

# UHY's academies benchmark report

## For academic year 2012/13

*Adding value for our academy clients*

February 2014



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# 1. Foreword from UHY's Academies Chair



*Last year was a more settled year for the sector than 2012. The EFA's reporting requirements are clearer and guidance for academies was issued earlier last year. With the EFA having their latest accounts qualified, however, it will be interesting to see the implications in 2014.*

*Allan Hickie, Chair of UHY's national academies group*

This is our second benchmarking report for academies, and our first covering the whole country. It has been developed in response to the success of our report last year, which focused on the South East region. It is designed to bring together information which you can use to benchmark your academy against others. Throughout the report we provide commentary on topical issues for academies.

Our benchmarking report is based mainly on UHY Hacker Young clients, but also includes some other academies to gain a wider spectrum whose information has been sourced from Companies House. The report covers 75 academies in total, and there is a mixture of secondary school and primary school academies, new and old style sponsored academies, as well as information from individual academies within multi-academy trusts.

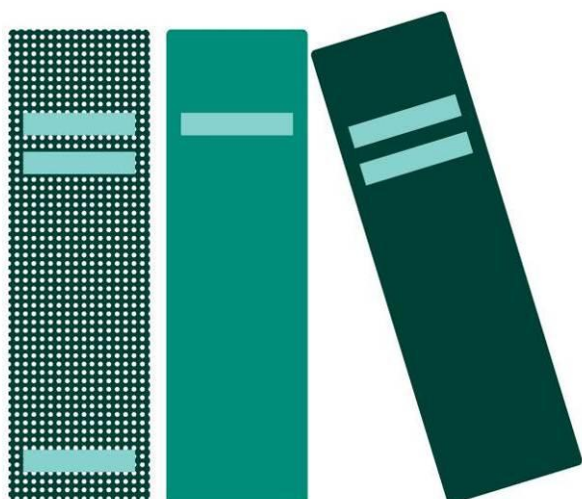
Our experts meet regularly with academy finance managers, business managers, their trustees, and their headteachers. It is clear that, whatever each individual's role may be, there is a common focus on improving their academy. Our report will help you benchmark where your academy sits compared to other likeminded schools, and I hope you will find it to be useful and of interest.

2013 was a more settled year for the sector than 2012, with the reporting requirements for academies now clearer, and publications such as the revised Academies Financial Handbook and Annual Accounts Direction being published much earlier than previously.

However, you may have noticed recently that the Department for Education's (DfE) latest accounts have been qualified as a result of concerns over academies' finances, and it will be interesting to see what the implications of this may be.

I understand that the Education Funding Agency's (EFA) Finance and Assurance Group met recently and have decided that 50 multi-academy trusts and 75 standalone academies will be asked to provide some additional assurance on capital spending between April and September 2014, although the details of this are as yet unclear.

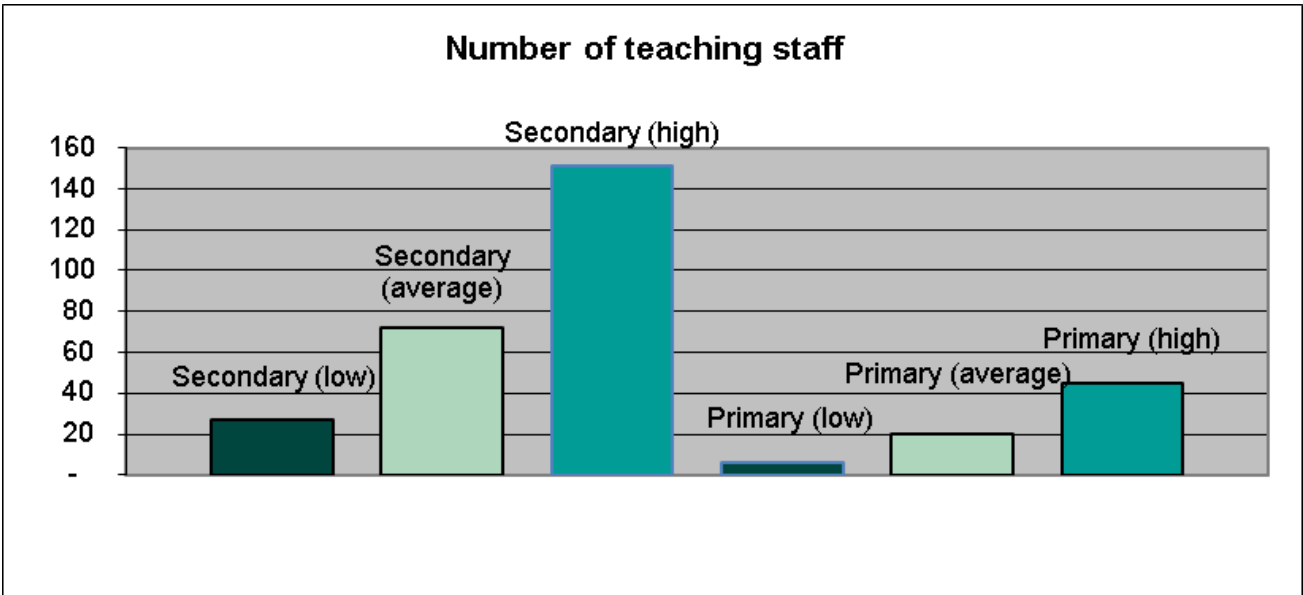
Although the EFA now seem to be content that August accounts can be used for government consolidation accounts, I still wonder whether more academies may yet be asked to produce a detailed return to 31 March. Look out for developments arising from this announcement later in 2014 in our Academy Schools Update publications.



# 2. Staff costs, numbers and teaching staff to pupil ratios

Freedom is important to academies. Freedom to spend your budget in the way the trustees decide is best for the school and freedom to vary your curriculum and how you teach this. Moving forward this could impact on the number of teachers you require, and so it is interesting to look at the average number of teachers, support staff and management in academies now. Time will tell if these change.

The forthcoming changes in 2015 that will see an end to contracting-out for employers' for National Insurance purposes, and an increase of 3.4% in the rate of employers' contributions paid by academies (a 33% rise!), will affect academies hard. Academies should be preparing mid to long term forecasts now and budgeting for the effect of these changes, allowing them time to react and implement plans to deal with implications.

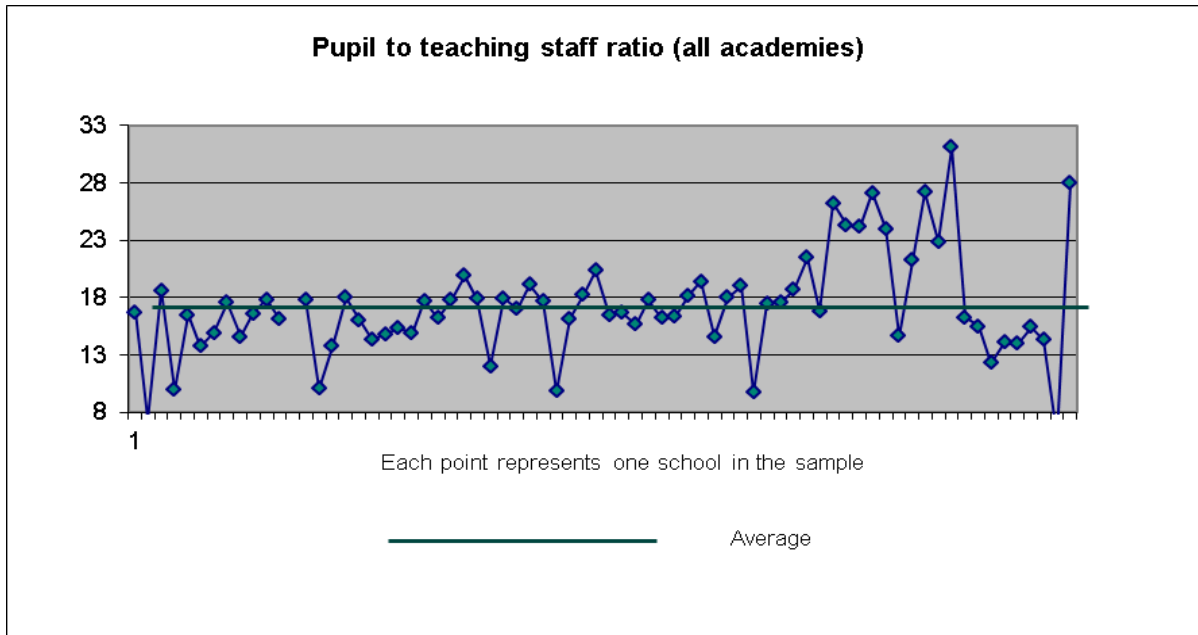


The chart above shows the large variation between the lowest, average and highest numbers of teaching staff across the academies in our sample. But this is probably no surprise; academies come in all shapes and sizes.

The smallest primary school in our sample had just 12 teaching staff, the highest had 45.

The smallest secondary school had 42 teaching staff, the highest 151.

What is probably more useful, therefore, is a comparison between teaching staff to pupil ratios, shown on the graphic on the next page



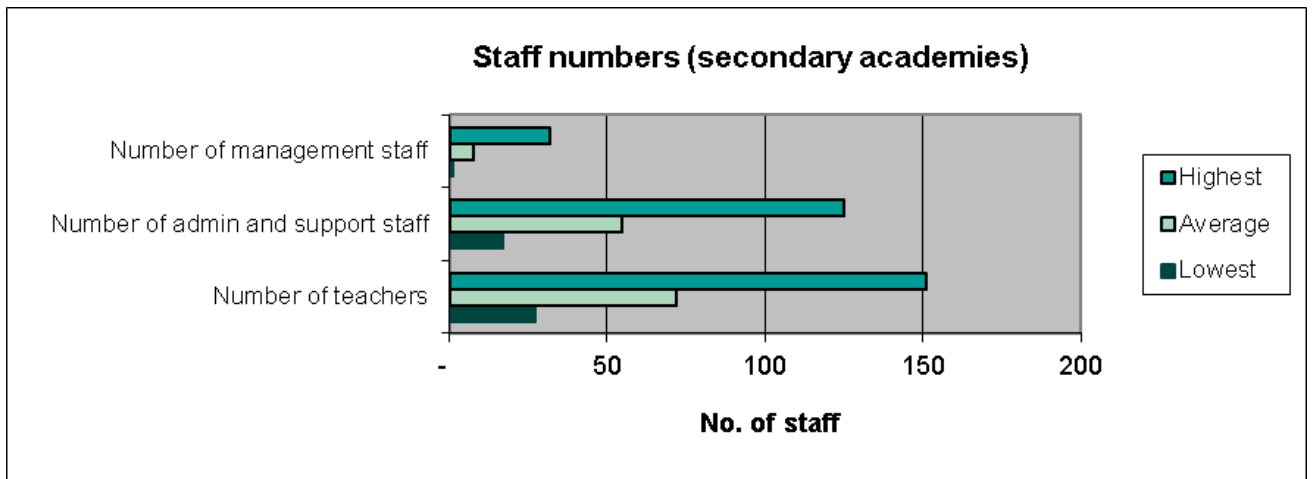
The graphic charts the pupil to teaching staff ratio across all of the academies in our sample. The average is 17 pupils to one member of teaching staff and the highest 31. Several schools appear to have a pupil to teaching staff ratio of less than 5:1, which seems unlikely at best. The most likely explanation for these results is the different approach academies have taken to working out the average number of Full Time Equivalent (FTE) employees.

Staff costs are the largest cost for any school, however, and if your pupil : teaching staff ratio is very low compared to the average this can mean one of two things: either your school is overstaffed or less efficient than others, or there has been a conscious decision to keep pupil numbers per teacher down to advance teaching standards. We suspect very few schools have made a conscious decision like this if only because few are in a financial position to be able to do so.

### Types of staff

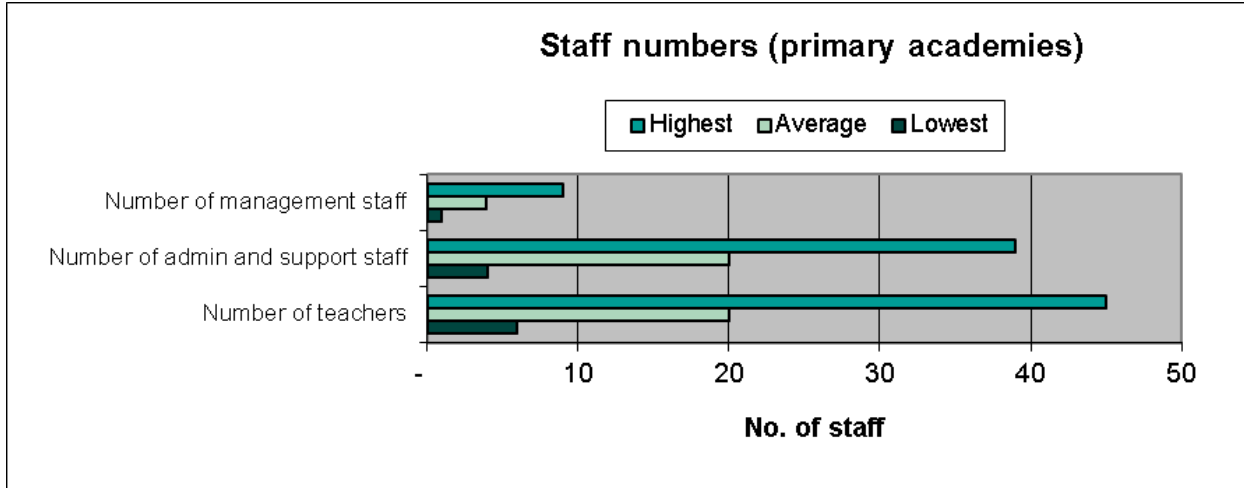
The Accounts Direction requires academies to report the number of staff in three headings: teaching staff, admin and management. However, a number of academies chose to report in a different way. Some disclosed teaching staff and teaching support assistants, then included all other staff simply as "other". Others appear to have approached the split between administrative staff and management in different ways.

The graphic below shows the variation in types of staff across the secondary school academies. It would be reasonable to expect that management staff include the headteacher or principal and other members of the senior leadership team, or equivalent, but one secondary school reported just two management staff, compared to the average of seven, and one school, a special school, reported a total of 32 management staff. Perhaps they included all department or heads of year as management.



What about primary schools? The number of admin and support staff ranged between eight and 37, with an average of 24. One primary school reported just one member of the management team -

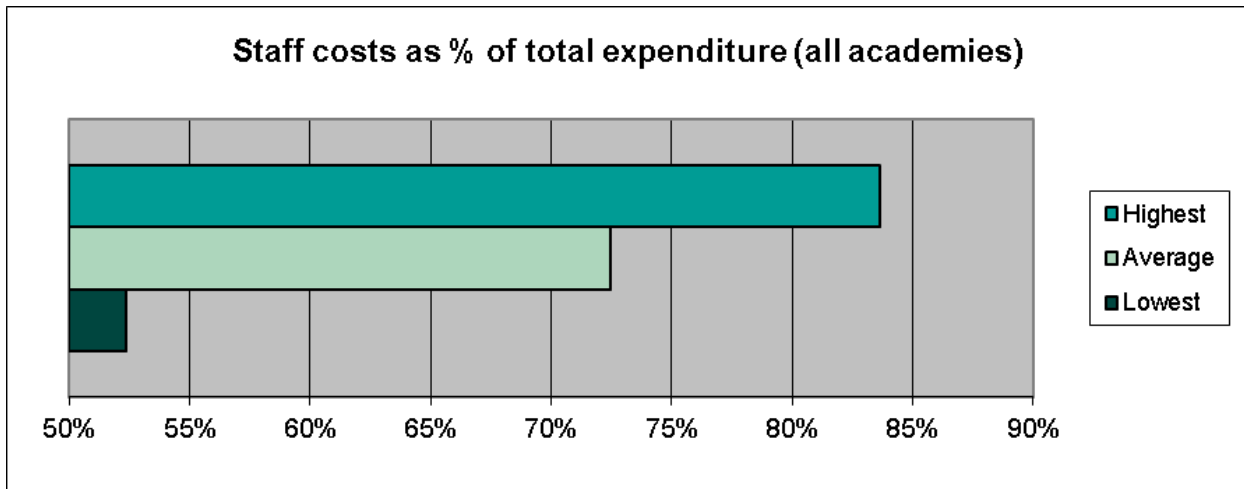
presumably the headteacher - whilst one primary school had nine, more than the average across the secondary schools.



### Staff costs ratio

Staff costs are every academy's biggest expense and by some way. It therefore follows that if an academy is struggling financially and finds itself in a deficit

position then cutting staff costs is the logical remedial action. So let us take a look at how much of an academy's annual budget staff costs represent.



The chart above shows the staff costs as a percentage of total expenditure, for all academies in the survey. Nearly half the academies reviewed were within 3% of the average of 72% and, tellingly,

there was little difference between secondary and primary academies; although one secondary school reported staff costs of 52% of total costs - 7% less than the next nearest academy.

### Staff costs as % of total costs

	Lowest	Average	Highest
Secondary academies	52%	72%	84%
Primary academies	63%	74%	82%

The problem academies face is that despite the freedoms that come with academy status, staff costs remain largely out of their control in the short-term, save for making redundancies. Teachers' pay scales mean that most staff will receive an automatic pay rise each year, adding a significant cost to running the school year on year.

Academies do have the freedom to set their own pay scales, but new academy converters are restricted by the Transfer of Undertakings (Protection of Employment) (TUPE) Regulations. Under the TUPE regulations, staff transfer over from the Local Authority at their existing pay and contract conditions. Where academies do have freedom is when it comes to contracts for new staff appointed after they have converted.

However, from our experiences working with academies across the country, few schools have broken away from the standard structure. Much of the opposition against academies has come from teaching staff, sometimes because they are worried about changes of this nature, so this is understandable.

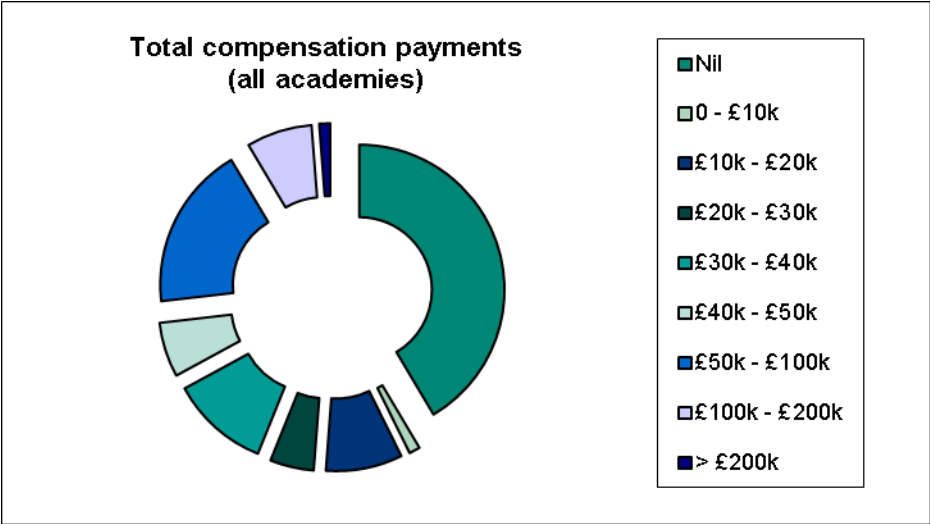
There have been many changes in senior staff across the academies we act for, from headteachers retiring, to others moving to other schools, and a wave of changes in the finance department. We have witnessed a number of finance officers and school business managers leave their positions within two years of their school converting. It is unclear to what degree this is linked to the additional workload

academy status brings. Anecdotal evidence suggests most are leaving for other reasons, but we believe the number of changes may be too much of a coincidence!

A review of the schools at the lower and higher end of the ranges reveals that these academies do not necessarily post the overall results that you may imagine, considering how fundamental staff costs are to an academy. For example, some of the academies with the lowest percentage of staff costs had relatively weak overall surpluses, although this could be for a variety of reasons.

**Compensation payments**

We have already noted that academies struggling financially have to make redundancies to cut staff costs with a requirement to disclose any compensation payments paid during the year. The results of our study showed more than half of the academies sampled had made some compensation payments during 2012/13. One large secondary academy made approximately £270,000 of compensation payments. However, we note with interest that many academies failed to comply with the additional requirement of the Academies Financial Handbook to separately disclose any specific amounts exceeding £5,000. The largest individual payment noted in our sample was a payment of £78,000, with a payment of £63,000 close behind; interesting when you consider the exercise an academy should go through assessing value for money before making such payments.



# 3. Pension costs and liabilities

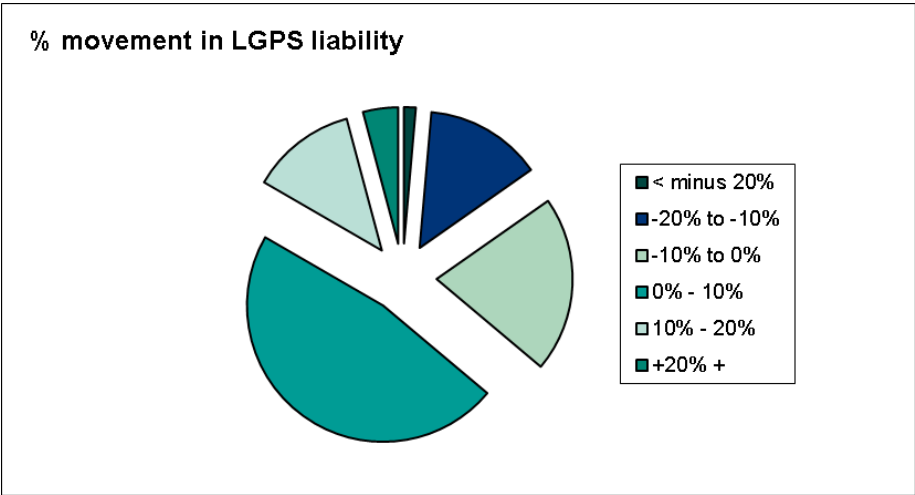
Academy accounts include the Local Government Pension Scheme (LGPS) liability on their Balance Sheets, and this is a figure which can cause a great deal of confusion (and debate). This liability is often the focus of questions we are asked whenever we attend governors' meetings.

The contribution rate paid by academy schools is different to that of Local Authority schools and can vary enormously depending on where they are located. However, the rates can also vary between academies within the same Local Authority. Further, it can be difficult to understand why two academies that are otherwise very similar can have very different pension costs.

Academies receive an estimate of their LGPS liability at the point they convert, and their contribution

levels are assessed and set at this time, based on this liability. It is therefore important that converting schools understand their LGPS liability and the impact on their contributions. In some parts of the country Local Authorities are requiring academies to repay their LGPS liabilities over set periods of time; we have heard of these ranging between five to 13 years. Other Local Authorities have not set repayment periods.

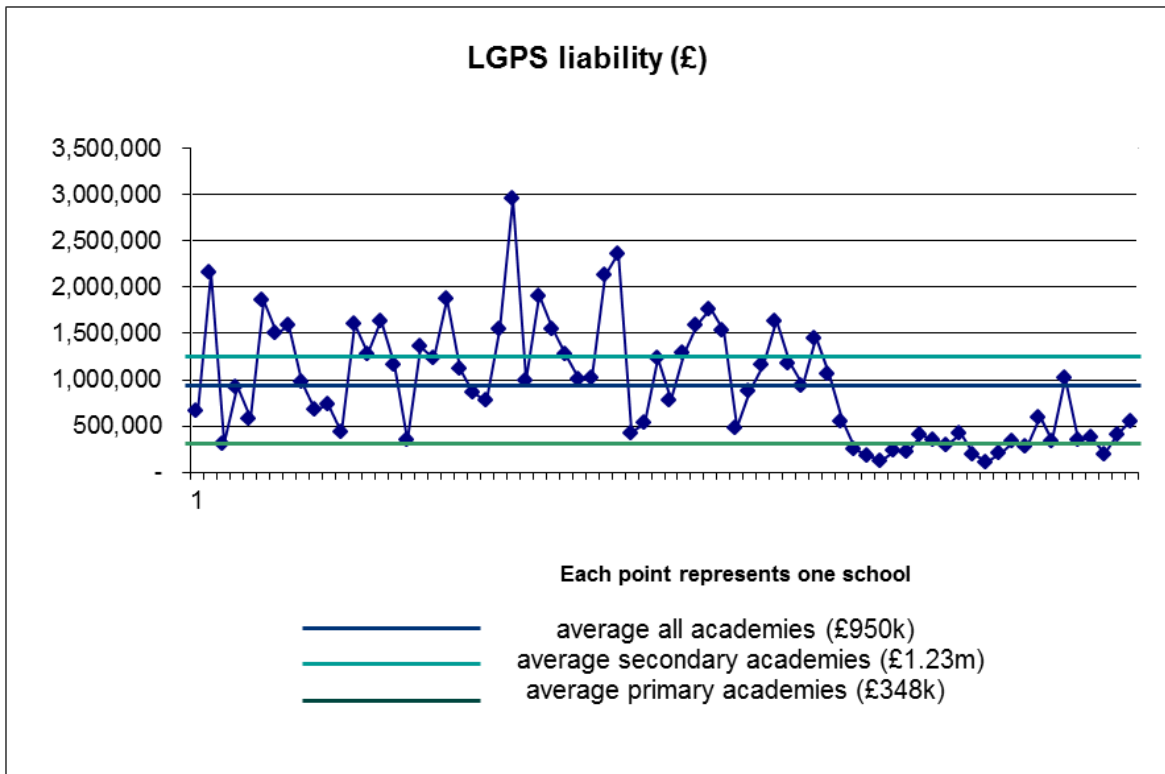
The liability included in the year end financial statements is based on a detailed FRS17 report prepared by a qualified actuary. The actuary assesses specific data for your academy, such as staff profile and number of active members, and calculates a liability looking at stock market performance of assets and using various assumptions, such as life expectancy.



The pie chart above highlights the variation in LGPS liability movement. Whilst almost half of our sample saw their liabilities increase by between 0-10%, around 1/5 saw their liabilities reduce by a similar amount. Three academies saw their liabilities

increase by over 20% during the course of 2012/13, yet one school's liability reduced by 20%. Quite a mixed bag.

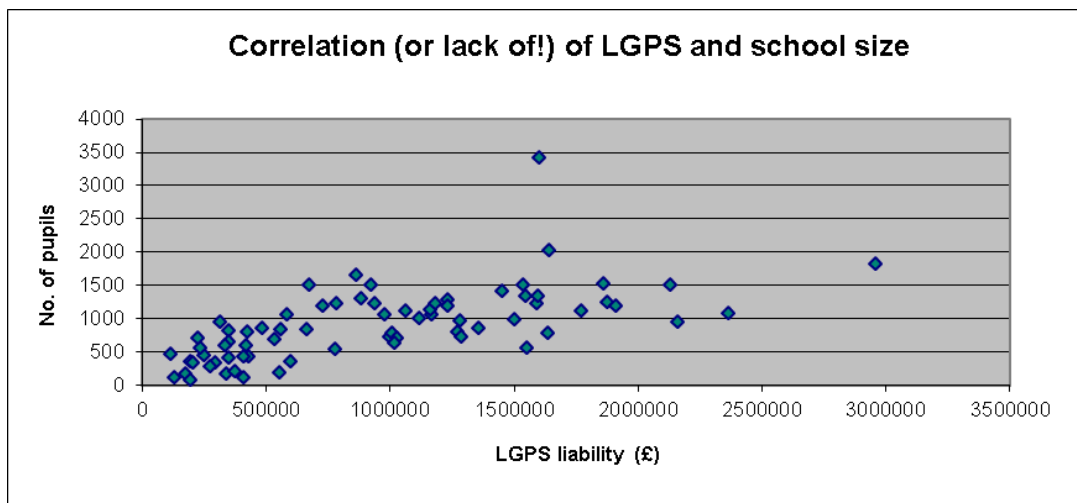




The graphic above shows the complete range of LGPS liabilities across the academies covered by our report. Within the secondary schools the average is unexpectedly higher than the combined average for all schools, which sits at just over £1.2million. The average in our report last year was £1.1million. The lowest secondary school liability was just £313,000 and, although this did come from one of the smaller secondary schools with around 950 pupils, there

were similar sized schools and even smaller ones with liabilities well in excess of £1million. The largest liability in our sample was £2.9million, although this was for a very large secondary school with over 1,800 pupils.

It would seem that the staff profile can vary so much between academies that there really is little correlation between the size of an academy and its pension liability, as highlighted by the graphic below:

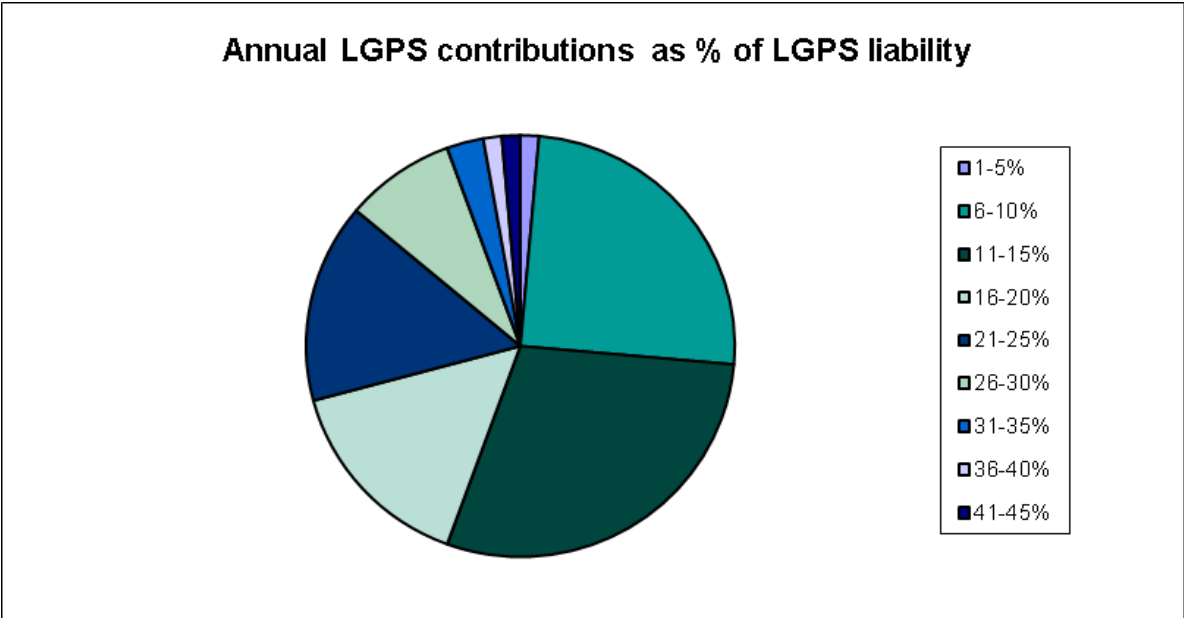


The LGPS has a full valuation every three years and it is at this point the contribution levels for the coming three years are set. Academies across the country have heard, or are starting to hear, what their employer contribution rates will be from April 2014. A number of academies have seen reductions of up to 3% in their rate, saving them a significant sum.

Affordability of the monthly contributions is key. A number of the academies that have been informed about a reduction in their contribution rates are the same academies which saw their liabilities increase in 2013. So, again, this is not as straightforward as it

may seem, given that you might expect an academy with a rising liability to face an increase in contribution rates.

We have looked at whether there is any correlation between the LGPS liability and the annual employer contributions an academy makes. This would help to highlight which academies have been requested to pay large contributions to settle the liability in a relatively short period of time. The pie chart below shows that whilst most academies sit in the three ranges between 6% and 20%, there are some extremes at either end.



**Pooling?**

A consultation was opened on the LGPS pooling towards the end of 2013. The consultation asked for responses on whether pooling should be offered to academies or made compulsory for all academies; how the pooling would work; and whether the pooling would include just academies or also maintained schools and the wider local councils. The full consultation document can be found at [www.gov.uk](http://www.gov.uk).

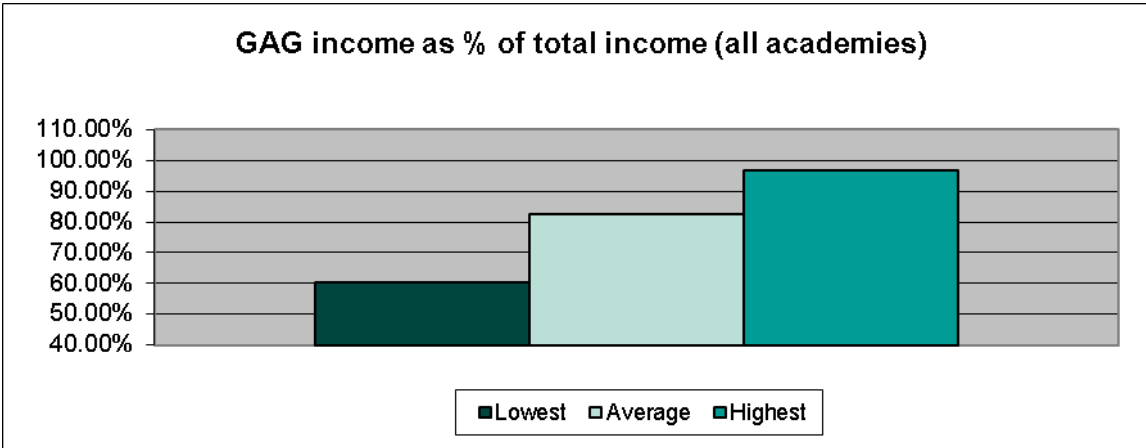
It will be interesting to see the results of the consultation when these are made available. If pooling for academies proceeds, the LGPS liabilities that currently appear in each academy trust’s accounts are likely to disappear and become off Balance Sheet liabilities; much like the Teachers’ Pensions.

# 4. Income

## General Annual Grant (GAG)

An academy's key source of recurring income is derived from grant funding, and the General Annual Grant (GAG) in particular. However, many academies across the country do have other significant sources of income and over time we are sure other academies will explore the options available to them.

More and more of our academy clients are setting up trading subsidiaries to keep their trading activities away from the main academy, reducing the risk to trustees and helping to minimise corporation tax and VAT liabilities.



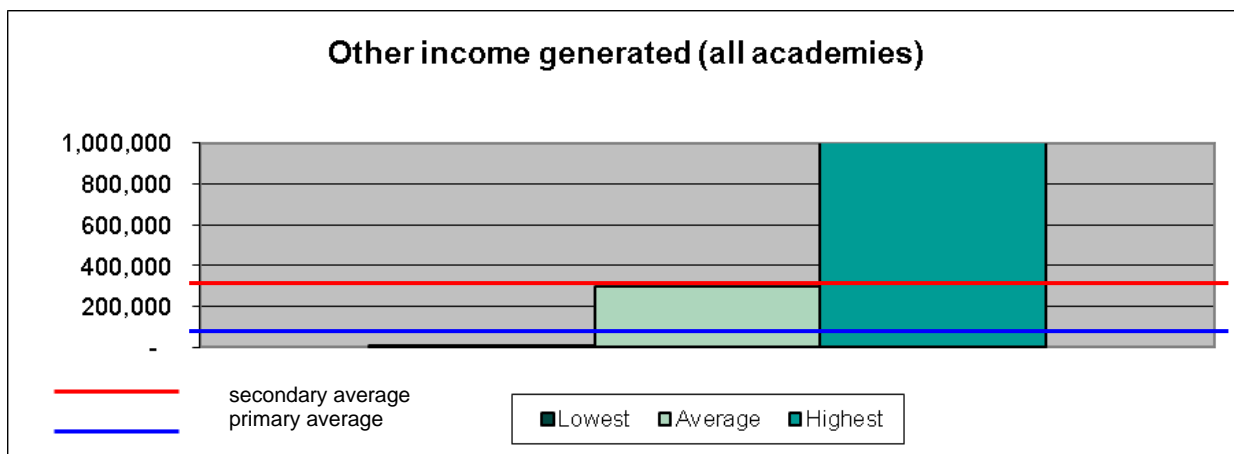
As seen in the above diagram, one academy in our sample derived 97% of its income from GAG. At the other end of the scale just 60% of total income came from GAG, although this was because the small primary academy received a very large capital grant during the year.

## Other income

Most academies generate some income from lettings, whether by allowing local sports groups to utilise their sports fields or letting other local community groups rent a part of the building. We have seen a large increase in the number of academies providing services to other schools. These services have included catering, IT assistance, headteacher consultancy and secondment of teaching and administrative staff.

Trustees have a responsibility to maximise their academy's income by utilising the resources at their disposal and, if your school does have fantastic sports or kitchen facilities, then it makes sense to use these to generate more funding that can be invested back into the education of the academy's pupils. We would always recommend taking professional advice before embarking on any new activities; it is important to get the structure correct from the start to avoid complications. Many academy trusts are prohibited by their articles from carrying out what are often referred to as "significant trading facilities" so it is worth checking your articles too.

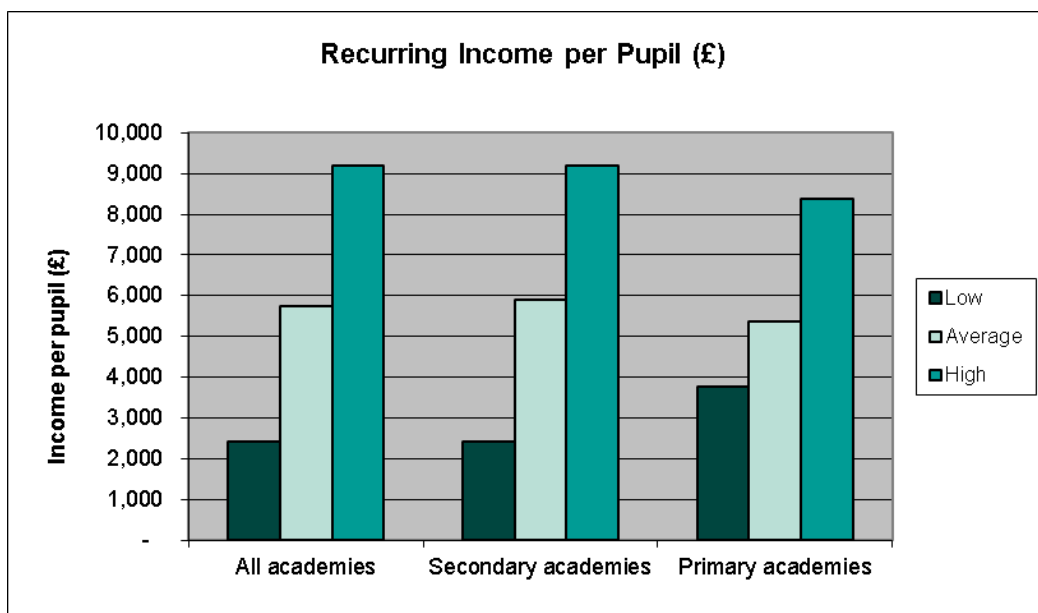
'Other income', for the purpose of this report, means all non-grant income, although excluding assets inherited in the year of conversion.



The chart above shows the huge variation in the amount of other income generated by academies. A number of academies had no, or very little, other income. One secondary school, on the other hand, received other income of over £1.8million. This school, in its second year as an academy, was provided with over £1.2million of ICT equipment by the Local Authority, which helps to explain the large other income in the year - there may be a few other jealous academies! The average other income

enjoyed across all academies was approaching £300,000.

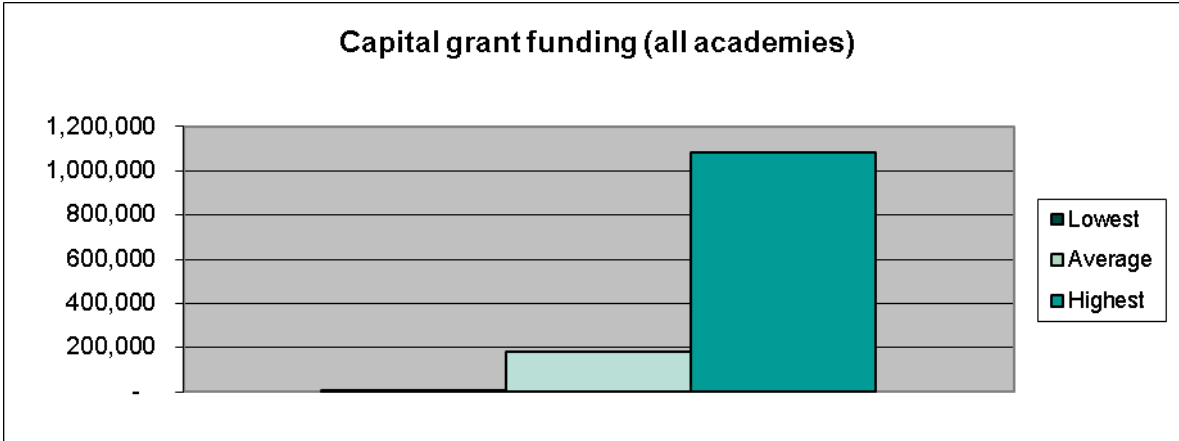
Academies will note the large disparity between the recurring income per pupil, visualised in the bar chart below. Academies that generate a significant amount of additional income from their own resources would be expected to feature at the top end of the scale here, and primary academies feature lower incomes per pupil than the secondary schools, as you might predict.



**Capital funding**

Academies' capital funding can comprise different elements: the core devolved capital funding can often be supplemented by applications for funding for specific projects through the Academies Capital

Maintenance Fund (ACMF), for example. Many more of the academies we work with successfully applied for ACMF funding in the 2012/13 academic year than in the previous year.



The chart above shows the huge disparity between the academy with the highest capital funding in academic year 2012/13 and the other academies in our sample. The average of £182,000 is dwarfed by the £1.1million received by one lucky school. This school was not alone, with another two schools receiving capital funding of more than £1million. A further six academies obtained capital funding in excess of £500,000, including one primary school.

At the other end of the scale, one secondary academy received just £4,000 of capital funding, way below the secondary average of £211,000. The primary school average was £126,000.

You should make use of capital funding wherever possible. There were 1,979 applications for ACMF money in 2012/2013, with 886 academies receiving funding. The numbers increased further during the

2013/14 applications. Round 1 of the 2014/15 application process has now closed, but Round 2 will open in April 2014. ACMF Round 2 will be available to new academies that opened after 1 December 2013 and schools with an academy order signed on or before 1 June 2014. Please note that academies that applied in Round 1 cannot apply to ACMF Round 2.

Further information about applying for Round 2 will be available in late spring 2014 and funding allocations will be announced in October 2014.

The maximum project limit is £4million, although the average ACMF project in recent years has been below £400,000. The DfE encourage applicants to strongly prioritise their needs to keep the value of their projects down.

## 5. Non-staff costs

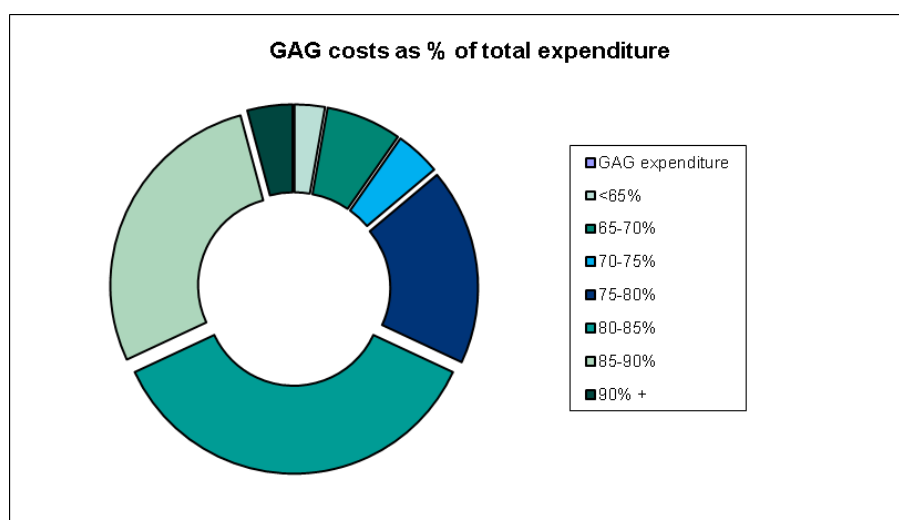
Although, as we saw earlier in this report, staff costs can be as much as 84% of total costs, it is nevertheless important that other key costs are kept under control. This is especially important if you bear in mind the Value for Money requirements introduced in 2013. By now all open academies should have filed a Value for Money statement for 2013 with the EFA, and made this available on the school's website.

Academies are able to break away from the Local Authority and find alternative service providers, often at preferential rates. Schools often have service level agreements in place at the time they convert which are rolled over into the academy, but many of these agreements have, or are about to, come to an end.

Many academies are therefore now finding they are able to renegotiate key contracts such as catering, grounds maintenance and payroll/HR services, saving significant amounts of money in some instances.

### GAG costs

GAG income is an academy's main source of income and, as such, it is inevitable that GAG costs are a similarly high proportion of total costs. The chart below shows the variation in GAG costs as a percentage of total expenditure. Most academies fall in the 80-85% or 85-90% ranges, but one academy incurred GAG costs representing 94% of total costs. At the other end of the scale there was an academy with just 57% of costs relating to GAG.



One reason for the variation will be the approach to the allocation of costs between different funds, which can vary. Many academies find the idea of fund allocation one of the hardest areas to understand and get correct and there is a degree of subjectivity here, with no right or wrong answer.

There should always be a good reason behind a decision to allocate expenditure in a certain way, but academies do retain an element of flexibility. For example, certain staff costs can often be allocated against other government grant funds, since they will be eligible expenditure under the terms and conditions of other grants the academy may receive.

Costs should be allocated to the correct fund on your accounts systems throughout the year, to minimise the year end adjustments in this area. You should always keep good records that clearly set out

the reasons why expenditure has been treated in a certain way. For example, an individual's salary may be allocated across different funds if they spend their time working in different ways or departments.

### Occupancy costs

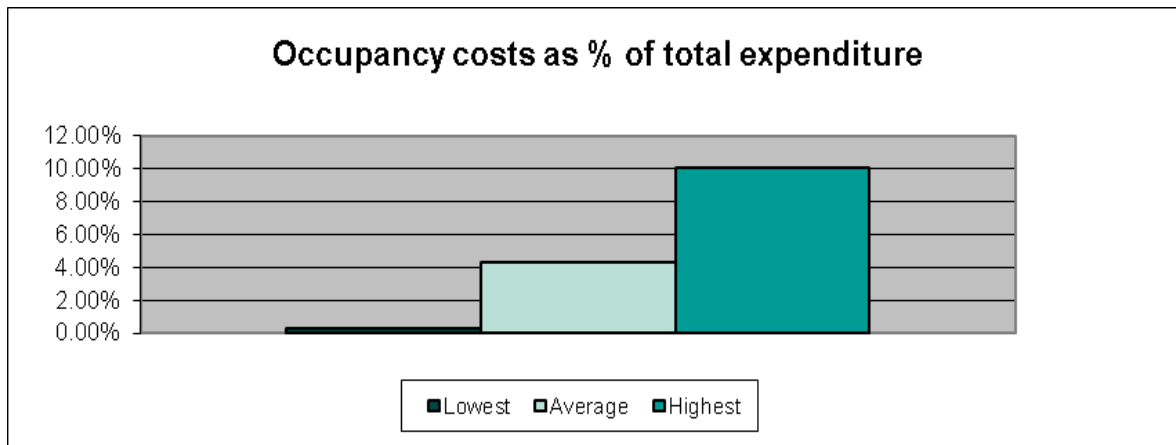
One of the largest non-staff costs you will have is the cost of occupying the school buildings. Although most academies either own the freehold to the land and buildings, or hold a long leasehold interest on which they pay at most a peppercorn rent, the other occupancy costs like rates, insurance, maintenance and cleaning are significant.

Insurance is interesting. Insurance funding changed last year, with academies now receiving per-pupil funding for insurance as part of their GAG. Previously, academies were able to apply for their insurance costs to be reimbursed in full by the EFA,

providing little incentive for an academy to procure a preferential rate. Now, under the new funding rules, the onus is on the individual academy to obtain value for money and ensure their insurance funding covers their costs. It may even be possible to make a small surplus. On the other hand, the new funding has led to many small academies struggling to cover their insurance costs, however, in 2013/14 academies are able to apply to the EFA for top-up funding.

Further, it should be noted that in February 2014 the EFA introduced a voluntary risk pooling scheme for academies and free schools with effect from 1 September 2014. This should reduce the cost of insurance for academies. The insurance supplement of £20 per pupil will be withdrawn from 2014/15, however.

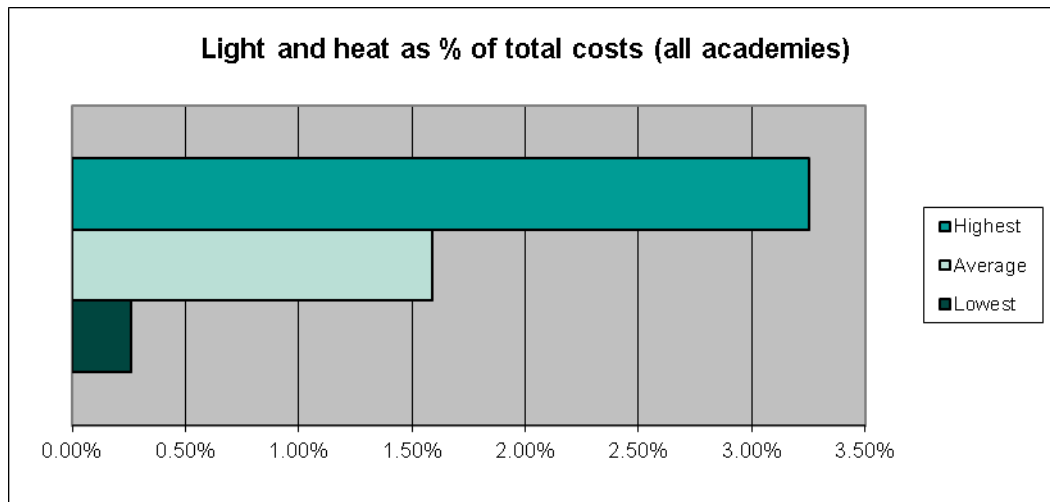
The graph below shows the variation in occupancy costs as a percentage of total expenditure, with a range of results from under 0.5% to 10%, and an average of just under 5%.



### Light and heat

Light and heat is also a significant spend, particularly with the current high prices. Academies at the higher end of the scale spent over 3% of their total costs on utilities such as electricity and gas. Many

other academies have managed to get this percentage down, with an average of just over 1.5%.

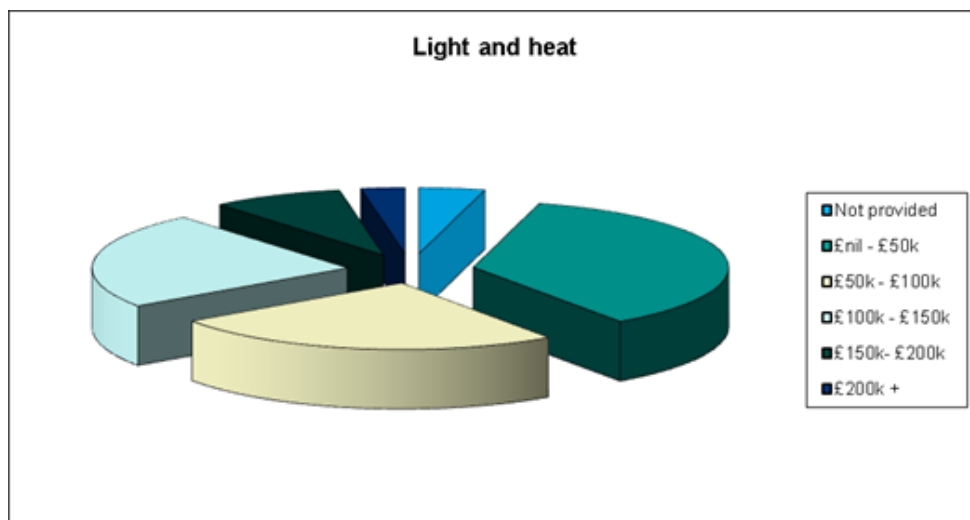


The pie chart on the next page shows the actual spend. Over half of academies reported light and heat expenditure of less than £100,000, including all of the primary schools. 3% of the academies in our

sample reported light and heat costs of over £200,000, indeed one secondary academy had light and heat costs in excess of £400,000! At first glance you suspect there is a backlog of costs here and, in

fairness, the light and heat expense in the previous year was a more modest £248,000, but this is still a significant spend, averaging well in excess of £300,000 per annum. The school is large, with just

over 2,000 pupils, but several large secondary schools in our sample, with over 1,500 pupils, reported light and heat costs of half this figure.

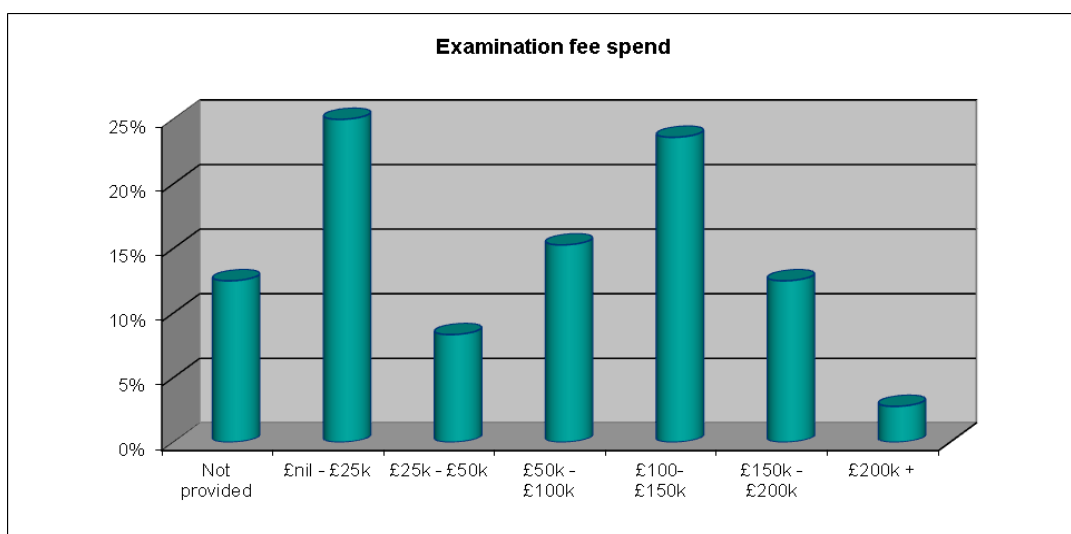


This is perhaps an example of an academy being locked into an expensive contract. We recommend that you regularly monitor your school's tariffs to get the best deal available. If you are happy with an existing contract and supplier you do not necessarily need to switch just because a competitor is cheaper. Value for money goes beyond pure price comparison but, if you decide to continue with or take out a contract that is more expensive than another available, this ought to be discussed at a finance committee meeting and the trustees' reasons for the decision documented. Back to light and heat, you may wish to consider using the services of a utilities management company that specialises in saving

companies, including schools, money in these areas and who can search the market on your behalf.

### Examination fees

Examination fees can also be significant, especially for secondary academies. Whilst there is perhaps less scope to manage these costs, it is worth looking at them because they can be so significant. The graphic below shows that a cluster of the academies in our sample paid between £100,000 and £150,000 for examination fees, with another cluster (the primary schools) paying between £nil and £25,000. 16% of academies paid over £150,000, including 3% that paid over £200,000.

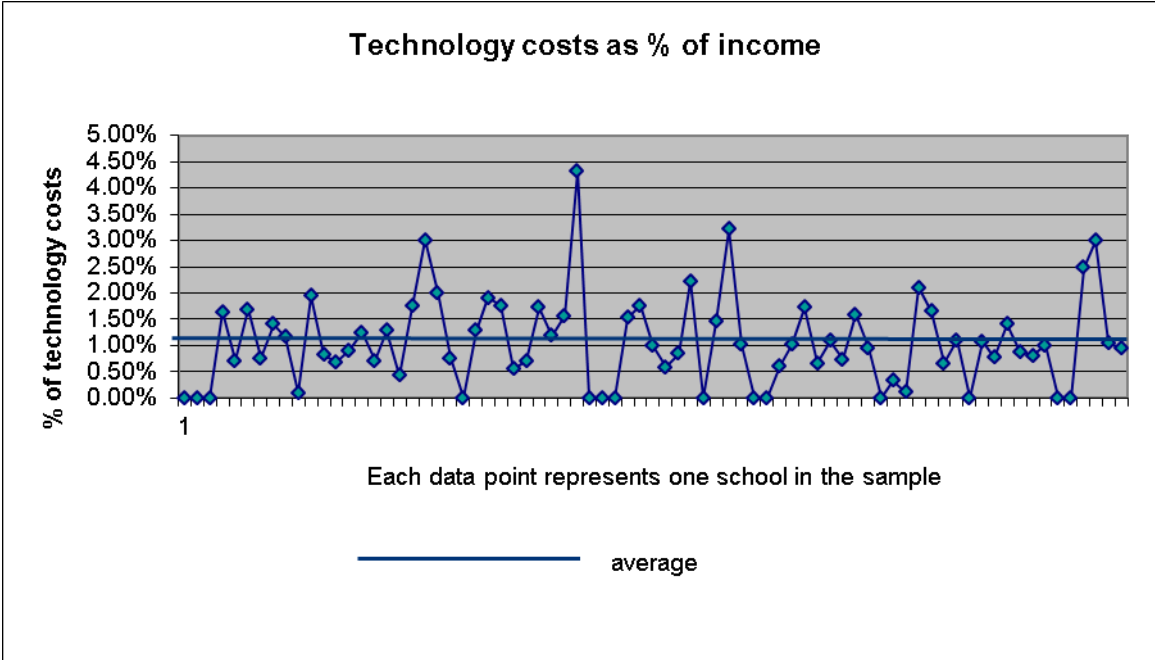




### Technology costs

Technology costs are interesting because academies, indeed all schools, continue to become more hi-tech. The next section in this report explains how academies may reflect ICT purchases, such as iPad and other tablet devices, in different ways. One academy may include such a purchase as a capital fixed asset on the Balance Sheet, whilst another may write the purchase off as an expense for the year. This does make it difficult to compare. There are also varying approaches to where academies disclose such costs if they are included as GAG costs for the year.

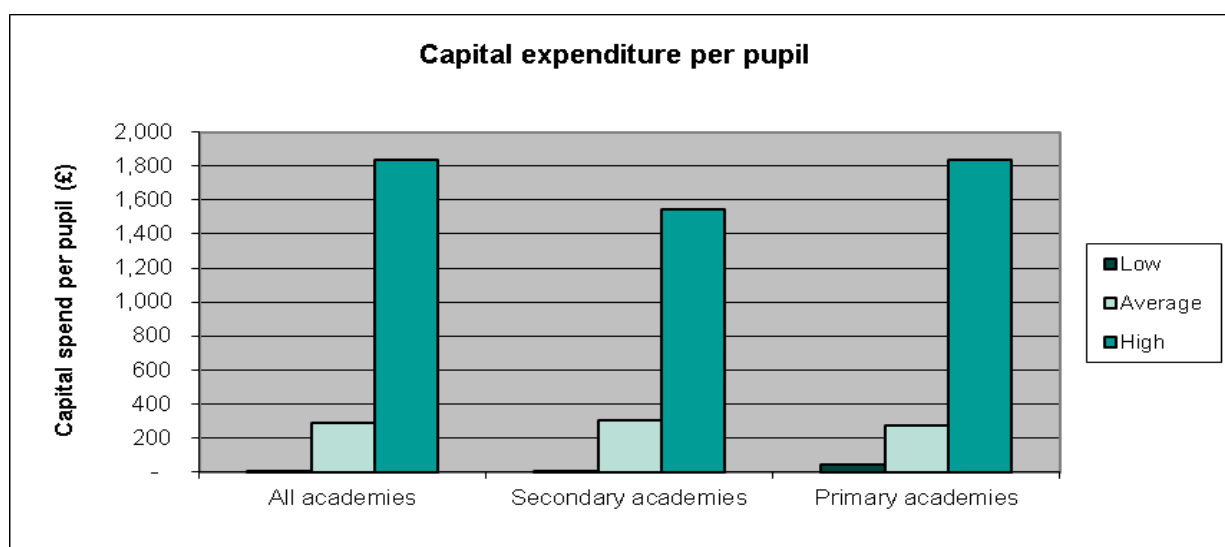
The chart below plots technology costs as a percentage of recurring income for the academies in our sample, for those academies which did report technology costs in the notes to their financial statements. The average spend across all academies was over £59,000; rising to £75,000 for secondary academies and falling to just £20,000 for primary academies. The range in results may be more due to classification than the academies' spend on technology itself. Nevertheless, it is another useful reminder of the different approaches taken.



## 6. Capital expenditure

We mentioned capitalisation limits in the previous section and this is certainly an area where there are many different approaches. The old Academies Financial Handbook from 2006 contained a guideline limit of £500 but in practice this is too small for many academies, apart perhaps from some primary schools. Larger schools often use a higher capital threshold and these have ranged from £1,000 up to £5,000 across the schools sampled. We even have anecdotal evidence of one academy using a threshold of £20,000!

There is also a big contrast in the approach to "group purchase orders". By this we mean where assets are purchased as part of a larger asset or group of assets. Some academies have adopted an accounting policy where such assets are capitalised, even though an individual item may cost less than their single item threshold, and we would recommend that this is the preferred approach. This would result in a large purchase order of, for example, 50 laptops at £500 each, total order value £25,000, being treated as capital and added to fixed assets on the Balance Sheet.



The chart above compares the spend on capital expenditure per pupil across all academies, also looking at secondary and primary schools separately. It is interesting to note little variation between primary schools (average £270 per pupil) and secondary schools (£301 per pupil).

Indeed the school with the highest ratio of capital expenditure per pupil was a primary school, based in East Anglia, which spent nearly £200,000 in total on just over 100 pupils at a ratio of £1,837 per pupil. Interestingly only £116,000 of the expenditure was met by capital funding, meaning the school met a significant part of their spend through their own funds

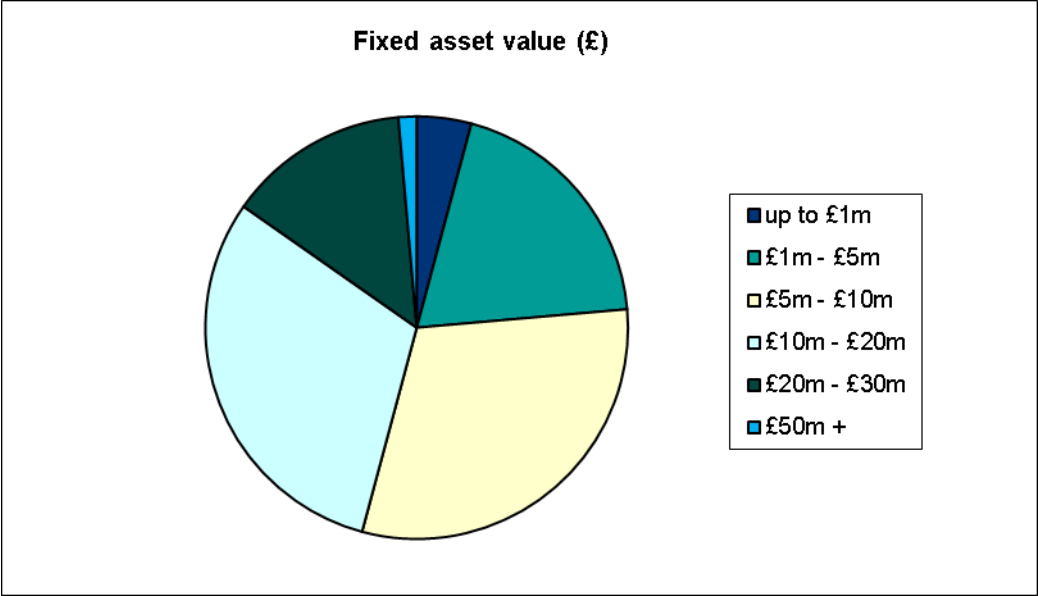
The impact of the capital level your academy chooses is highlighted by the number of secondary schools (9) who spent less than £30 per pupil. Presumably, most of these schools did spend more on capital items but the presentation in the accounts has masked this.

The capital threshold that your academy adopts can impact on the financial statements in a number of ways:

- firstly, an academy with a high capital threshold is likely to show a low number of capital asset additions, meaning capital funding per pupil may appear low;
- assets capitalised are written off over a period of years, referred to as the asset's useful economic life, and so capitalising an asset defers the point at which the asset, or part of the asset, is treated as an expense; and
- if an academy invests in capital equipment beyond any capital funding that it receives in the year, this will generally be shown as capital funding paid for from GAG or unrestricted reserves, depending on the academy's financial position. These assets will therefore potentially impact on the GAG fund. However, including these as a transfer from the GAG fund to the fixed asset fund does not impact on the result for the year, in the way treating assets below the capital threshold as an expense does.

Our final graph in this section shows the differential in the value of fixed assets. One academy had fixed assets of over £50million, compared to the average of just over £11million. One school in our sample reported a fixed asset value of just £400,000, despite the accounts including the freehold title of the school land and buildings. The valuation is disclosed as having been prepared by a firm of chartered

surveyors but, even allowing for it being a small school, this valuation appears very low compared to valuations used by other schools. All the academy trusts included in our sample either owned the freehold to their land and buildings or held a 125 year leasehold interest in them, including one school with a PFI agreement with the Local Authority.



# 7. Cash balances

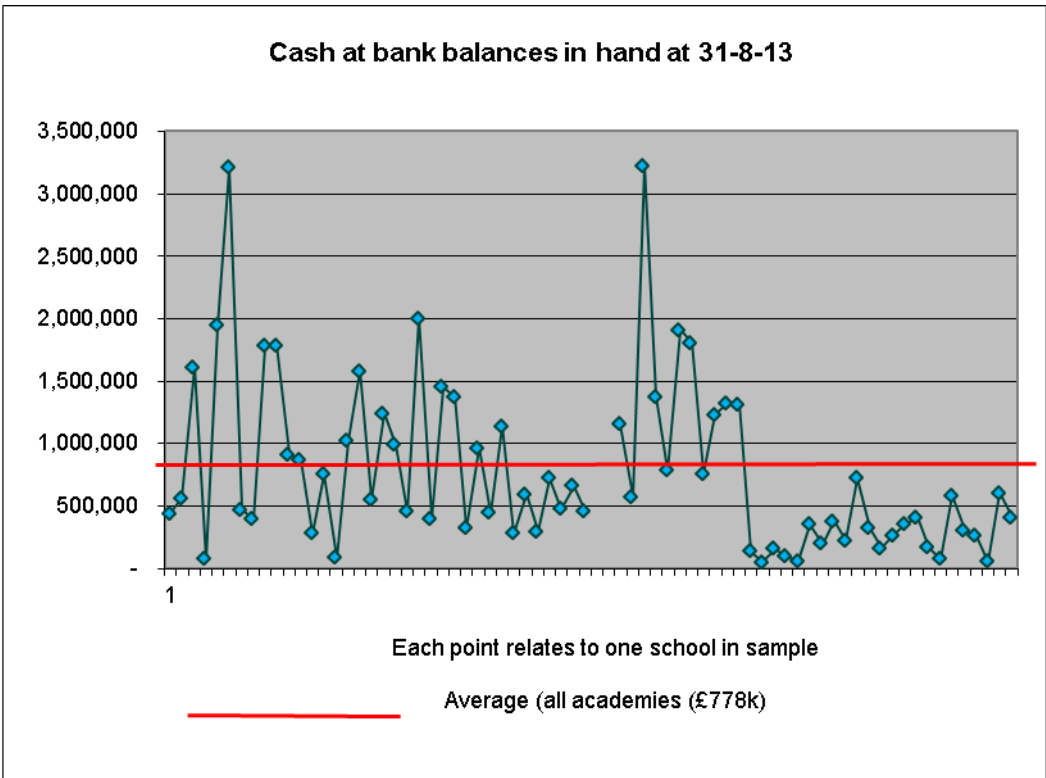
Many academies do not have immediate cashflow worries and converted with strong cash balances. There are exceptions to this, however. Even if your academy is in a strong financial position you should continue to monitor cashflow regularly.

There will be an increase in the budget pressure on academies following the recent changes to the Education Services Grant (ESG), which has replaced Local Authority Block LACSEG. The ESG rate will be £140 per pupil in the academic year 2014/15, with a minimum funding guarantee providing assurance that funding will not be reduced by more than 1%. However, with cuts expected in 2015 for the 2015/16 academic year the per pupil funding may yet fall significantly. This cut in income, together with the rising staff costs outlined elsewhere in this report will, we feel, inevitably see some academies struggle financially. You should be preparing revised forecasts to enable your academy to react to these

changes and implement any necessary remedial action.

More academies are being served with a Financial Notice to Improve (FNtI) as a result of financial issues and concerns and, should you present the EFA with a forecast indicating that your academy will experience a deficit, they will expect you to produce a recovery plan to be agreed with them. Academies that are served with an FNtI are allowed a limited period of time to make the required improvement and, in most cases, the end result is the EFA urging these academies into a sponsored set-up. In this type of set-up a local top-performing school or multi-academy trust takes over the control of your finances, which would lead to the end of your school's independence and result in publicity for your academy.

There are still, however, a number of academies that are in a strong financial position:



The graph above plots the cash at bank balance for each academy sampled on our report. Two lucky schools both enjoyed balances of over £3million as at 31 August, presumably money they have built up towards future projects. One primary school had funds of £721,000 in the bank.

Most academies have been able to remove the restriction on how they can carry forward any unspent GAG funding. As a result, we will perhaps see more academies building up reserves to something approaching these levels. Do remember that the EFA will wish to see a proper plan explaining how your academy intends to spend surplus funds;

they will not be content at seeing results reporting one surplus after another if there is not a good reason!

Even if your academy is in a relatively strong financial position it remains important to monitor cashflow regularly. Some academy software can be used by finance and school business managers to produce cashflow forecasts predicting the times of the year where cash may be low. We are seeing an increase in the number of academies switching software a year or two after conversion so that they can tailor their software for tasks such as this.

Looking purely at secondary schools, the average cash at bank figure was £1million compared to £276,000 for primary schools. The lowest figure reported by a secondary school was just £50,000, the highest for a primary school was £721,000.

Trustees have a legal responsibility to ensure that they optimise the financial return on any surplus cash balances, without putting the academy's funds at risk. Monitoring cashflow carefully helps to highlight the ebbs and flows of cash and to highlight periods of the year where there may be surplus balances that can then be invested. We have seen more of our academy clients start to set up 'sweep' accounts and similar banking arrangements.

Any investment decisions should be made wisely, following appropriate financial advice. Few academies, in our experience, are fortunate enough to have a trustee with these specific skills.

### **Cashflow**

When it comes to monitoring cashflow, what should an academy be doing? Here are some of the key points to consider:

- proper use of the purchase ledger can enable you to post your purchase invoices and review an aged creditor report to see which invoices are due, and how old these are. A management decision can then be made to pay certain key suppliers earlier, whilst there may be other suppliers who are happy to negotiate extended credit terms;

- if you are using the special section 33 VAT reclaim scheme then you have the flexibility to process reclaims periodically, as long as each claim covers whole calendar months. We have witnessed some academies make only one or two reclaims across the whole academic year, but we would recommend that you make your reclaims at least quarterly, and indeed monthly if cash flow is particularly tight;
- if your academy generates significant sources of other income, such as from lettings, you should engage someone with the task of regular credit control, to ensure that invoices are paid within their due dates. Outstanding balances should be followed up immediately they become overdue;
- monitor actual spend against budget regularly throughout the year. The Budget Forecast should not just be an Annual Return that is submitted and then not looked at. Reviewing actual spend against Budget can highlight areas where you need to tighten up. In our experience, most academies are pretty good in this area, but there is always room for improvement; and
- you can predict with reasonable certainty when capital expenditure is likely to be required, and much of this may take place in the summer break. However, capital expenditure should be considered alongside cashflow forecasts to ensure that such expenditure takes place at times of the year when cashflow is strong.

### **UHY's final thoughts**

Our commentary above and in the earlier sections of this report highlight how varied academies are. Although we have referred to an average at times through this report, there really is no 'average' academy.

Yours and every other academy will have its own individual strengths and weaknesses; by which we mean through your educational results, financial management and leadership team. We hope our report assists, at least in some small way, with helping you see how your academy compares to others around the country.

# About UHY Hacker Young

We work with numerous clients in the education sector, including academy schools, free schools and independent schools. Our education specialists have years of experience in the sector and have a particular expertise in academy schools - our offices around the UK now act for more than 80 academies and free schools, including the first special needs school to convert to an academy. As such, we understand that independence from your Local Authority is likely to require improved internal controls for your school's finances.

UHY are a Top 20\* firm of accountants and auditors. Our academy client base includes old style sponsored academies, new converter academies, and multi-academy trusts. As the expansion of the academies programme continues our number of clients in this rapidly changing sector has increased significantly.

Our experts enjoy the challenge of this exciting and rapidly changing sector. We keep ourselves up to date with all the EFA's requirements so that we can keep our clients abreast of regulatory and other changes. We also prepare regular Academy Schools Updates on topical issues that affect academies.

Our services to academy schools and free schools include:

- information to be considered in the academy conversion process;
- year end statutory audit and Academy Return completion;
- preparation of your accounts in line with the EFA Accounts Direction;
- Teachers Pension End of Year Certificate (EOYC) audits;
- advice in connection with the Academies Financial Handbook;
- internal audit and monitoring visits to provide assurance on systems and controls;
- VAT reviews and advice on the best method for academies to reclaim VAT;
- advice on the best structure for commercial trading activities; and
- payroll and employment tax issues.

Our demonstration of our experience to date within the education sector, and specifically with academies, has led a number of established academies to leave their previous adviser to benefit from our breadth of specialist knowledge and support.



## What our clients say



UHY have a client friendly and helpful manner, and offer a personal touch with their service. We have and are happy to recommend UHY to other academies.



Anne Syred, Dane Court Grammar School



Academies need a strong working relationship with their accountants if they are to succeed, and we have achieved this with UHY Hacker Young.



Linda White, Warren Road Primary School



The ability for us to be able to approach any of our UHY team members on any subject matter and receive quick, consistent answers has added real value to our relationship with them. The vast array of knowledge that they are more than willing to share and the speed of response to any queries has been one of the most influential factors in us wanting to continue working with them.



Jan Rainer, Hartsdown Technology College



We have worked with UHY over many years and have never regretted that decision. They have always been friendly, helpful and extremely efficient, and we would not have wanted to convert to an Academy with anyone else.



Caroline Pearce, Queens' School Bushey

“

We have been working with UHY since our conversion to academy status and are very happy with our relationship with the company and the support that we have received.

”

Bill Tindale, Onslow St Audrey's Academy Trust

“

We have an excellent relationship with our UHY team of high quality staff, who are always helpful and come back with the answer to any queries asap, which adds real value for us.

”

Marie Black, St Francis Xavier's College

“

There was mutual respect between the UHY team and members of the school which was enhanced by the knowledge, understanding and manner of the team members. Their consideration of the daily needs of the children, staff and the school as a whole were noticeable and very pleasing.

”

Marjorie Bell, Webster Primary School

“

UHY have provided an extremely good quality of service, supported by a great technical knowledge. Everyone I have met within my UHY team has been very approachable, helpful and always responds quickly. I really value being able to ask them any question openly across areas that I don't understand. The team's monthly visits have been an immense help and my knowledge and understanding has greatly improved as a result.

”

Jacqui Williams, St John's Primary Academy



# Where does your academy fit within the results?

If you would like more information about this report, or would like to understand more about how your school fits within these results, please speak to your local academies expert, below:



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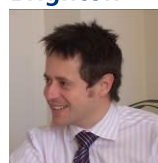
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UHY's national academy  
and free schools group  
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