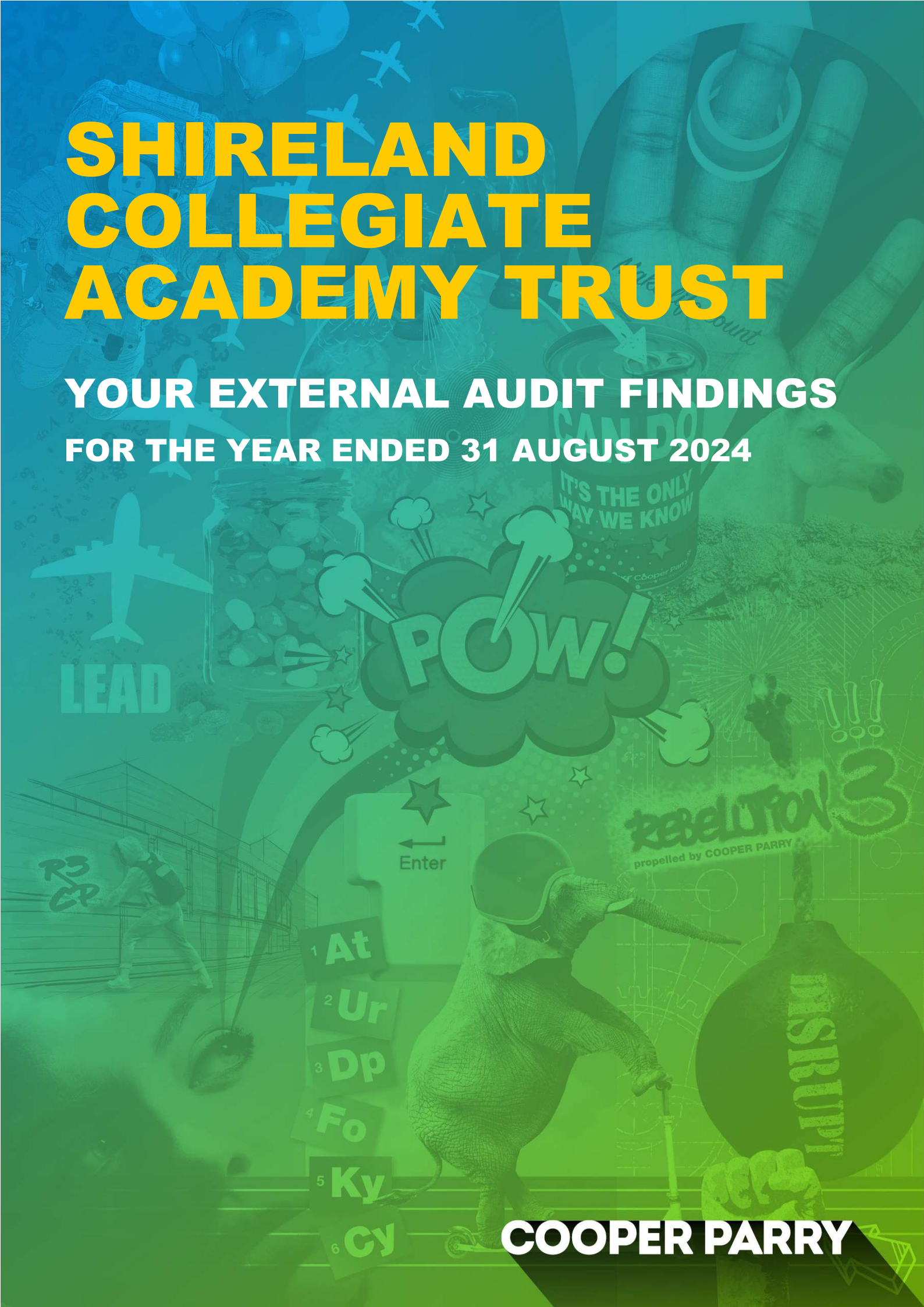


SHIRELAND COLLEGIATE ACADEMY TRUST

YOUR EXTERNAL AUDIT FINDINGS FOR THE YEAR ENDED 31 AUGUST 2024



COOPER PARRY

Shireland Collegiate Academy Trust

YOUR EXTERNAL AUDIT FINDINGS

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DISCLAIMER

Your external audit findings document is prepared for the confidential use of your trust and forms part of our ongoing communications under International Standard on Auditing (UK) 260 - communication of audit matters with those charged with governance. The findings highlight the key matters and issues arising from our audit and regularity assurance report on the trust's financial statements for the year ended 31 August 2024.

The contents of our findings have been discussed with management and their comments and responses have been included where applicable. The matters set out in our findings are those that came to our attention during the course of our normal audit and regularity assurance work, which was designed to enable us to form our opinion on the financial statements and provide our assurance report on regularity. Our work may not necessarily disclose all errors or irregularities and should not be relied upon to do so.

The findings have been prepared for the sole use of the trustees and management of your Trust. We understand that you are required to provide a copy of this document to the Education and Skills Funding Agency who may share this information internally within the Department for decision making purposes. With the exception of this, our findings may not, without our express written permission, be relied upon by your trust for any other purpose whatsoever, be referred to in whole or in part in any other external document or made available (in whole or in part) or communicated to any other party. Cooper Parry Group Limited neither owes nor accepts any duty to any other party who may receive this report and specifically disclaims any liability for any loss, damage or expense of whatsoever nature, which is caused by their reliance on these findings.

YOUR EXTERNAL AUDIT FINDINGS EXECUTIVE SUMMARY

DEAR TRUSTEES

Welcome to your external audit findings for the year ended 31 August 2024.

This document sets out the key matters and issues arising from our audit and regularity assurance report on your trust's financial statements for the year ended 31 August 2024. More detail on each area can be found in the rest of the findings.





AUDIT AND REGULARITY ASSURANCE STATUS

REPORT	UNMODIFIED
Opinion on the audit report in the financial statements	
Assurance report on regularity in the financial statements	

OUTSTANDING INFORMATION

✓ No outstanding information

INTERNAL CONTROL IMPROVEMENTS

RISK	CURRENT YR	PRIOR YRS
	-	-
	-	-
	3	1
	N/A	1

KEY AUDIT RISK FINDINGS

KEY RISK	FINDINGS
Management override	No issues identified
Income recognition	No issues identified
Fund accounting	No issues identified
Going concern	No issues identified
Retirement benefits	No issues identified, but to report the continued restriction of the LGPS surplus at the year end
Related party transactions	No issues identified
Academy conversions/transfers	No issues identified

AUDIT ADJUSTMENTS

	REV £000	PEN £000	CAP £000
Pre-audit operating surplus	(299)	-	34,472
Management adjustments	69	-	-
Audit adjustments	(59)	-	-
Funds transfers	(530)	-	530
LGPS adjustments	-	881	-
LGPS asset restriction	-	(881)	-
NET MOVEMENT	(819)	-	35,002

UNADJUSTED AUDIT DIFFERENCES

There were no unadjusted differences identified from our completed audit procedures.

YOUR EXTERNAL AUDIT FINDINGS

FINANCIAL OVERVIEW

FUNDS	UNRES'D FUNDS £000	REST'D FUNDS £000	TOT REV FUNDS £000	PENSION FUND £000	CAPITAL FUNDS £000	TOTAL FUNDS £000
Grant income		43,084	43,084	-	2,042	45,126
Other income	2,727	15	2,742	-	-	2,742
Staffing expenditure	(3,497)	(33,039)	(36,536)	544	-	(35,992)
Other expenditure	-	(9,596)	(9,596)	-	(3,389)	(12,985)
SURPLUS / DEFICIT	(770)	464	(306)	544	(1,347)	(1,109)
Fund transfers	-	(530)	(530)	-	530	-
Academy conversion / transfer	-	17	17	(353)	35,819	35,483
LGPS actuarial gain/(loss)	-	-	-	690	-	690
LGPS asset restriction	-	-	-	(881)	-	(881)
NET MOVEMENT	(770)	(49)	(819)	-	35,002	34,183
Funds brought forward	1,654	883	2,537	-	95,194	98,170
FUNDS CARRY FWD	884	834	1,718	-	130,365	131,914

UNPICKING THE RESULTS

With the specific format of the trust's financial statements, it's not always easy to understand the true underlying operating results for the year. The table above summarises the overall financial results of the trust for the year ended 31 August 2024 and how these are reported in the financial statements:

The overall net revenue deficit for the year is **£306,000**. This compares favourably against the original budgeted deficit for the year of £615,000 per the 2023 Budget Forecast Return. Some of this variance has been driven by staff cost savings from leavers not being replaced across the schools, although this has been somewhat offset by pay awards in the year.

The conversion of Newfield Park Primary Academy which joined the Trust on 1 April 2024 resulted in a net operating funds of £17,000 being transferred into the trust. After allowing for transfers from reserves of £530,000 to fund certain capital expenditure in the year, the overall operating reserves at 31 August 2024 are £1,718,000. This equates to 3.7% of total operating income which compares to the trust's stated reserves policy of 5% of total operating income.

The LGPS surplus has been restricted at year end in line with the actuary's FRS102 asset ceiling calculations. The overall actuarial loss reflected in the SOFA is £191,000. The total LGPS surplus at 31 August 2024 that has not been recognised in the financial statements is £1,175,000.

YOUR EXTERNAL AUDIT FINDINGS AUDIT AND REGULARITY STATUS

OUR AUDIT AND REGULARITY ASSURANCE APPROACH

There were no changes to our audit and regularity assurance approach as previously set out to you in our external audit plan dated August 2024.

Our final assessment of materiality was as follows:

- ✓ Overall materiality (based on 2% of recurring income) - £968,000
- ✓ Performance materiality (based on 80% of overall materiality) – £774,400
- ✓ Triviality (based on 5% of overall materiality) – £48,400

OUR AUDIT AND REGULARITY ASSURANCE REPORTS

Our audit and regularity assurance fieldwork is complete and we have had an audit completion meeting with Jodie Taylor on 26 November 2024 where we reviewed the draft financial statements and discussed our audit findings including the contents of this report.

We will also attend the Audit Committee meeting on 5 December 2024 where we will present our audit findings, as detailed in this report, and the draft financial statements.

Subject to the clearance of the outstanding matters outlined on this page, we anticipate issuing an unmodified audit report and an unmodified regularity assurance report.

INDEPENDENCE

We have complied with the Financial Reporting Council's Ethical Standard for Auditors and all threats to our independence, as set out to you in our external audit plan dated August 2024, have been properly addressed through appropriate safeguards.

No additional facts or matters have arisen during the course of the audit that we want to raise with you, and we confirm that we are independent and able to express an objective opinion on the financial statements.

ACCOUNTING POLICIES AND DISCLOSURES

We have reviewed the accounting policies adopted by the trust and found these to be appropriate for the trust and in line with the sector overall, as well as having been applied consistently throughout the year. There were also no changes in the trust's accounting policies compared to the previous year.

We have also reviewed the disclosures included in the trust's financial statements and are satisfied these are consistent with the applicable requirements of the Academies Accounts Direction 2023-24, the Charities SORP and the Companies Act 2006.

FRAUD

We have previously discussed the risk of fraud with management. We have not been made aware of any incidents fraud in the year nor have any incidents come to our attention as a result of our audit testing. Our audit testing is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

OUTSTANDING MATTERS

There is no outstanding information.

YOUR EXTERNAL AUDIT FINDINGS

KEY AUDIT RISKS AND FINDINGS

As part of the audit planning process, we sought to minimise the risk of material misstatement occurring in the financial statements and remaining undetected at the conclusion of our audit work. To do this, we evaluated the inherent risk of misstatements arising, the risk that such misstatement will not be detected or corrected through the internal controls in place and designed audit procedures which will most efficiently and effectively reduce the risk of material misstatement remaining undetected to an acceptable level. This risk assessment process is designed to ensure that we focus our audit work on the areas of higher assessed risk of material misstatement to the financial statements.

Our audit focus was drawn to the following key risk areas and our initial assessments at the planning stage and the findings from our audit work on these areas is summarised below:

RISK	RISK GRADING	FRAUD RISK	IMPACT OF SIGNIFICANT JUDGEMENTS / ESTIMATES	AUDIT FINDINGS
MANAGEMENT OVERRIDE	SIGNIFICANT	YES	HIGH	NO ISSUES IDENTIFIED
INCOME RECOGNITION	SIGNIFICANT	YES	MEDIUM	NO ISSUES IDENTIFIED
FUND ACCOUNTING	HIGHER ASSESSED RISK	NO	MEDIUM	NO ISSUES IDENTIFIED
GOING CONCERN	HIGHER ASSESSED RISK	NO	MEDIUM	NO ISSUES IDENTIFIED
RETIREMENT BENEFITS	HIGHER ASSESSED RISK	NO	MEDIUM	THE LGPS SURPLUS WAS RESTRICTED TO £NIL AT YEAR END AS PER THE ACTUARY'S FRS102 ASSET CEILING REPORT
RELATED PARTY TRANSACTIONS	HIGHER ASSESSED RISK	YES	LOW	NO ISSUES IDENTIFIED

For each of the above key risk areas, more information on the audit work undertaken and our overall audit findings is detailed on the following pages.

YOUR EXTERNAL AUDIT FINDINGS

KEY AUDIT RISKS AND FINDINGS

RISK	AUDIT WORK UNDERTAKEN	FINDINGS
<p>MANAGEMENT OVERRIDE AND BIAS</p> <p><i>Is there is any evidence of misstatement in the financial statements due to management bias?</i></p>	<ul style="list-style-type: none"> ✓ We obtained a report for all journals posted to the accounting system and tested a sample to ensure they were appropriate and in line with your financial procedures. ✓ We reviewed areas of significant accounting estimation including consideration of the basis of relevant management and / or trustee assumptions. ✓ We reviewed the month end process and information provided to trustees to ensure information allows for informed timely decisions to be made. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work that need to be brought to your attention. ✓ We did not identify any evidence of management override or bias in your accounting records or financial statements.
<p>INCOME RECOGNITION</p> <p><i>Is income recognised in line with relevant standards and guidance?</i></p>	<ul style="list-style-type: none"> ✓ We agreed ESFA / DfE and LA funding to supporting remittances and pupil census data to ensure the correct accounting treatment. ✓ We reviewed capital grants and funding to supporting award information and confirmed the point of entitlement to ensure the correct accounting treatment. ✓ We reviewed other income types to determine whether any are considered 'trading' income. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work that need to be brought to your attention. ✓ We have concluded that income is not materially misstated in the financial statements.
<p>FUND ACCOUNTING</p> <p><i>Is restricted income correctly identified and expended?</i></p>	<ul style="list-style-type: none"> ✓ We ensured that expenditure of significant restricted funding streams was in line with the funding agreements or terms of funding and was correctly allocated against that funding. ✓ We reviewed the details of significant ancillary costs for other grant income and other income and ensured that it is being spent from the correct source of income. ✓ We reviewed significant repairs and maintenance expenditure and computer and educational equipment expenditure to ensure that amounts were correctly accounted for as either capital or revenue expenditure. ✓ We reviewed significant capital projects in the year to ensure all expenditure and fund balances have been properly accounted for, including any amounts transferred from reserves. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work that need to be brought to your attention. ✓ We have concluded that expenditure is allocated appropriately in the financial statements and that the balances of funds as reported in the financial statements are not materially misstated.

YOUR EXTERNAL AUDIT FINDINGS

KEY AUDIT RISKS AND FINDINGS

RISK	AUDIT WORK UNDERTAKEN	FINDINGS
<p>GOING CONCERN</p> <p><i>Is the trust able to continue operating for at least 12 months from the date of approval of the financial statements?</i></p>	<ul style="list-style-type: none"> ✓ We reviewed the trust's 3-year budget forecasts, with associated reserves and cashflow information, and challenged the key assumptions used including any scenario planning or sensitivity analysis undertaken around the key assumptions. ✓ We reviewed the trustees' going concern conclusions and the going concern commentary included in the financial statements. ✓ We ensured appropriate disclosures are included in the financial statements relating to the trust's going concern position and going concern assessment. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work that need to be brought to your attention. ✓ We agree with the trustees' conclusion that the trust is a going concern and we are satisfied with the disclosures included in the financial statements.
<p>RETIREMENT BENEFITS</p> <p><i>Is the local government pension scheme liability accurately accounted for and disclosed in the financial statements?</i></p>	<ul style="list-style-type: none"> ✓ We reviewed the actuary's FRS 102 valuation report(s) and data used, including benchmarking the assumptions used against other trusts and the sector overall, and ensured the correct disclosures have been included in the financial statements. ✓ To the extent there was an LGPS asset at the year-end based on the actuary's FRS102 report, we reviewed the basis of the actuary's asset ceiling calculations and the extent to which any asset has been recognised in the financial statements. 	<ul style="list-style-type: none"> ✓ In line with the actuary's asset ceiling calculation, the LGPS asset of £1,175,000 as identified in the FRS102 report has been reduced to an amount of £nil in the financial statements. ✓ No other matters came to light during our audit work that need to be brought to your attention. ✓ We have concluded that the LGPS liability is not materially misstated and is correctly accounted for and disclosed in the financial statements.
<p>RELATED PARTY TRANSACTIONS</p> <p><i>Are all related party transactions identified, approved and disclosed in the financial statements?</i></p>	<ul style="list-style-type: none"> ✓ We reviewed the trust's register of interests to ensure completeness and compliance with ATH requirements. ✓ We tested all related party transactions to ensure that they have been undertaken in line with ATH requirements. ✓ We ensured that related party transactions have been appropriately disclosed in the financial statements, including any trustee's remuneration. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work that need to be brought to your attention. ✓ We did not identify any additional related parties or transactions that require disclosure in the financial statements.

YOUR EXTERNAL AUDIT FINDINGS

KEY AUDIT RISKS AND FINDINGS

RISK	AUDIT WORK UNDERTAKEN	FINDINGS
<p>ACADEMY CONVERSIONS / TRANSFERS</p> <p><i>Are the assets / liabilities of academies that converted during the year or transferred to the trust during the year correctly accounted for and disclosed in the financial statements?</i></p>	<ul style="list-style-type: none"> ✓ We reviewed the commercial transfer agreements to ensure all assets / liabilities transferred on conversion are properly accounted for, including reviewing the basis of valuations of assets and liabilities transferred and any assumptions used in these valuations. ✓ We ensured the financial statements include the appropriate disclosures relating to each of the academy conversions or academy transfers during the year. 	<ul style="list-style-type: none"> ✓ No matters came to light during our audit work that need to be brought to your attention. ✓ We have concluded that the assets and liabilities transferred were correctly accounted for and that appropriate disclosures have been included in the financial statements.

YOUR EXTERNAL AUDIT FINDINGS

AUDIT ADJUSTMENTS

From our audit work we identified certain proposed adjustments in the financial statements. These have been discussed with Jodie Taylor and have been adjusted for in the financial statements as follows:

	REVENUE £000	PENSION £000	CAPITAL £000
Surplus / (deficit) per pre-audit trial balance	(299)	-	34,472
Management adjustments	69	-	-
Financial statements adjustment for LGPS pension cost charges per the actuary's FRS102 report	-	544	-
Audit adjustments for:	-	-	-
Trip income not recognised correctly in the year	(59)	-	-
SURPLUS / (DEFICIT) FOR THE YEAR	(306)	544	34,472
Adjustment for transfers between funds	(530)	-	530
Conversion income	17	-	-
Financial statements adjustment for LGPS actuarial movement in the year per the actuary's FRS102 report	-	337	-
Financial statements adjustment to restrict the LGPS asset amount based on the actuary's asset ceiling calculation	-	(881)	-
NET MOVEMENT IN FUNDS FOR THE YEAR	(819)	-	35,002

UNADJUSTED DIFFERENCES

There were no unadjusted differences identified from our completed audit procedures.





YOUR EXTERNAL AUDIT FINDINGS INTERNAL CONTROL IMPROVEMENTS

The trust's management are responsible for the identification, assessment and monitoring of risk and for developing, operating and monitoring the systems of internal control within the trust and for providing assurance to the board of trustees that it has done so.

Our audit and regularity assurance work included consideration of internal controls relevant to the preparation of the financial statements and the statement on regularity, propriety and compliance in order to design audit and regularity assurance procedures that are appropriate for the purposes of our audit and regularity assurance engagement, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our audit and regularity assurance engagement are, therefore, not designed to identify all internal control weaknesses.

The matters reported below are limited to those areas identified during the audit and regularity assurance engagement where internal control improvements are recommended, including any improvements recommended in prior years.

The detailed internal control improvement recommendations, which are set out on the following pages, have been graded based our assessment of their potential risk to the trust according to the following grading system.

RISK	DESCRIPTION	CURRENT YEAR	PRIOR YEAR
	HIGH RISK: The improvements recommended are so fundamental to the system of internal control and governance that action should be taken immediately to minimise the risk of material misstatement or governance failings.	-	-
	MEDIUM RISK: The improvements recommended have an important effect on the system of internal control and governance such that a lack of action could lead to a material misstatement or governance failing.	-	-
	LOW RISK: The improvements recommended would improve the system of internal control and governance generally in line with good practice, but are unlikely to lead to a material misstatement or governance failing	3	1
	RESOLVED: The improvements recommended in the previous year which have now been resolved.	N/A	1

YOUR EXTERNAL AUDIT FINDINGS

INTERNAL CONTROL IMPROVEMENTS


CURRENT YEAR

RISK	CONTROL WEAKNESS	IMPROVEMENT RECOMMENDATIONS	MANAGEMENT RESPONSES
	<p>RELATED PARTY NOTIFICATIONS TO DFE</p> <p>During our testing of related party transactions we noted that there was no notification to the DfE for related party transactions which occurred during the year. All expenditure transactions with a related party regardless of value must be reported to DfE using the online form or otherwise represent a breach of the academy handbook 5.41. While pre-approval is only required for transactions over £40,000, the notification to the DfE is a separate matter.</p>	<p>We recommend that management ensure all related parties are flagged on the finance system and that any transactions which are planned to take place are notified to the DfE using the online form.</p>	<p><i>The transactions are a continuation from prior years in which it was deemed that no annual approval from the DfE was required. Going forward, annual approval will be sought.</i></p>
	<p>RELATED PARTY DECLARATIONS</p> <p>During our testing of related parties, we noted that the Trust maintains a declarations schedule and a register of interests, however these schedules do not hold all the same information and some discrepancies were noted.</p> <p>From the work we performed, we noted that two trustees had not disclosed all relevant interests (we considered interests on both schedules in combination). This could mean that potential conflicts of interest are not appropriately identified.</p>	<p>We recommend that management implement a regular review of Companies House to ensure that publicly available information is included on all declarations of interest. The register of interests should continually be updated as new interests arise.</p>	<p><i>The process concerning pecuniary interests / register of interests has been consolidated as previously two separate processes. This will enable consistency going forward. In addition, termly checks are being undertaken against Companies House to ensure all interests are disclosed.</i></p>

YOUR EXTERNAL AUDIT FINDINGS

INTERNAL CONTROL IMPROVEMENTS



CURRENT YEAR

RISK	CONTROL WEAKNESS	IMPROVEMENT RECOMMENDATIONS	MANAGEMENT RESPONSES
	<p>EMPLOYMENT DOCUMENTATION</p> <p>During our testing of payroll, we noted that contracts provided for 9 employees were not signed. It is important for the Trust to hold all copies of employment documentation to ensure that there can never be any disagreement on employment terms with employees.</p>	<p>We recommend that management implement a review of the payroll documentation held by the Trust to ensure that all employees have a valid contract on file.</p>	<p><i>For these employees, acceptance of the Terms and Conditions of employment is deemed to be made upon receipt of monthly salary.</i></p>

YOUR EXTERNAL AUDIT FINDINGS

INTERNAL CONTROL IMPROVEMENTS

PRIOR YEAR UPDATES

RISK	CONTROL WEAKNESS	IMPROVEMENT RECOMMENDATIONS	MANAGEMENT RESPONSES
	<p>MANAGEMENT CHARGE TO SLL – VAT TREATMENT</p> <p>Staff costs are recharged by the Trust to its trading subsidiary, Shireland Learning Limited. It was noted that no VAT has been charged on this supply even though the entities are not within a VAT group.</p> <p>We would expect to see that VAT is charged on this supply unless the entities are part of the same VAT group registration, or the contracts of employment of the employees concerned stipulate that the employee can be asked to work for either entity.</p>	<p>Although there is no net loss to HMRC (i.e. VAT paid in one entity and reclaimed in the other) there is a risk of HMRC applying late payment interest charges on S CAT, being the entity that has not declared and paid over the VAT.</p> <p>We understand that the Trust does not account for VAT on staff recharges on the basis that the staff can be seconded between the Trust and the subsidiary, however the contracts of employment do not seem to address this. We would recommend that a VAT group is considered as this would eliminate the need and remove the risk of HMRC taking a different view.</p>	<p><i>Accepted we will look into this further.</i></p> <p>2024 YEAR UPDATE</p> <p>This point is considered resolved in the current year. VAT invoices now raised regularly.</p>
	<p>LATE FILING OF CHANGES IN TRUSTEES/DIRECTORS</p> <p>During our work over related parties, we noted one instance where the filing of changes in trustees/directors at Companies House was outside the 14-day statutory limit.</p>	<p>The Academy Trust Handbook requires that changes are reflected at Companies House within 14 days. We recommend this is kept under review and a control introduced to ensure necessary forms are filed on time.</p>	<p><i>Accepted.</i></p> <p>2024 YEAR UPDATE</p> <p><i>We noted one instance where the filing of changes in trustees/directors for the 23/24 year at Companies House was outside the 14-day statutory limit.</i></p> <p>Management response 23/24:</p> <p><i>The late filing for this was included in the 2022/23 audit findings - the process was amended in 2023/24, hence no further late filings.</i></p>

THANKS FOR READING

CONTACT DETAILS

EAST MIDLANDS HQ

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Email:
advice@cooperparry.com

Phone:
01332 411 163

OUR OFFICES

Our teams of talent operate right across the UK – with hubs in London, the South and the Midlands. Our international community of likeminded firms also covers every key global market.

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APPENDIX

3 YEAR FINANCIAL SUMMARY

A summary of the trust's operating performance and revenue funds over the last three years, including some key financial ratios is as follows:

	2024 £000	2023 £000	2022 £000
Educational grant income	43,084	36,245	31,376
Other operating income	2,742	2,514	2,014
Staffing expenditure	(36,536)	(30,895)	(26,776)
Other operating expenditure	(9,596)	(7,760)	(6,403)
REVENUE SURPLUS / (DEFICIT)	(306)	105	211
Transfers to fund capital expenditure in the year	(530)	(400)	(894)
Operating funds from academy conversions or transfers	17	-	320
NET MOVEMENT IN REVENUE FUNDS	(819)	(295)	(363)
Total operating funds brought forward	2,537	2,833	3,196
TOTAL REVENUE FUNDS CARRIED FORWARD	1,718	2,537	2,833

KEY FINANCIAL RATIOS

% staff expenditure to total expenditure	79.2%	79.9%	80.7%
% staff expenditure to total operating income	79.7%	79.7%	80.2%
% staff expenditure to educational grant income	84.8%	85.2%	85.3%
Months expenditure in revenue funds (i.e. reserves)	0.4	0.8	1.0
% educational grant income held in revenue reserves	4.0%	7.0%	9.0%
% total operating income held in revenue reserves	3.7%	6.5%	8.5%
Capital investment ratio (% of brought forward operating reserves and current year revenue surplus / (deficit) used for capital expenditure)	23.8%	13.6%	26.2%

OUR PERSPECTIVE

There has been a significant improvement of the staff expenditure ratios in the year, showing a continuing trend of decreases year-on-year for the previous three years. However, revenue reserves continue to show decreases with overall deficits in the revenue funds for the previous three years. The driving force behind these movements, as shown above, is transfers from revenue funds to fund capital expenditure. The nature of these transfers is to fund laptops and IT technology to ensure the Trust remains at the forefront of the latest technology.

The overall level of reserves at the year-end sits at around 0.5 months of operating expenditure or 3.7% of educational grant income. Whilst there is no ideal level of reserves a trust should hold as it will depend on the characteristics of each trust, some recently published guidance by the ESFA on reserves sets out the where reserves are below 5% of total income the ESFA would view this as putting the trust in a "vulnerable" position. Conversely, where a trust's reserves are more than 20% of total income, the ESFA would want to understand what are the trust's plans for these reserves taking into account educational activities, school improvement needs and capital developments).