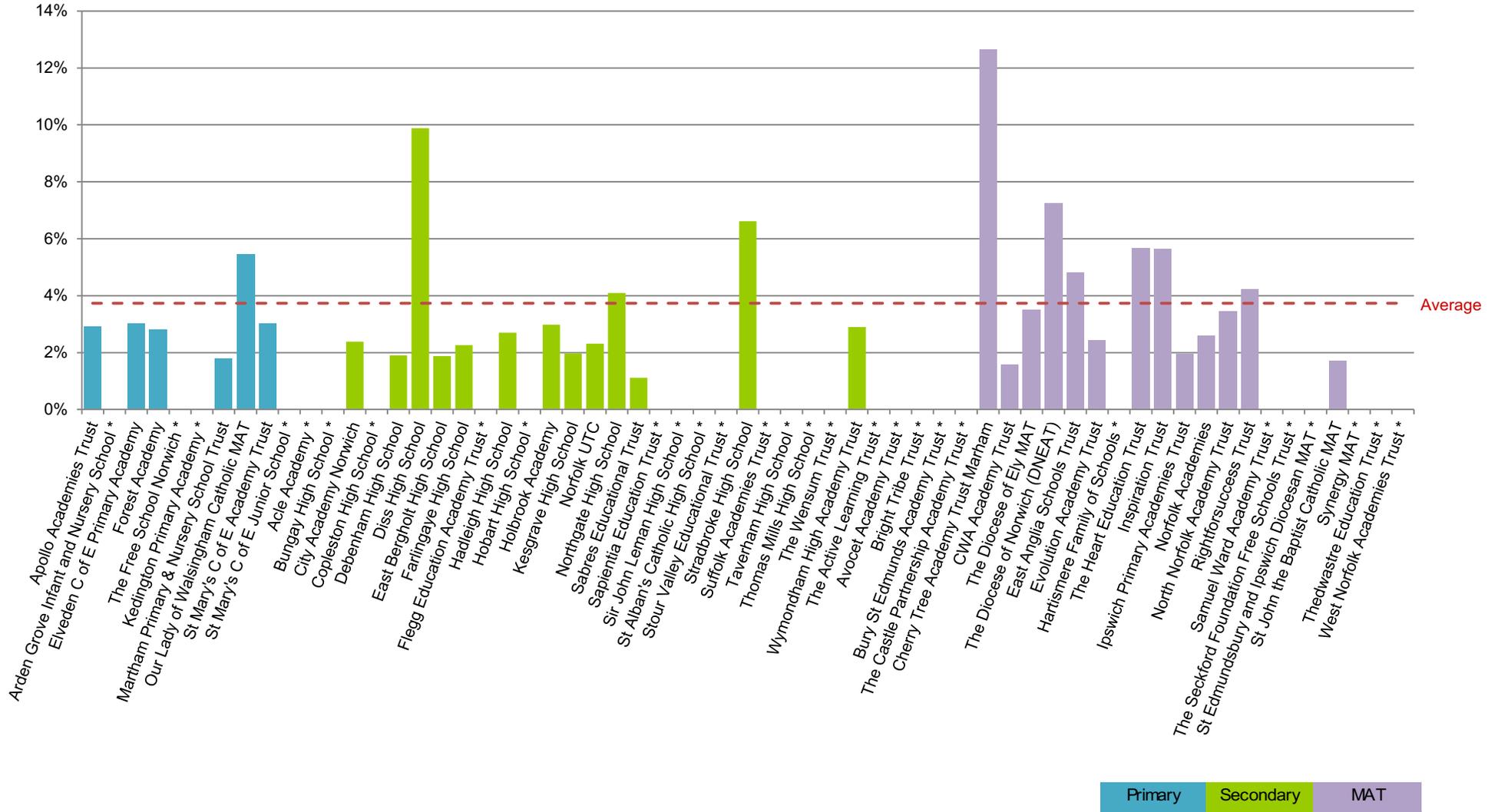
6. Fixed assets

6.1 Capital expenditure and maintenance costs per pupil (MATs)



6. Fixed assets

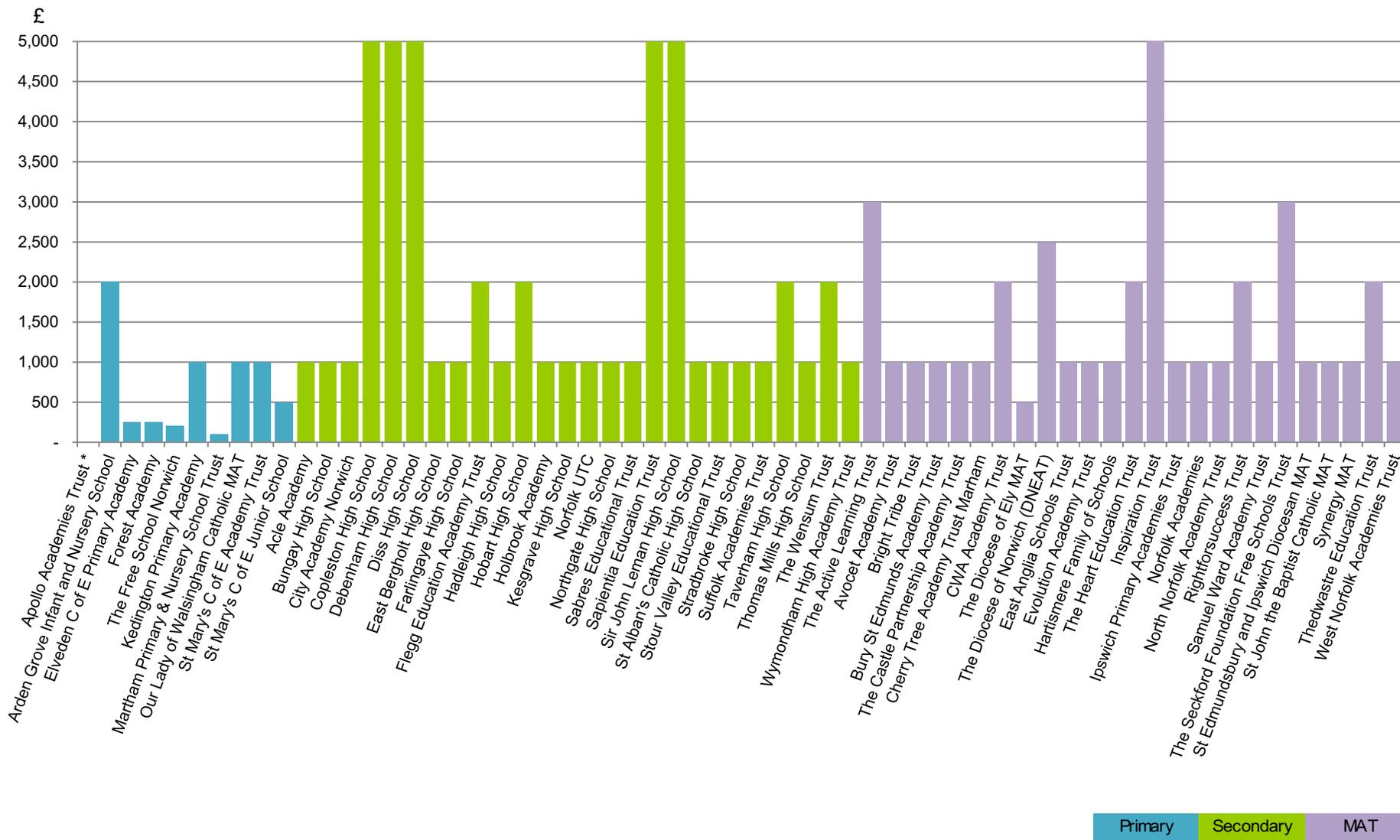
6.2 Maintenance costs / GAG



* Information not available

6. Fixed assets

6.3 Capitalisation policy



* Information not available

7. Current assets and liabilities

7.1 Current ratio

The current ratio is the ratio of current assets (cash at bank, stock and debtors) to current liabilities (creditors payable within one year). The lower the ratio, the more “financially precarious” the academy is.

The average current ratio fell from 3.2 to 2.9.

7.2 Cash balance

The 2016 Annual Accounts Return required a “validation explanation” if a trust’s cash balance was in excess of 10% of total income. From the academy trusts included in this report, 82% breached this threshold which suggests that the majority of academies have healthy cash balances.

Average cash balances were £326,517 for primaries, £883,081 for secondaries and £2,026,134 for MATs. These balances are broadly in line with national averages that we have seen in other benchmarking reports. The average balance has fallen by 11% for primaries and 7% for secondaries but has risen by 8% for MATs. One needs to consider the number of schools within an MAT when assessing the MAT figure.

7.3 Cash per pupil

Academy trusts had, on average, cash balances of £999 per pupil as at 31 August 2016, compared to £1,053 in 2015 and £1,242 in 2014.

There is little variation of this figure broken down between primary schools (£1,240 per pupil), secondary schools (£953 per pupil) and MATs (£951 per pupil).

7.4 Unrestricted funds per pupil

When comparing current ratios and cash balances, consideration has to be given as to whether the assets and liabilities relate to restricted or unrestricted funds. Unrestricted funds can be used towards meeting any of the objects of the academy trust at the discretion of the governors, whereas restricted funds must be used for the specific purposes for which they were intended.

7.5 Unrestricted funds per pupil – comparison to prior year per sector

We expected to see the average unrestricted funds per pupil fall across the board, as it had done in 2015, however the figure actually rose for both primary schools and MATs.

7.6 Free reserves

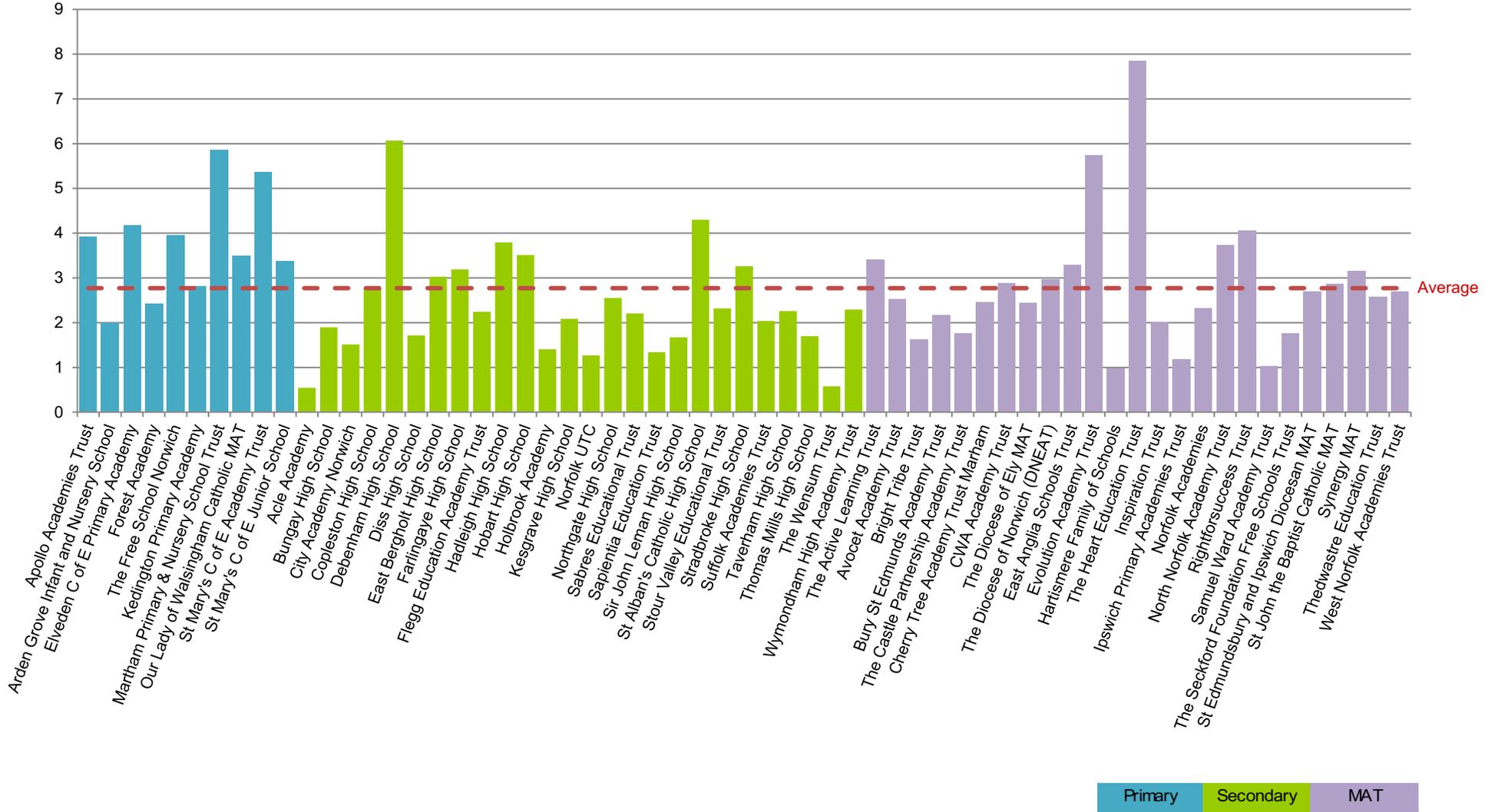
An academy’s reserve policy should identify the value of “free reserves” held (being the income funds that are freely available for general purposes – generally unrestricted funds, excluding any designated funds or balances within fixed assets).

Academies with high levels of free reserves should explain within their reserve policy why these funds have been retained. Conversely, the schools with low free reserves must take action to avoid becoming insolvent and accumulate funds for future investment and to meet unforeseen costs.

The average balance of free reserves at 31 August 2016 was £168,873 for primary schools, £304,918 for secondaries and £900,119 for MATs. The average balances have fallen by approximately 15% for both primaries and secondaries but has risen by 41% for MATs.

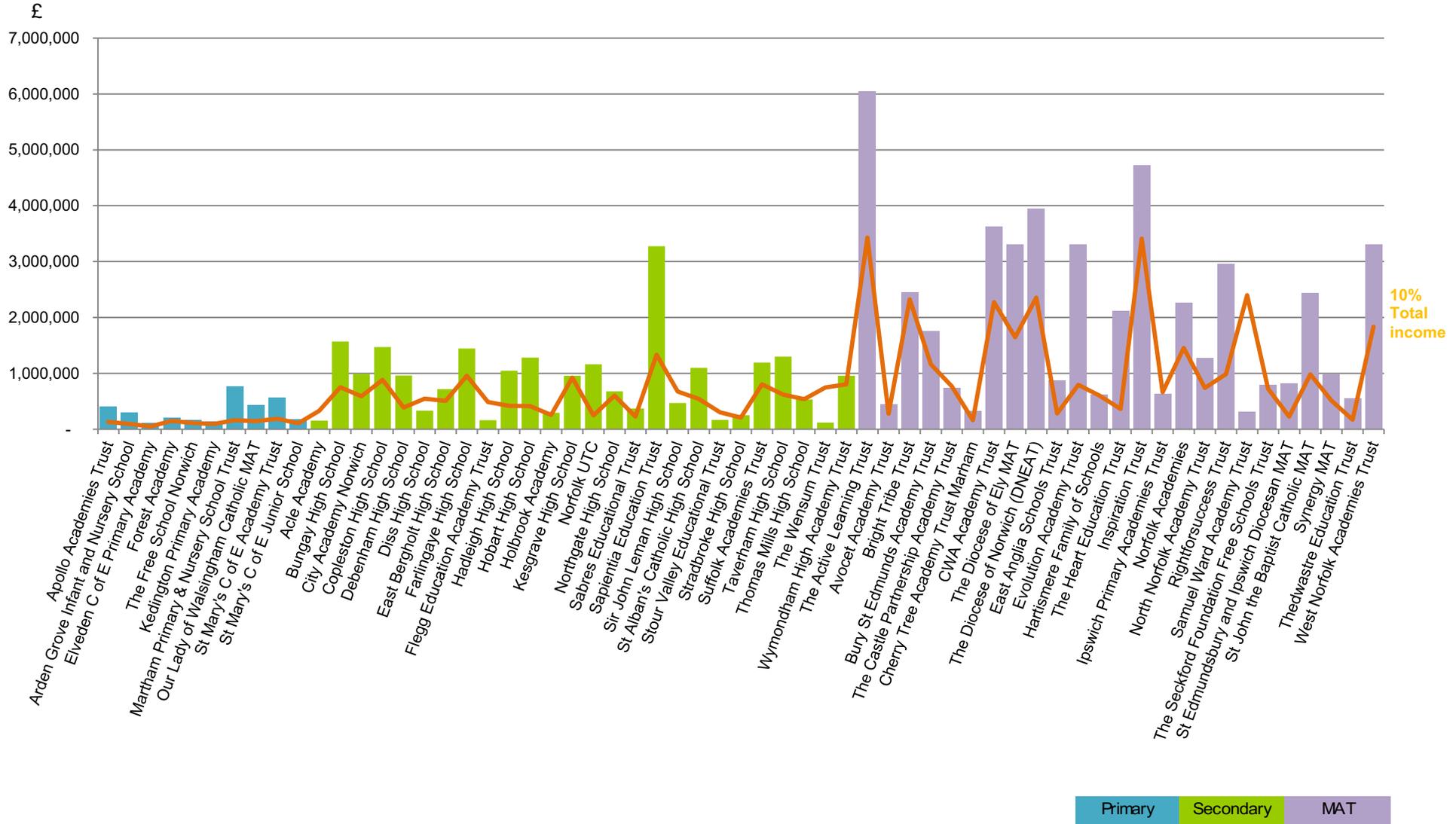
7. Current assets and liabilities

7.1 Current ratio



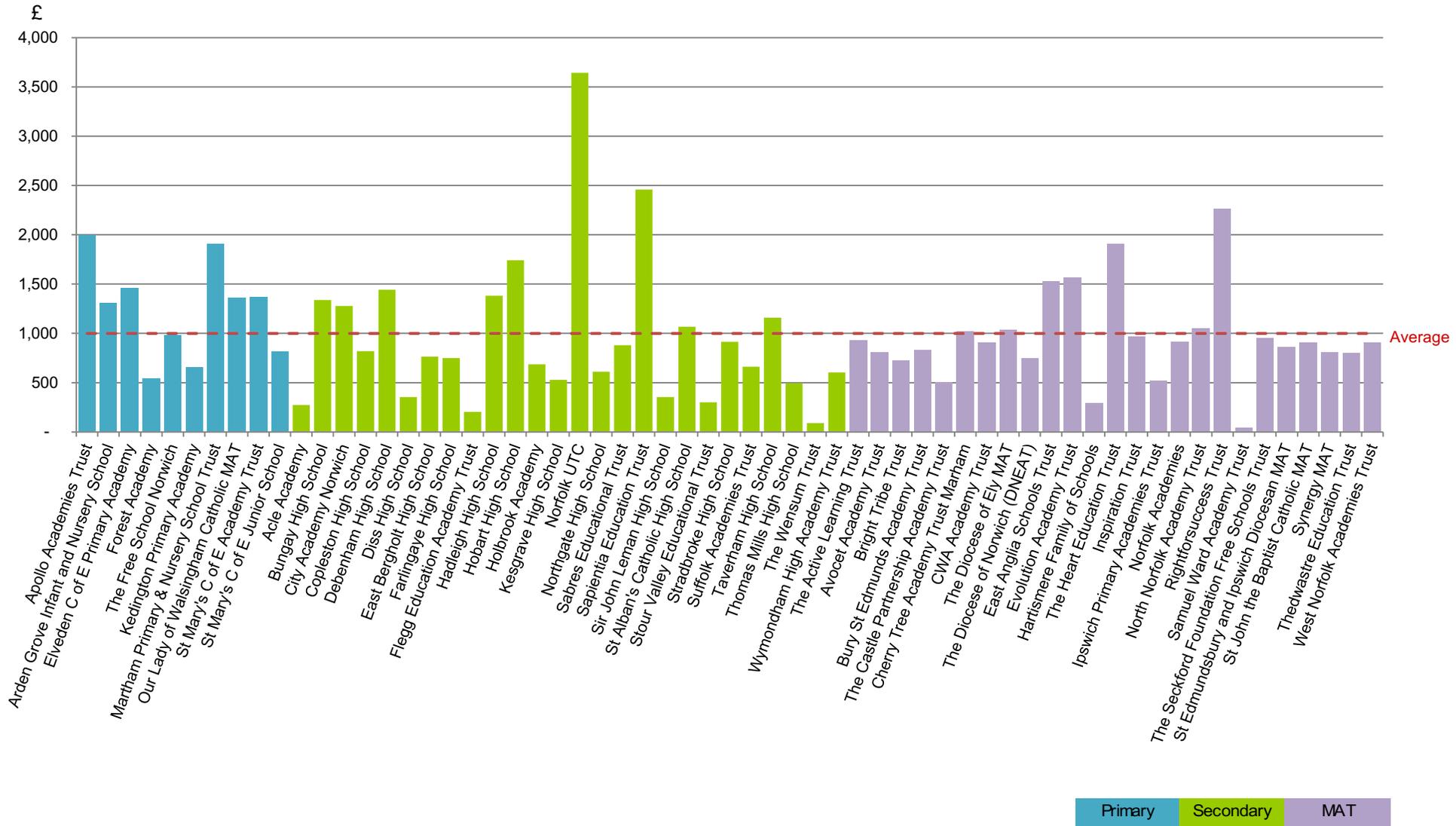
7. Current assets and liabilities

7.2 Cash balance



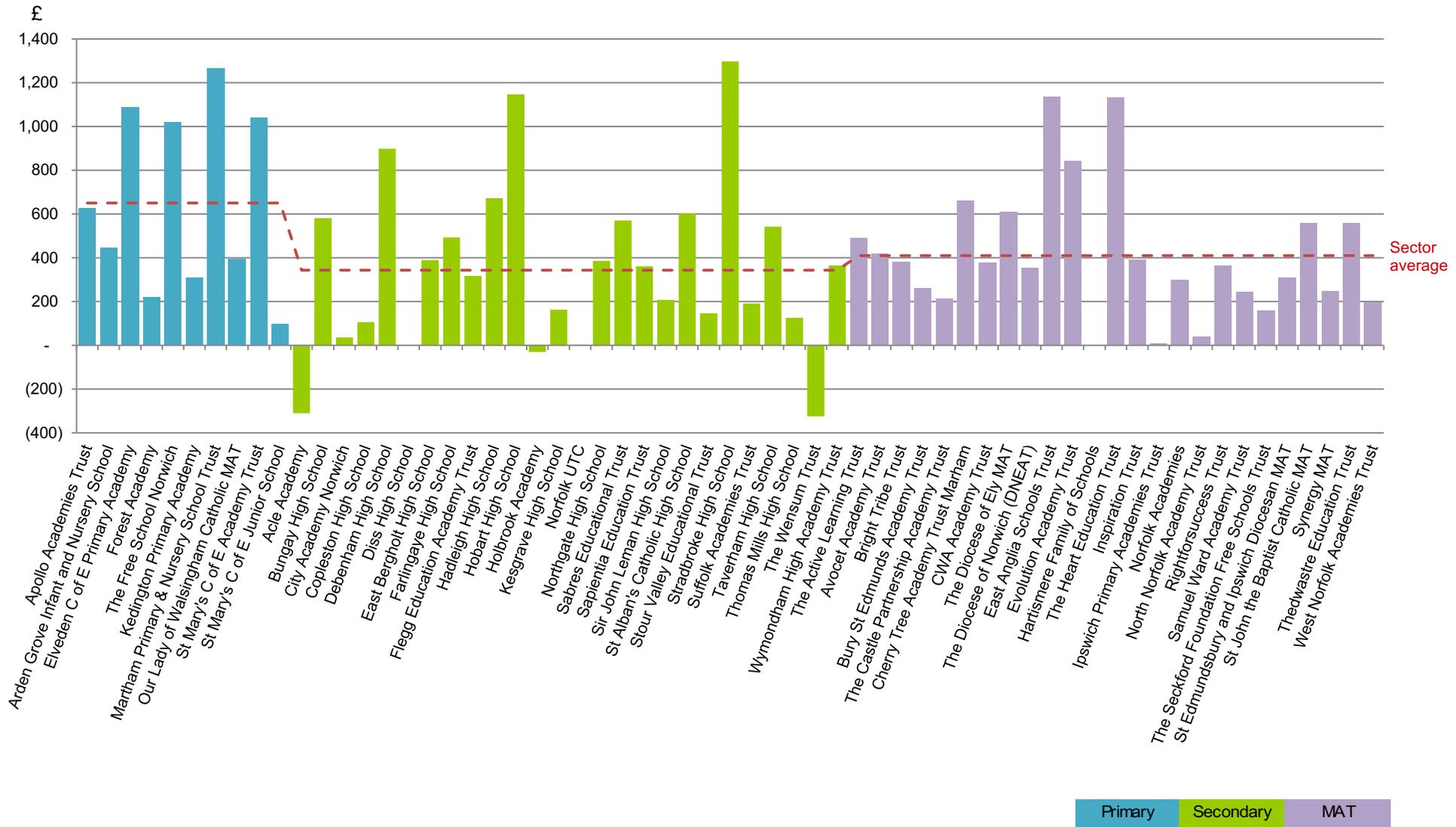
7. Current assets and liabilities

7.3 Cash per pupil



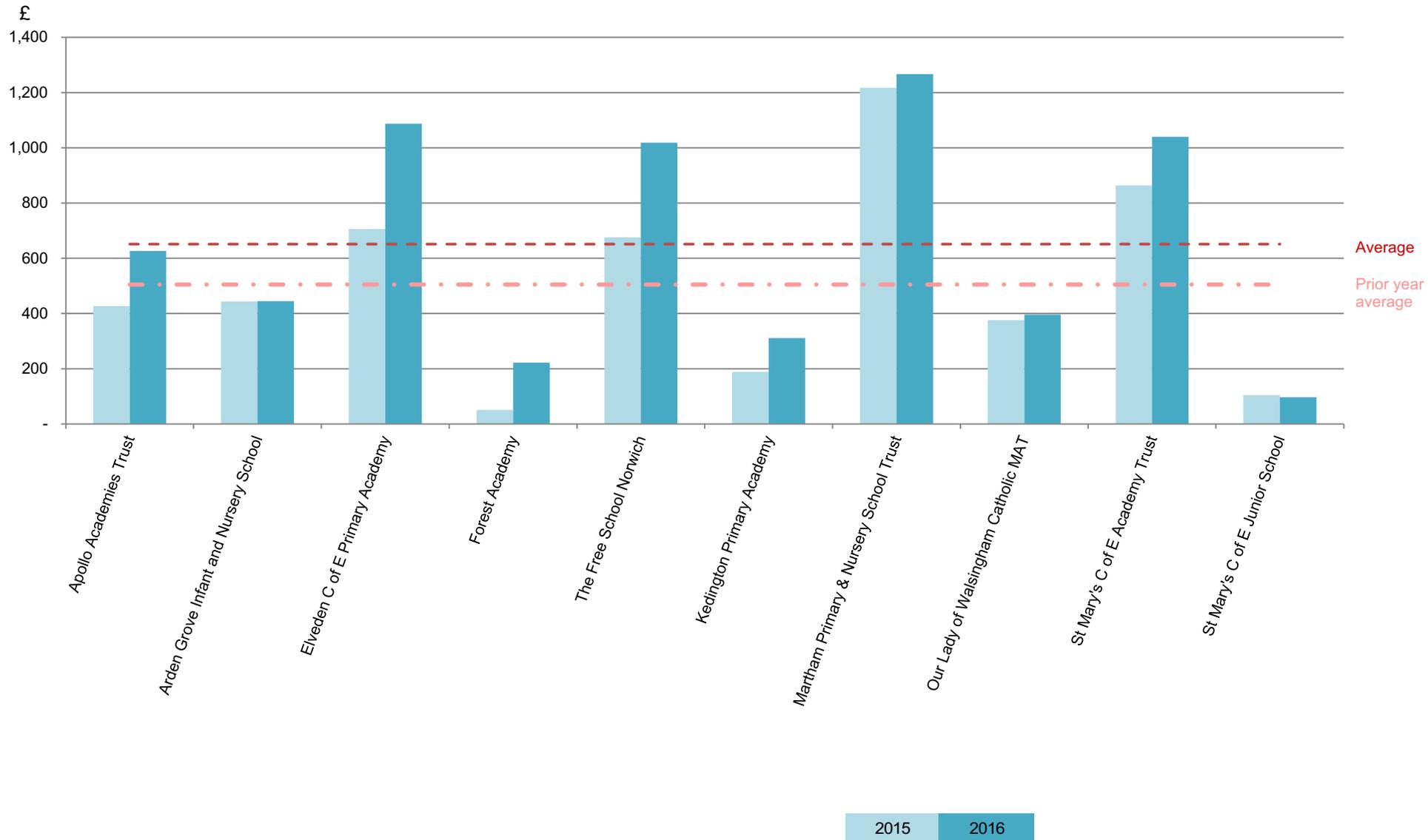
7. Current assets and liabilities

7.4 Unrestricted funds per pupil



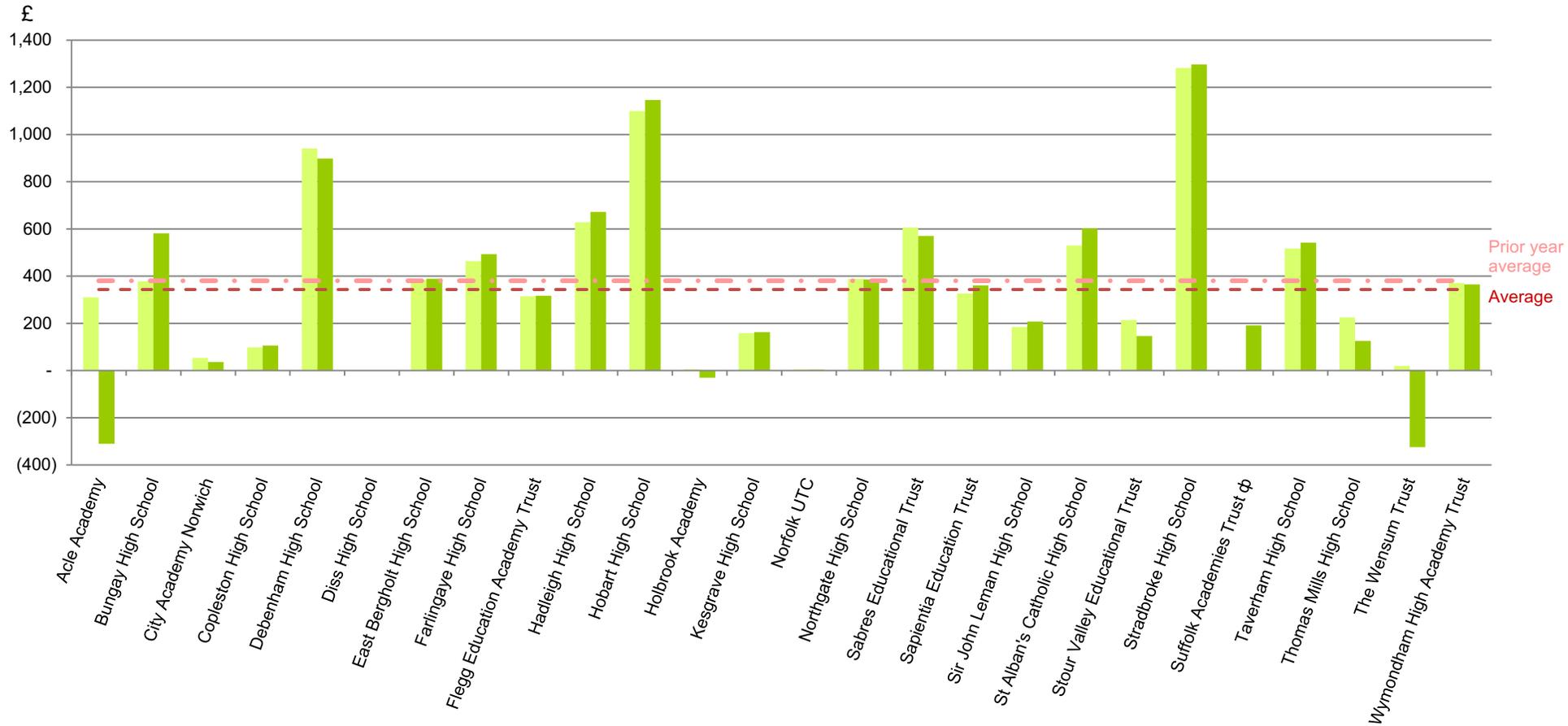
7. Current assets and liabilities

7.5 Unrestricted funds per pupil – comparison to prior year (primary schools)



7. Current assets and liabilities

7.5 Unrestricted funds per pupil – comparison to prior year (secondary schools)



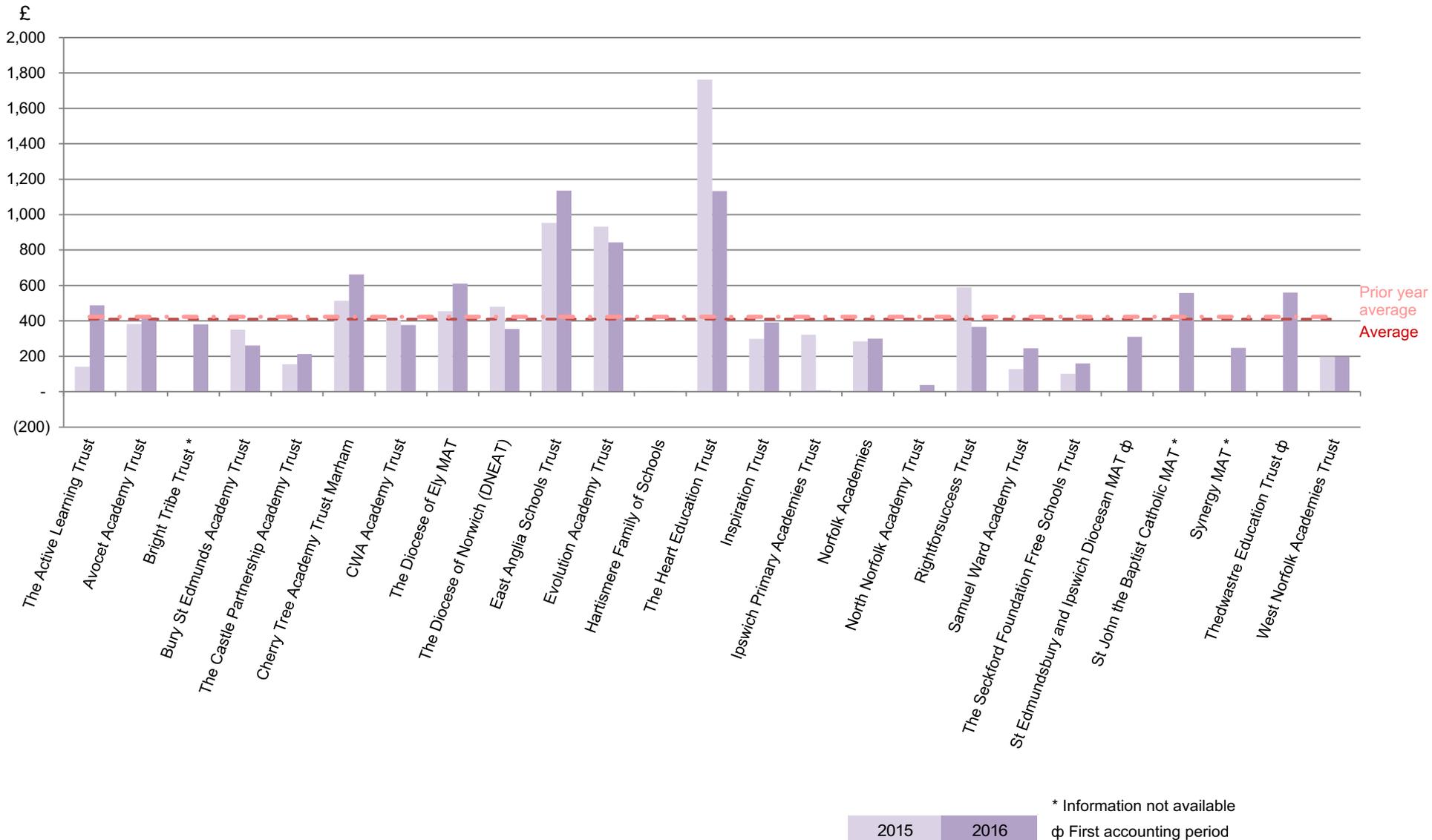
2015

2016

φ First accounting period

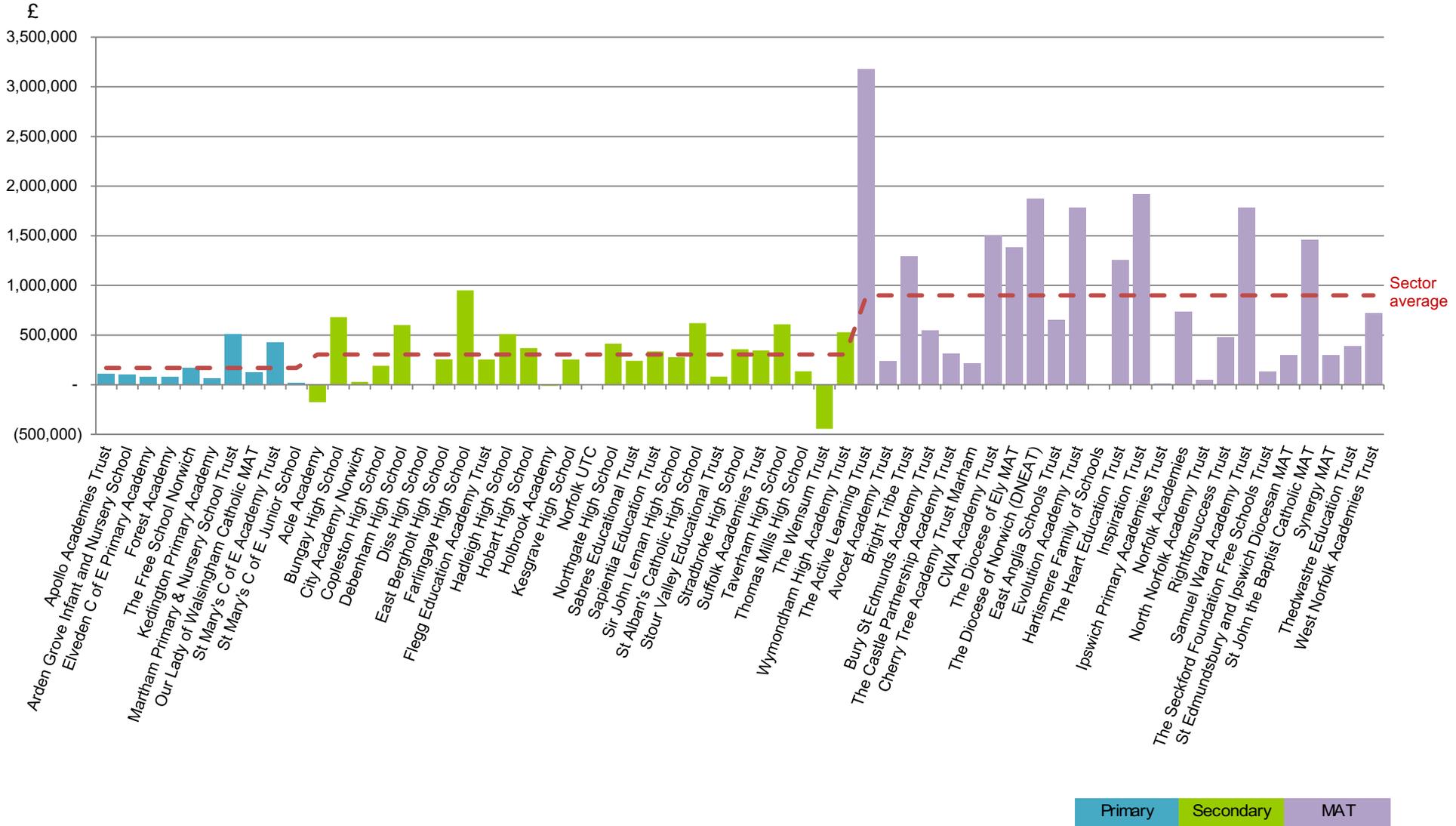
7. Current assets and liabilities

7.5 Unrestricted funds per pupil – comparison to prior year (MATs)



7. Current assets and liabilities

7.6 Free reserves



8. Pensions

8.1 LGPS deficit per non-teacher

Employees of all academy trusts are eligible to belong to one of two principal pension schemes; the Teachers' Pension Scheme (TPS) for teaching staff and the Local Government Pension Scheme (LGPS) for support staff.

The TPS is an "unfunded scheme" which means that academies do not have to include their share of the assets or liabilities in their accounts. The LGPS scheme is accounted for differently, with annual actuarial valuations undertaken in accordance with financial reporting standards determining the asset or liability to be included on the balance sheet. To confuse matters further, the valuation methodology used in arriving at the liability to be included in the financial statements is different to that adopted by the actuary when undertaking the triannual scheme valuations and setting future contribution rates.

For those academy trusts where the information was available, we have computed the LGPS deficit per non-teacher (based on average full-time equivalent).

Not surprisingly, none of the academy trusts examined had a surplus on their LGPS.

Two otherwise similar academies may have very different LGPS liabilities due to the profile (age, sex, length of service) of their support workforce.

8.2 Actuarial loss in the period per non-teacher

The funds within a defined benefit pension scheme will vary from year to year based on factors including movements in stock markets, changes in inflation and joiners or leavers to the scheme.

In addition, as part of each annual valuation, an independent actuary will determine assumptions which underlie the expected future movements in the scheme. An actuarial gain or loss will arise when:

- a) events have not coincided with the actuarial assumptions made for the last valuation; and
- b) the actuarial assumptions have changed.

The LGPS valuations are sensitive to small changes in the actuarial assumptions. A change in the discount rate assumption used at 31 August 2016 compared to the previous year had a significant negative impact across all of this year's valuations and contributed to the large increases in fund deficits. Whilst alarming when reviewing academy balance sheets, the assumptions adopted will change in future valuations and we therefore stress to academies that their focus should be on the level of employer contributions (see 8.4) rather than the size of the overall liability.

8. Pensions

8.3 Movement in LGPS for the period / LGPS deficit brought forward

On average the LGPS deficit more than doubled in the year. This may help trustees contextualise the increase in the deficit at their academy.

8.4 LGPS agreed employer contribution rates for future years – comparison to prior year

Following the triennial valuation of the LGPS at 31 March 2016, academies received schedules of indicative future contribution rates at the end of 2016 and are now receiving confirmation of these rates.

As expected, in most cases contribution rates are set to increase over the next three years starting from April 2017, typically at the maximum rate permitted under the “stabilisation overlay” of 1% per annum.

The contribution rate percentages disclosed in the financial statements and therefore used in the graph do not include any additional deficit lump sum payments that academies may be committed to.

The most common (mode) contribution rate for the Norfolk Pension Fund was 16.8%, whereas the mode for the Suffolk Pension Fund was 25.5%.

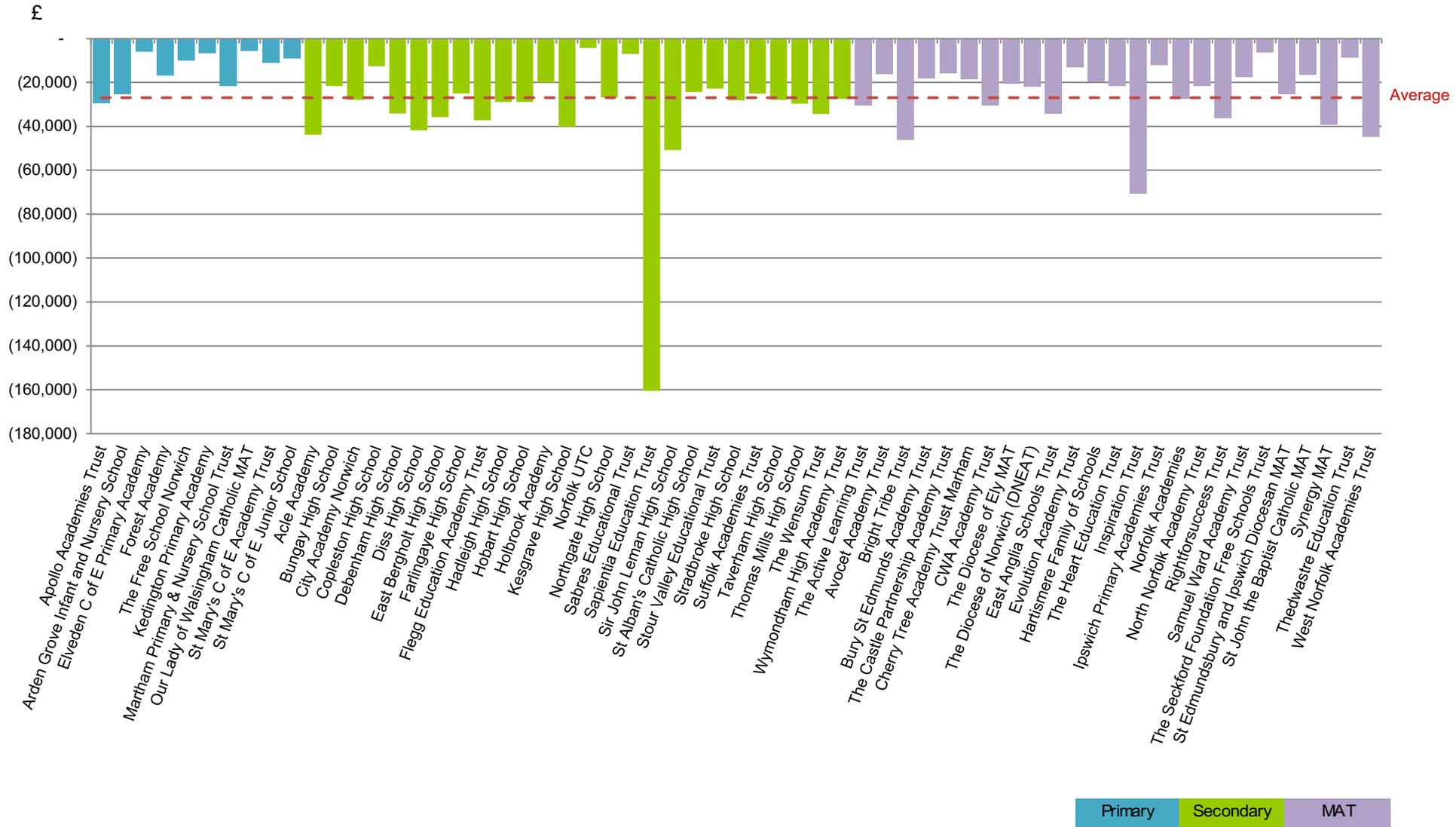
8.5 Pension costs / GAG income

Employer contribution rates to the TPS increased from 14.1% to 16.4% in September 2015. When added to the cost of the LGPS, academies paid on average 13% of their GAG income on pension costs in 2015/16.

Academies should now be aware of the LGPS contribution rates that will apply for the three years starting in April 2017. What is not yet known is the level that Teachers’ Pension contributions will be set at when these are revised from April 2019. However, the current consensus is that they are likely to increase significantly, perhaps as high as 20%.

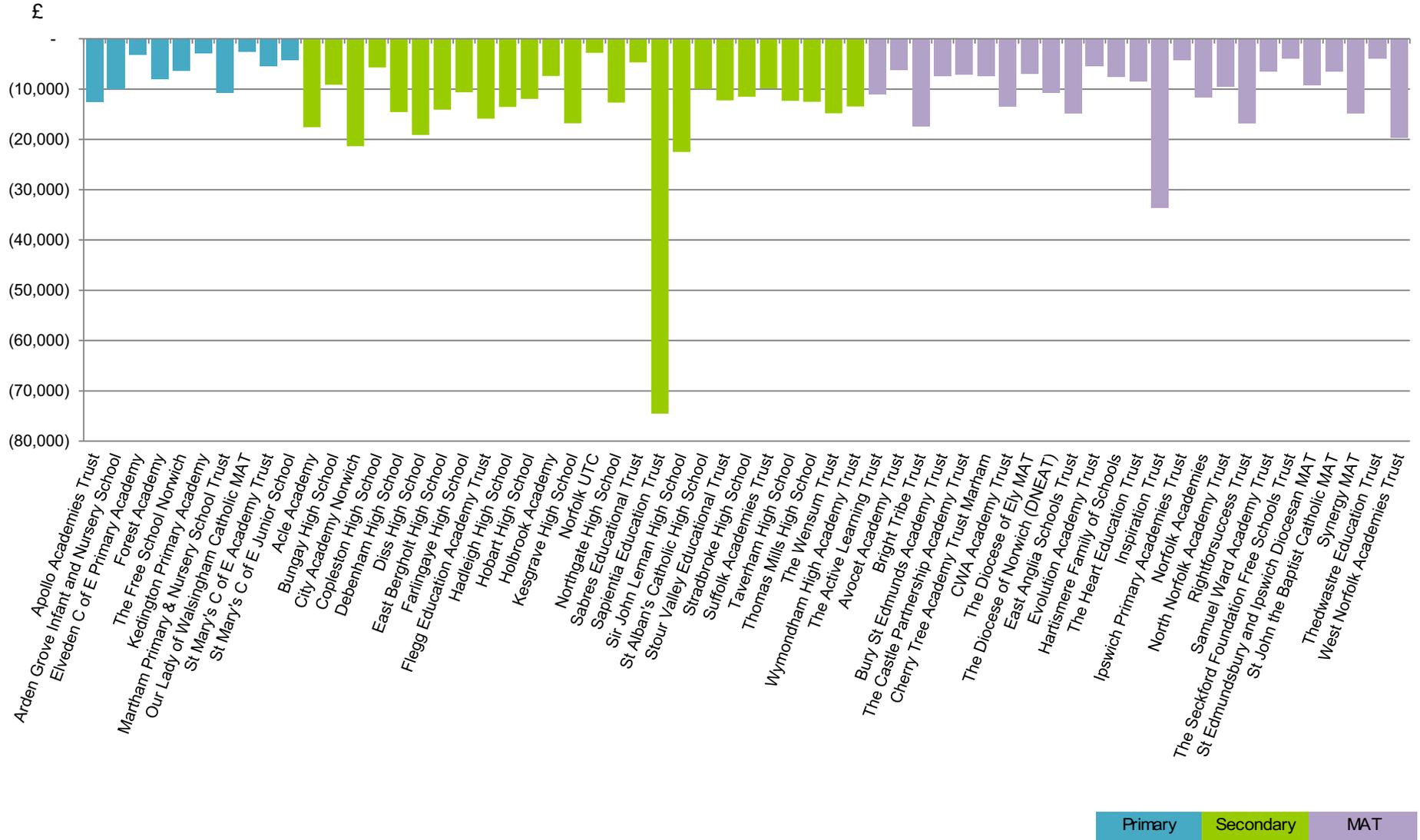
8. Pensions

8.1 LGPS deficit per non-teacher



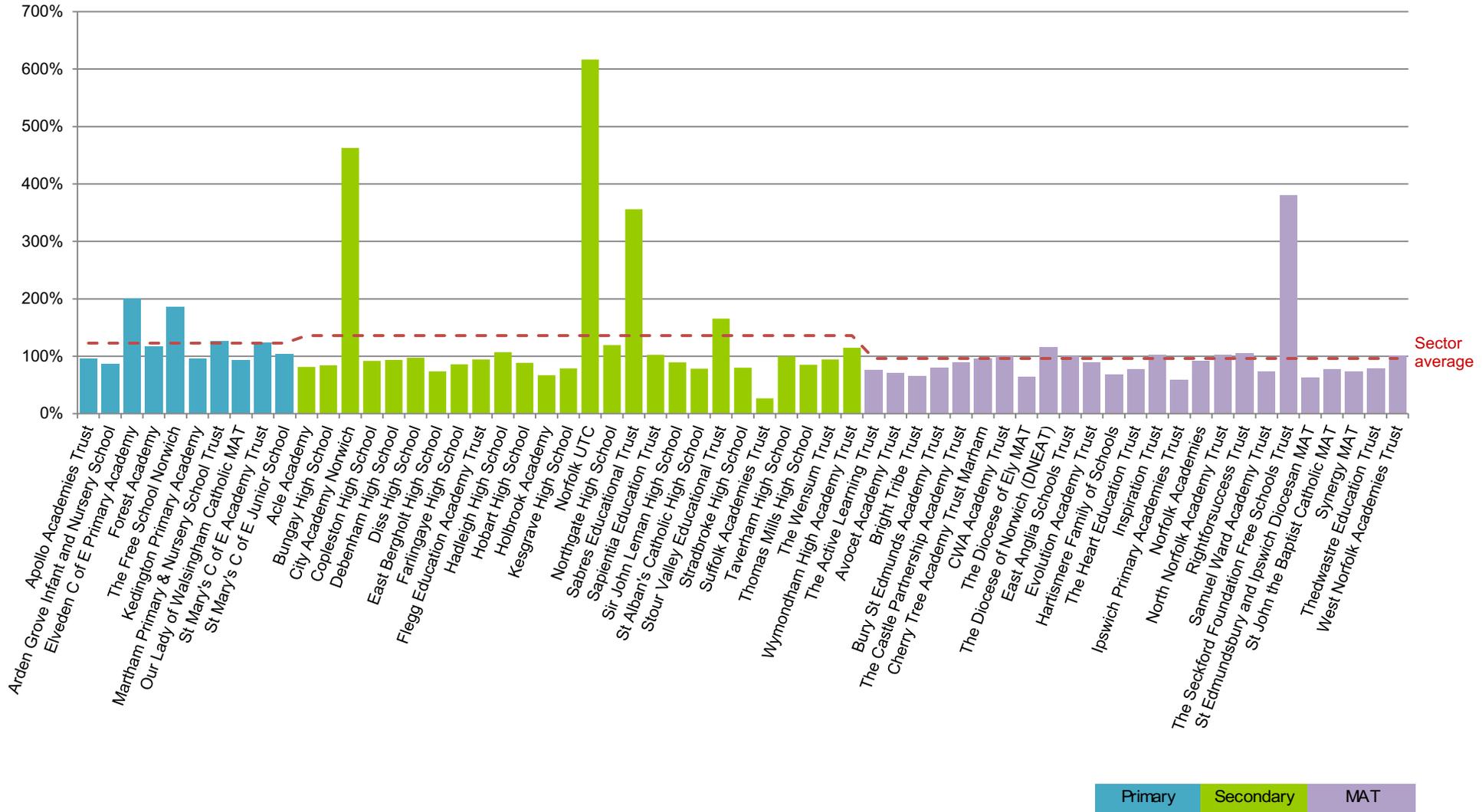
8. Pensions

8.2 Actuarial loss in the period per non-teacher



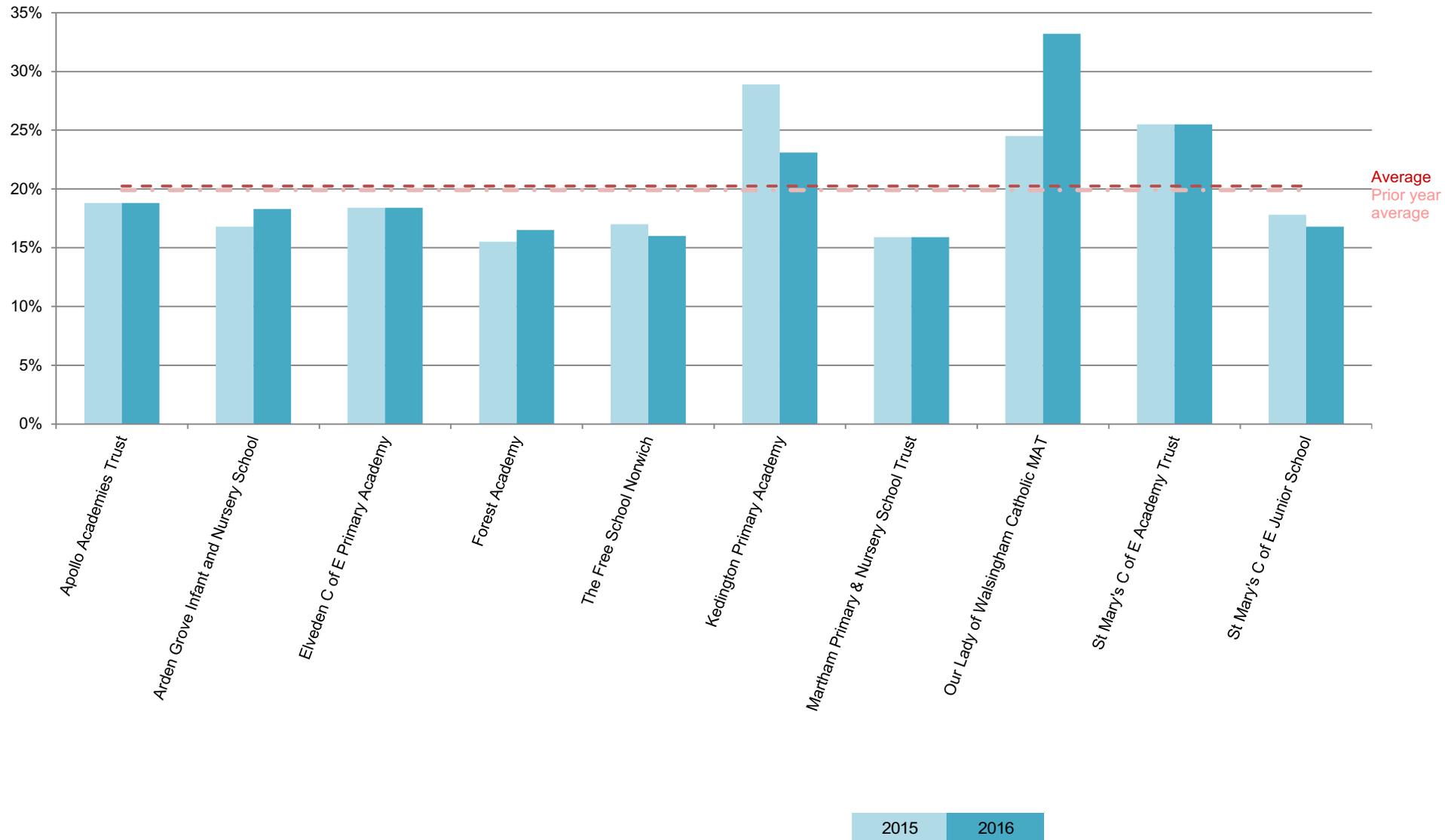
8. Pensions

8.3 Movement in LGPS / LGPS deficit brought forward



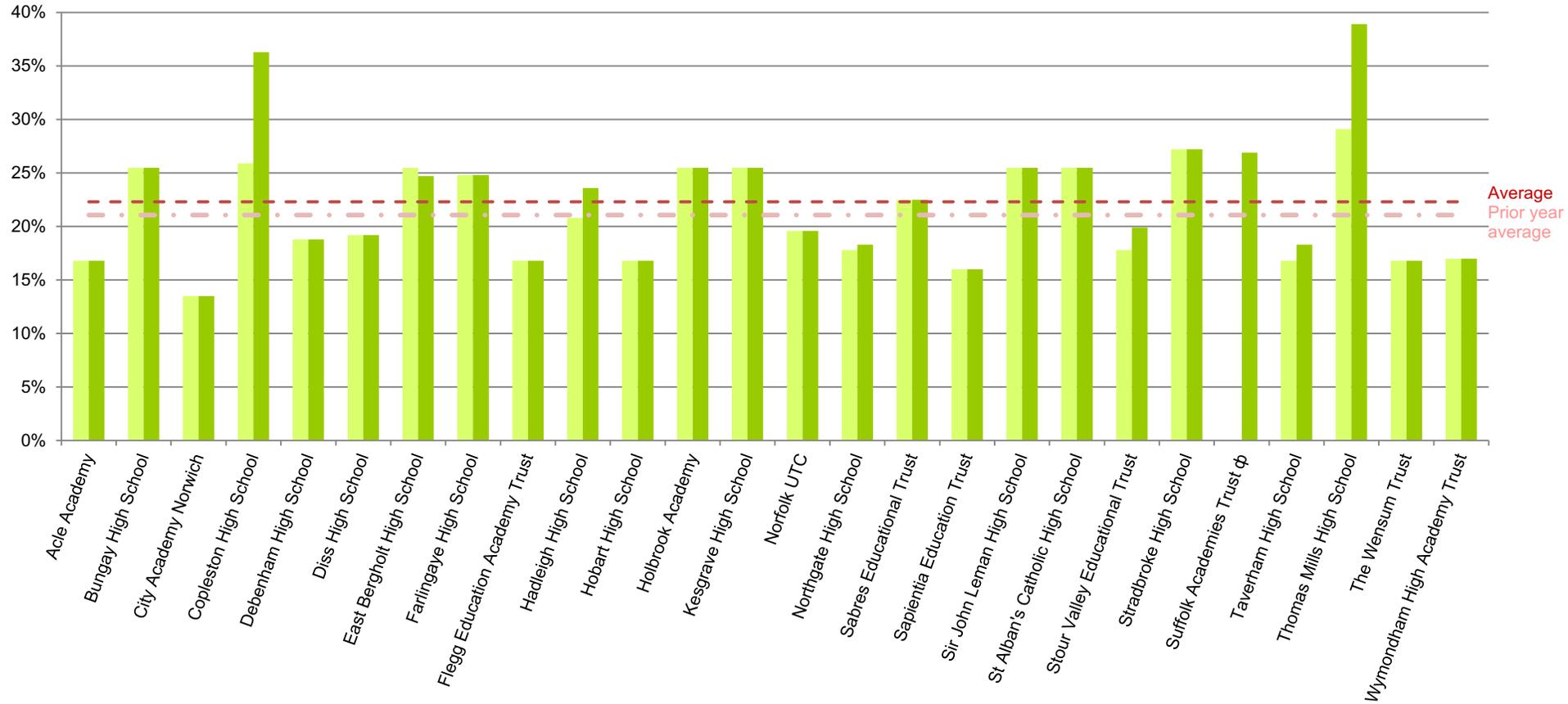
8. Pensions

8.4 LGPS agreed employer contribution rates for future years – comparison to prior year (primary schools)



8. Pensions

8.4 LGPS agreed employer contribution rates for future years – comparison to prior year (secondary schools)



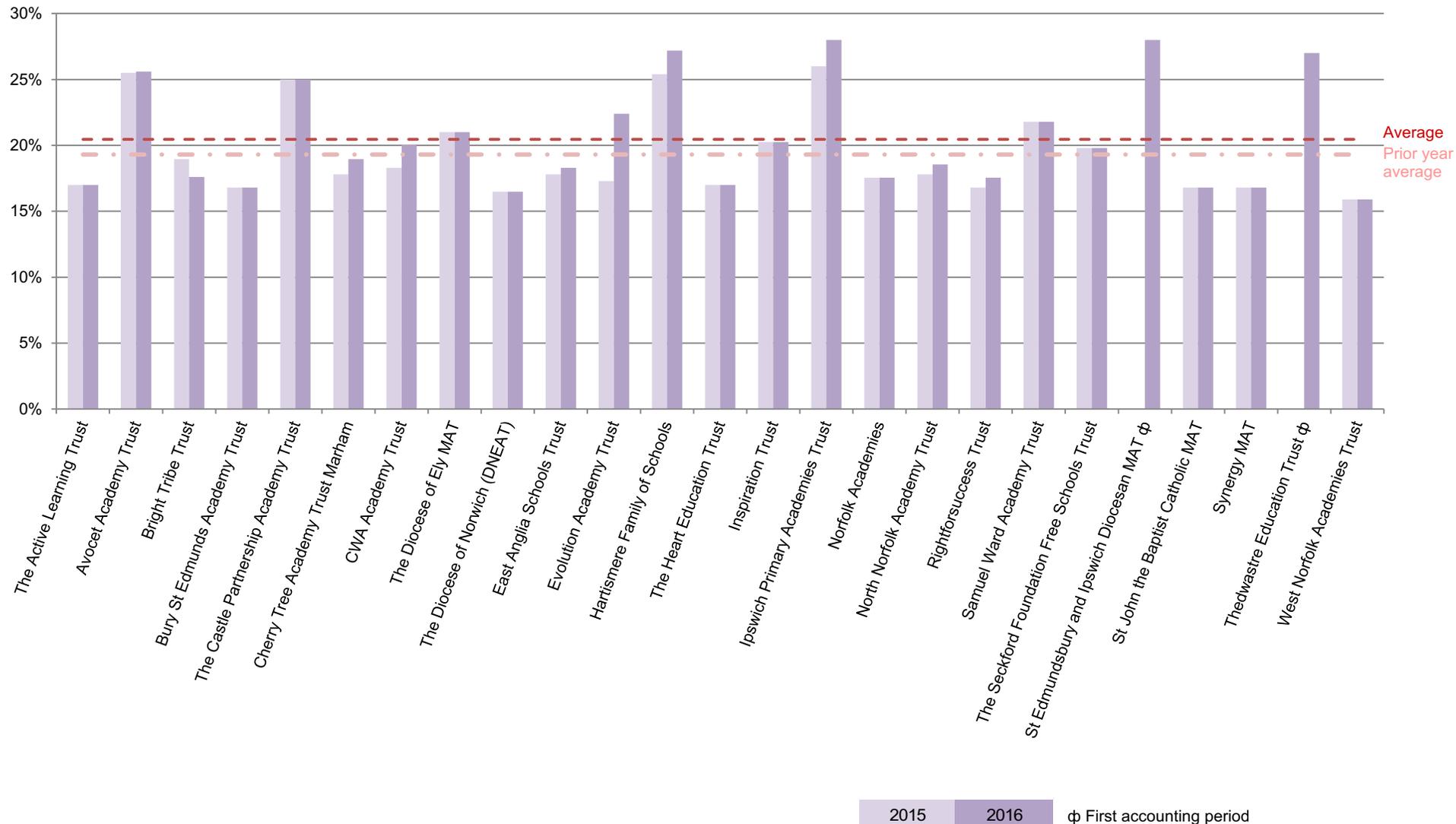
2015

2016

φ First accounting period

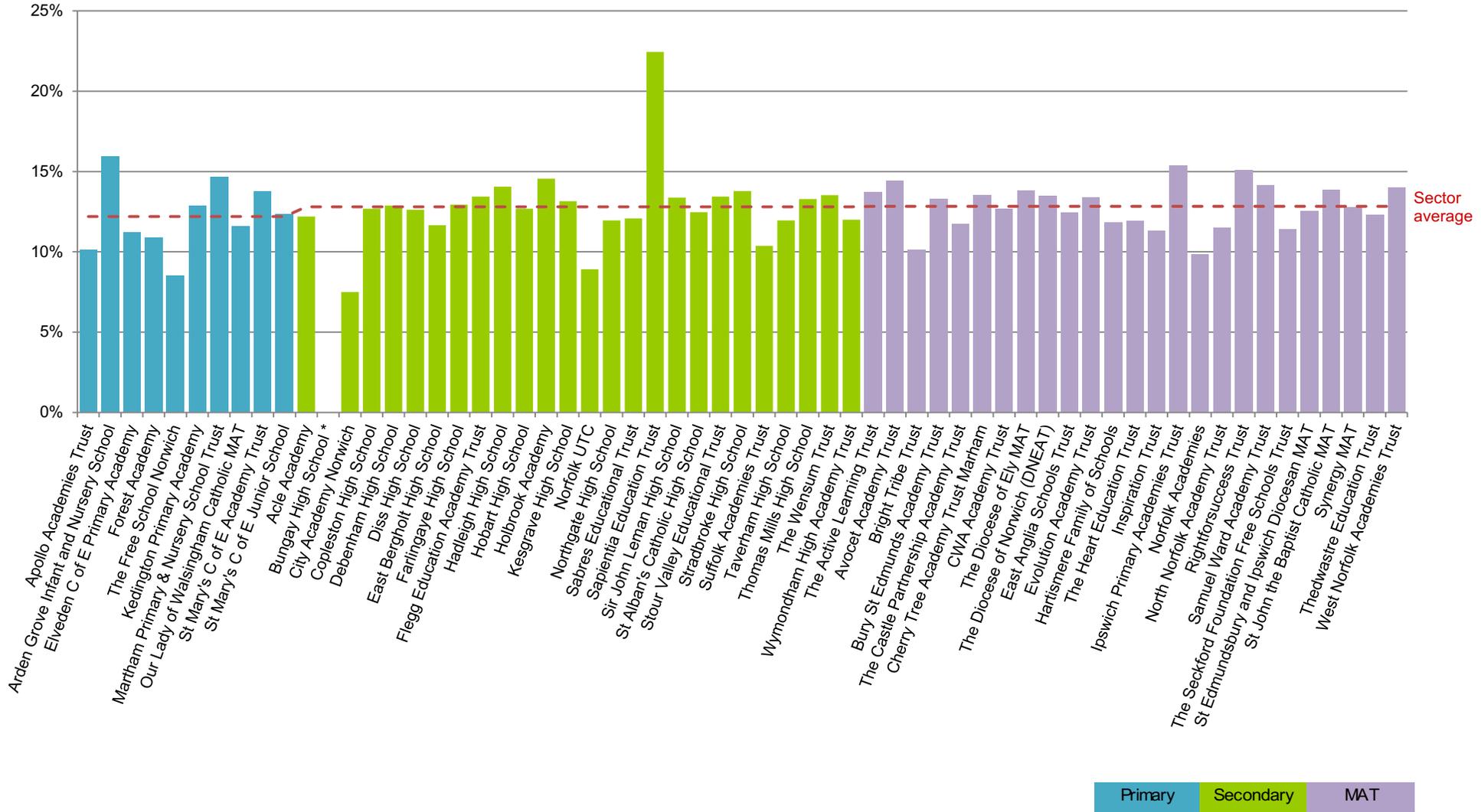
8. Pensions

8.4 LGPS agreed employer contribution rates for future years – comparison to prior year (MATs)



8. Pensions

8.5 Pension costs / GAG income

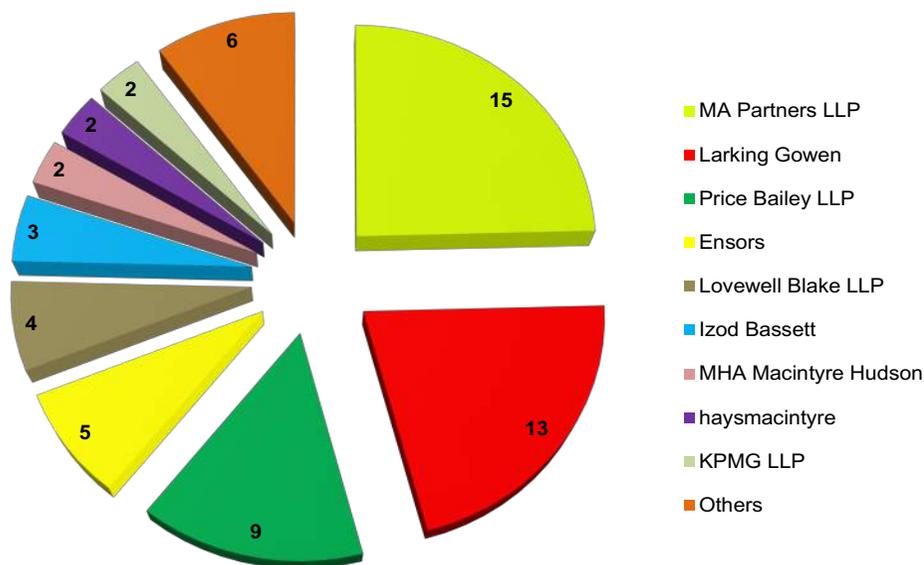


* Information not available

9. Miscellaneous

9.1 Auditors

The audits of 61% of the academy trusts in this survey were undertaken by 3 firms: MA Partners LLP, Larking Gowen and Price Bailey LLP.



Three audit reports included an “emphasis of matter” paragraph in 2016 highlighting issues around the “going concern” status of the relevant trust. The number of “emphasis of matter” paragraphs has been increasing nationally (36 (1.3%) for 2013/14, 92 (3.2%) for 2014/15). The Department for Education stated that “the increase in “emphasis of matter” statements reflects in part the Department’s advice to auditors to take a more rigorous approach to drawing trustees’ attention to issues of financial challenge”. The fact that more schools are struggling financially is in our view the main reason for the increase.

Each academy trust includes an assurance report on regularity in its accounts, which provides limited assurance that the income and expenditure recorded by the trust is in accordance with the purposes identified by Parliament and allowable within the governance documents that academy trusts have to follow. An “except for” finding means that the independent auditors found some element of income or expenditure that may have been outside the permitted use. We identified two “except for” assurance reports in the sample surveyed.

9.2 Total auditor fees

The range of services provided by auditors to academy trusts will vary depending upon the trust’s individual requirements, and thus the fees payable to auditors may not relate to like-for-like services.

Total fees payable by academies in the survey to auditors came to just over £880,000 (2015 - £829,000).

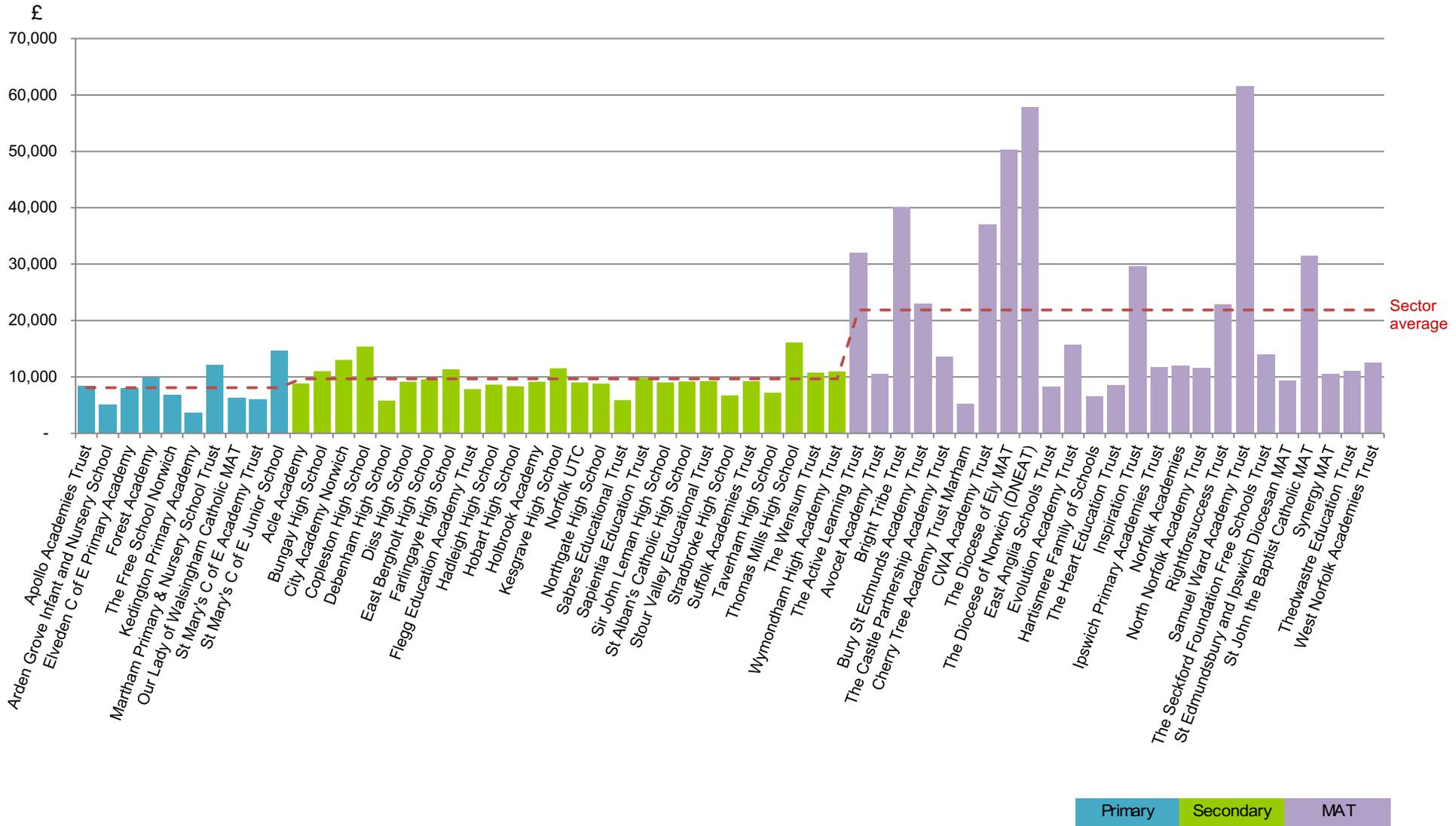
9.3 Total auditor fees / GAG

The graph shows total fees payable to auditors as a percentage of GAG income.

On average, fees payable to auditors by primary schools are approximately 1.0% of GAG and for secondary schools the figure is approximately 0.2% of GAG. The higher figure for primary schools reflects the fact that a similar level of audit work is required regardless of the size of school. Indeed, many primary schools require more assistance with their finances than the better resourced secondary schools. The average figure for MATs was 0.3%. These percentages have not changed from 2015.

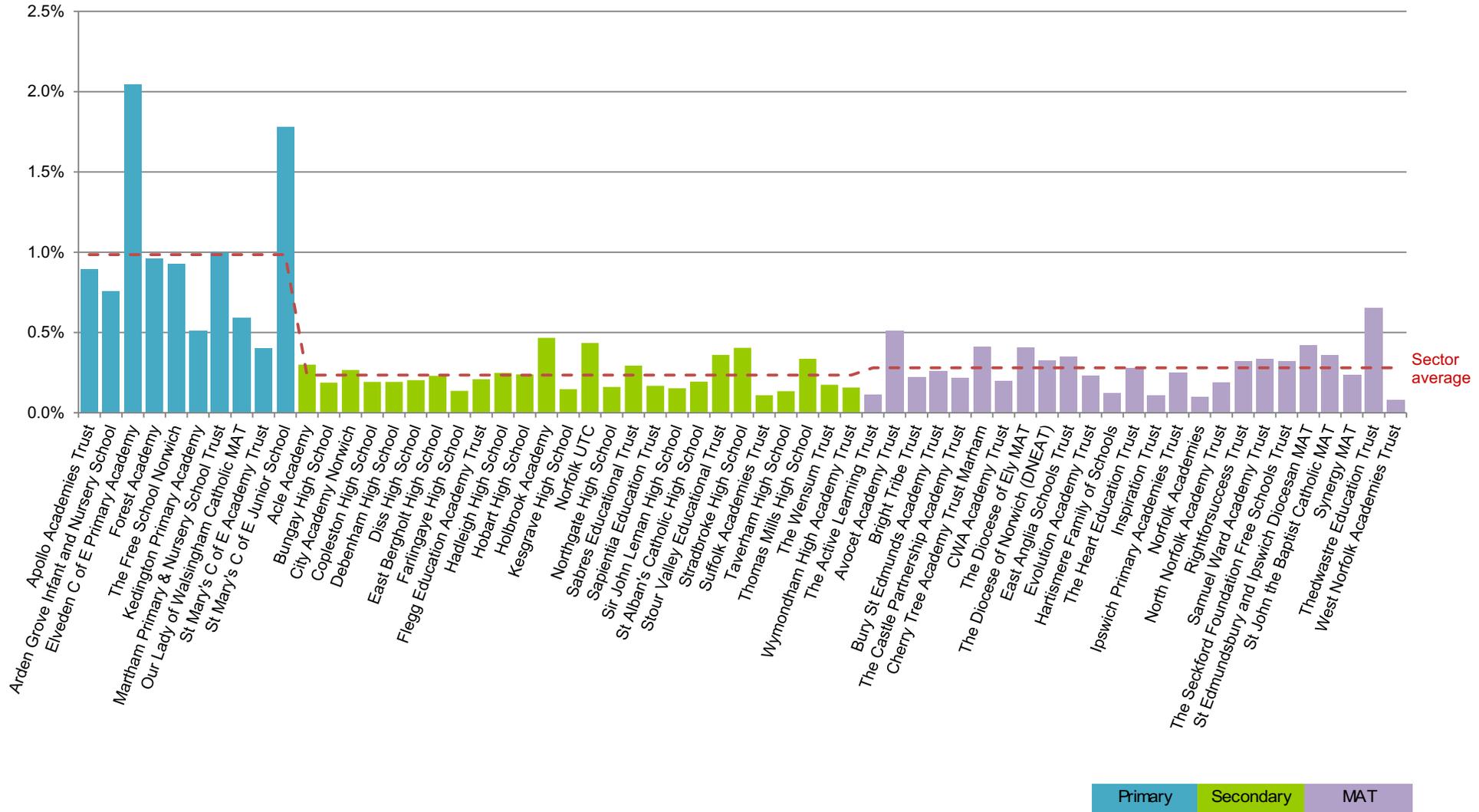
9. Miscellaneous

9.2 Total auditor fees



9. Miscellaneous

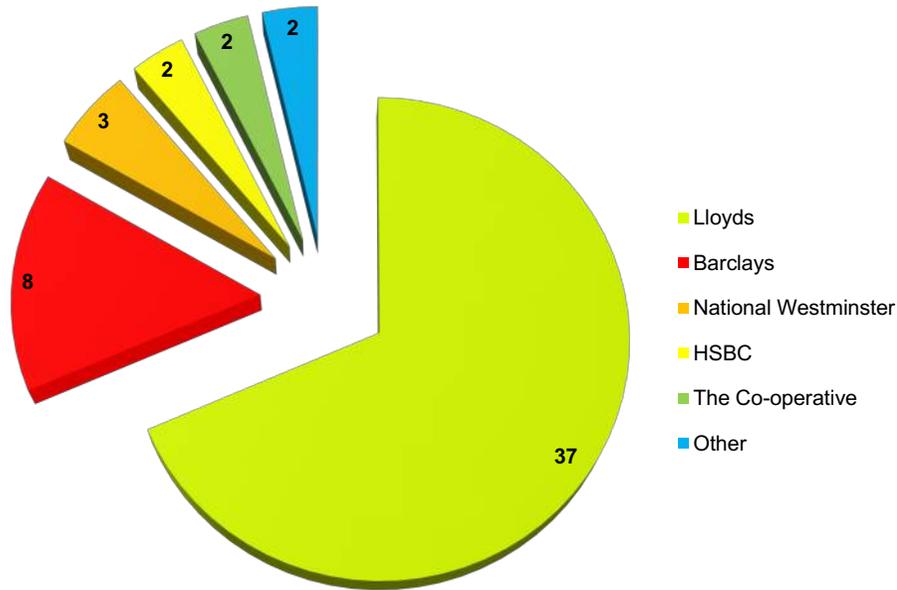
9.3 Total auditor fees / GAG



9. Miscellaneous

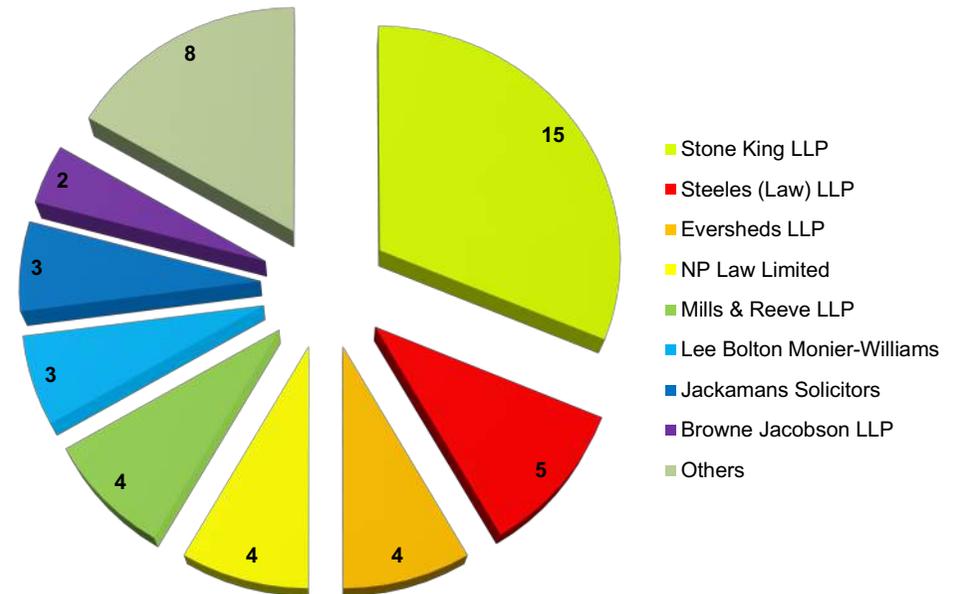
9.4 Bankers

In most annual reports, disclosure has been made of the academy trust's bankers and solicitors. As in prior years, Lloyds Banking Group continues to dominate the sector.



9.5 Solicitors

Stone King LLP represents over 32% (2015 - 27%) of the academy trusts surveyed.



10. Conclusion and contact details

10.1 Conclusion

For most schools 2015/16 was a challenging year financially with many eating into their reserves to finance in-year deficits and the outlook does not look encouraging.

The National Audit Office's report published in December 2016 noted that "mainstream schools have to make £3.0 billion in efficiency savings by 2019-20 against a background of growing pupil numbers and a real-terms reduction in funding per pupil". The Department for Education estimate that these savings can be made through better procurement (£1.3 billion) and by using staff more efficiently (£1.7 billion). Whether these estimates are achievable, particularly if educational outcomes are to be unaffected, remains to be seen. We are hearing more and more that school leaders have already "cut" as far as they can and making further savings will impact upon the education of their pupils.

Collaboration between schools is likely to be a key factor in trying to secure savings through economies of scale and combined purchasing power. This is consistent with the promotion of MATs and we foresee the number of MATs, and the number of schools within each MAT, continuing to grow strongly over the coming months.

We are aware that no two academy trusts are the same and thus any benchmarking exercise has its limitations. This is particularly the case with MATs which range widely in terms of size and make-up. We hope that the data and observations contained within this report will provide school leaders with useful information to aid their understanding of their academy's results and assist in decision making.

We hope you have found this report useful and look forward to working with existing and new academy clients in 2017.

10.2 Contact details

MA Partners LLP has been advising academy trusts since 2009. We have an unparalleled team of qualified accountants who have experience in acting for academy trusts and receive specialist training to ensure they are best placed to advise on the issues facing the sector.

The academies team is led by Frank Shippam.



Frank Shippam BSc FCA DChA Partner

Frank has considerable experience of advising not-for-profit organisations on technical and strategic issues and has been instrumental in growing the Firm's portfolio of academy clients. He holds the Diploma in Charity Accounting issued by the Institute of Chartered Accountants in England & Wales.

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