

The governor's role in financial management and monitoring

Chris Beaumont
Partner
Clive Owen LLP



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CHARTERED ACCOUNTANTS & BUSINESS ADVISERS

Clive Owen LLP

- * Established 1983
- * Worked with Academies for 12 years
- * Sponsored – converter – sponsored
- * Clients include free schools and UTC's
- * Act for 45 Academy Trusts including 90 schools (Academies)
- * 3 Partners, 2 managers and 9 on site teams
- * Member of EFA auditors forum
- * Member of Kreston
- * Speak at schools NE and NASBM events

Agenda

- * Some definitions
- * Academy freedoms
- * Returns
- * Financial change
- * Income
- * Benchmarking
- * Management information
- * Subsidiaries and tax
- * Multi-Academy Trusts
- * Due diligence

Definitions

- * Member
- * Director/Trustee/Governor
- * Multi-Academy Trust (MAT)
- * Empty MAT
- * Academy
- * Charity
- * Accounting Officer – Head/Chief Executive
- * Chief Finance Officer – School Business Manager/Finance Director
- * Restricted/unrestricted/designated/funds/endowment
- * EFA and SFA merging – Education and Skills Funding Agency

Why convert Academy Freedoms?

- * Curriculum
- * Term times
- * Set pay and conditions
- * Admissions

Other

- * Capital bids
- * Government policy

Free From?

- * Local Authority
- * Central Government
 - * EFA
 - * Academies Accounts Direction (AAD)
 - * Academies Financial Handbook (AFH)
 - * National Audit Office (NAO)
 - * HMRC
 - * VAT
 - * Corporation tax

Financial Duties of Trustees

- * Corporate structure
- * Accounts and accounting records
- * External scrutiny of accounts
- * Financial Timeline
- * Different types of funds
- * Trustee Board
- * Trustee Duties
- * Sound internal financial controls
- * Financial management
- * Risk management
- * Reserves
- * Trading

Trustees Duties

- * Ensure your charity is carrying out its purposes for the public benefit
- * Comply with your charity's governing document and the law
- * Act in your charity's best interests
- * Manage your charity's resources responsibly
- * Act with reasonable care and skill
- * Ensure your charity is accountable

Sound Internal Financial Controls

- * Essential checks and procedures to help the trustees
 - * safeguard the assets of the charity
 - * identify and manage risk
 - * ensure financial reporting is robust
- * Buy in from staff and the trustees – ‘the tone at the top’
- * Annual review of controls
 - * test checks
- * Segregation of duties

Financial Management

- * Strategic plan
- * Understand the funds structure
- * Set an annual budget
- * Regular management accounts
 - * monitor financial performance against budget
 - * explanation of variances
 - * details of cash flow and closing bank balances

Returns

- * Year end financial statements
 - * True and fair view
 - * Regularity
- * Annual accounts return (AAR)
- * Budgets
 - * Budget forecast return: outturn (BFRO) (19/5)
 - * Budget forecast return (BFR) (28/7)
- * Teachers pension scheme audits (31/5 or 30/9)
- * Internal assurance visits

Year End

- * Audit of the financial statement (31/12)
- * Audit of the Annual Accounts Return (AAR) (31/1)
- * Management pack
 - * risk areas
 - * control issues
 - * materiality
 - * draft letters of representation
 - * adjusted and unadjusted errors

Year End (31/8)

Preparation of financial statements

- * Similar to a charity set of financial statements
- * Academies Account Direction (AAD)
- * Trustees report (incl Reserves policy)
- * Governance statement
- * Statement of regularity, property and compliance
- * Statement of trustees responsibilities
- * Auditors report and financial statement
- * Assurance report of regularity
- * Statement of Financial Activities (SOFA)
- * Balance sheet
- * Cash flow statement

Financial Change

- * Employer Teachers Pension (TPS) increase from 14.1% to 16.4% (9/15)
- * Employer National Insurance (NI) increase from 10.4% to 13.8% (4/16)
- * Education Services Grant (£600m cut)
- * Local Government pension scheme (LGPS) changes (4/17)

Total cost increases - 8% to 10% in life time of this parliament?

- * National funding formula change?
- * Future employer TPS increases?
- * NAO expect £3bn of savings required by 2019/20

Funding Streams

- * General Annual Grant (GAG)
- * Education Services Grant (ESG)
- * Pupil Premium
- * Capital
 - * Devolved Formula Capital (DFC)
 - * Conditional Improvement Fund (CIF)
 - * School Condition Allocation (SCA)

Other Income Streams

- * MUGA
- * ICT
- * PAT
- * Catering
- * Grounds maintenance
- * Pupil led company
- * Donations (Gift Aid)
- * Capital – CIF/SCA
- * Selected to school support

GAG Income Per Pupil

	2016	2015	2014
Primary	£3,727	£3,854	£3,688
Secondary	£5,004	£5,156	£5,278
MAT	£4,257	£4,480	£4,347

CIF Funding

	CIF/ACMF funding	Number of open academies	Average
2015/16	£435m	5,244	£82,952
2014/15	£383m	4,570	£83,807
2013/14	£395m	3,671	£107,600
2012/13	£299m	2,705	£110,536

Average Staff Costs as Percentage of Total Costs

	2016	2015	2014
Primary	70.6%	70.3%	71.6%
Secondary	71.0%	70.8%	70.1%
MAT	71.8%	70.4%	70.2%

Pupil : Teacher Ratio

	2016	2015	2014	2013
Primary	24.12	23.62	23.82	24.31
Secondary	15.97	16.31	16.53	16.30
MAT	19.27	19.11	19.28	18.43

Head Teacher/Chief Executive Salaries

	2016	2015	2014	2013
Primary	£63,950	£65,867	£63,809	£62,939
Secondary	£92,309	£95,893	£91,880	£90,426
MAT	£100,201	£108,865	£97,212	£100,430

Average Teacher Salary

	2016	2015	2014
Primary	£40,648	£40,745	£40,665
Secondary	£37,114	£41,117	£43,079
MAT	£37,627	£38,367	£40,194
All	£38,406	£40,313	£41,759

Other Costs

- * Risk protection arrangement
 - * £25 to £20 per pupil
- * Technology costs
 - * (EFA procurement programmes)
- * Maintenance costs

Management Information

- * Monthly for Accounting officer
- * How often should you review?
- * What should they consist of:
 - * income or expenditure account
 - * balance sheet
 - * cashflow
- * Accruals accounting based
- * Format
- * Question them

Subsidiaries and Tax

- * Corporation tax
- * VAT – register/s126
- * Objects in the M&A
- * Trading subsidiaries
- * Commercial reasons

Multi Academy Trust

- * Governance
- * Scheme of delegation
- * Centralised or separate finance departments
- * Shared support – Finance/HR/Premises
- * Joint procurement
- * SCA

Risk Management

- * Risk register
 - * CC26 – Charities and Risk Management
 - * Impact
 - * Likelihood
 - * Evaluate
 - * Monitor

Example Risks

- * Changes in accounting regulations e.g. FRS102 – Goodwill Insolvent
- * Legislative changes - e.g. Restrictions on levels of rental income/living wage
- * Complex/risky financing arrangements – operating leases
- * Diversification into alternative sources of income – expertise to do?
- * Increased regulation for properties – increasing costs
- * Structural – e.g. Asbestos/roofs
- * Pension liabilities – defined benefit/auto enrolment – funding the cost
- * Lack of skills experience of board
- * Risks of collaborations

Due Diligence

- * By the school joining the MAT
- * By the MAT on the school wanting to join

Due diligence needs to include financial as well as educational

- * Surplus/deficits in the future
- * Reserves/balance to transfer
- * Governance structure
- * If a new converter – LGPS Contributions (43.3%)
- * Premises
- * EFA approach

THANK YOU

For further details please contact:

Chris Beaumont 01325 349 700

Chris.Beaumont@cliveowen.com

Kevin Shotton 01325 349 700

Kevin.Shotton@cliveowen.com

Gary Ellis 0191 384 2244

Gary.Ellis@cliveowen.com



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