

**BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST**  
**(A Company Limited by Guarantee)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 AUGUST 2017**

***Company Limited by Guarantee***  
***Registration Number:08497028***  
***(England & Wales)***

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, TRUSTEES AND ADVISORS**

<b>Members</b>	Birmingham City University B Makhoul (resigned 14 April 2017) M Penlington Professor G Upton (appointed 15 April 2017, resigned 31 August 2017) Professor P Plowden (appointed 1 September 2017)
<b>Trustees</b>	M Penlington (Chair) K Mattinson (Accounting Officer) H Yorke I Blair M Hopton C Abbott (resigned 16 September 2016)
<b>Company Secretary</b>	K Stephenson
<b>Senior Management Team</b>	
<b>Accounting Officer</b>	K Mattinson
<b>Chief Finance Director</b>	L Stamatakis
<b>Principal, City Road Primary Academy</b>	J Gazeley - Interim (resigned 31 August 2017)
<b>Interim Principal City Road Primary Academy</b>	S Shepherd (appointed 1 September 2017)
<b>Company Name</b>	Birmingham City University Academies Trust
<b>Principal and Registered Office</b>	Birmingham City University University House 15 Bartholomew Row Birmingham B5 5JU
<b>Company Registration Number</b>	08497028 (England and Wales)
<b>Independent Auditor</b>	UHY Hacker Young (Birmingham) LLP 9-11 Vittoria Street Birmingham B1 3ND
<b>Bankers</b>	Lloyds 114-116 Colmore Row Birmingham West Midlands B3 3BD
<b>Solicitors</b>	Mills & Reeve LLP 78-84 Colmore Row Birmingham B3 2AB

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year ended 31 August 2017. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The charitable company was incorporated on 19 April 2013 and commenced trade upon the transfer of its first Academy to the Trust on 1 July 2013. The trust continues to operate one primary academy in Birmingham at present, which has a pupil capacity of 498 and had a roll of 491 (2016: 463) in the school census on 6 October 2017.

## **STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **Constitution**

The Birmingham City University Academies Trust (BCUAT) is a multi-academy trust, a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Academies Trust. The trustees of Birmingham City University Academies Trust are also the Directors of the charitable company for the purposes of company law. The charitable company is known as Birmingham City University Academies Trust (BCUAT).

Details of the Trustees who served during the period are included in the Reference and Administrative Details on page 3.

### **Members' Liability**

Each member of the charitable company undertakes to contribute to the assets of the charitable company in the event of it being wound up while they are a member, or within one period after they cease to be a member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before they ceased to be a member.

### **Trustees' Indemnities**

The Trust holds Directors and Officers Indemnity Insurance to the value of £5,000,000. This will be reviewed annually.

### **Principal Activities**

The principal activities of the charitable company are to advance, for the public benefit, education in the United Kingdom and to transform the prospects of children by providing inspirational learning experiences through excellence in teaching, teacher education, research and innovation.

### **Method of Recruitment and Appointment or Election of Trustees**

In accordance with the charitable company's Articles of Association, the Trust shall have the following Trustees/Directors:

- a. the Chair of one of the Local Governing Bodies;
- b. a Pro-Vice Chancellor of Birmingham City University;
- c. up to 4 Trustees appointed by Birmingham City University; and
- d. a member of Birmingham City University Board of Governors nominated to the Company from time to time by the Birmingham City

The Trustees may appoint Co-opted Trustees, with recommendations being brought to a meeting of the Trust Board, but given the current size of the Trust, has not sought to do so pending further expansion.

The term of office for any Trustee shall be four years. Subject to remaining eligible to be a particular type of Trustee, any Trustee may be re-appointed or re-elected.

### **Policies and Procedures Adopted for the Induction and Training of Trustees**

All Trustees are provided with membership of the National Governors' Association (NGA) and offered the opportunity to attend training through the NGA as well as the local authority. All new Trustees are invited to visit the school and meet with staff/pupils. Guidance and training are provided with regard to good governance, safeguarding, understanding school data, the role and expectations of Ofsted, financial obligations (including reference to the Academies Financial Handbook and Governance Handbook) and recruitment (where applicable).

### **Organisational Structure**

The Board of Trustees (Directors) meets no less than three times per year and has overall responsibility and ultimate decision-making authority for all the work of the Academies Trust, including the establishment and maintenance of the Academies.

The Trustees are responsible for the general control and management of the administration of the Trust. The Board of Trustees is the accountable body for the performance of all Academies within the Trust and adheres to the three core principles of governance:

- Ensuring clarity of vision, ethos and strategic direction
- Holding the Accounting Officer, Chief Financial Officer and Principal(s) to account for the educational performance of the Academies and their pupils, and the performance management of staff
- Overseeing the financial performance of the Trust and make sure its money is well spent

The Board of Trustees is permitted to exercise all the powers on behalf of the Academies Trust and delegates to the Accounting Officer responsibility for the day to day operations of the Trust. Each Academy is governed and managed by Birmingham City University Academies Trust. The Trustees determine the level of governance functions that will be delegated and bestows specific governance responsibilities on the Local Advisory Board (LAB) to enable the running of each Academy, according to the principle of earned autonomy. The Local Advisory Board normally meets twice per term (six times per year). The Academy Principal and the Local Advisory Board are accountable to the Trust Board at all times and committed to regular reporting, which enables the Trust Board to monitor activity and progress and provide assurance as to the smooth running of the Academy.

The Board of Trustees has the right to review and adapt its governance structure at any time, which includes the removal of delegated powers.

For the Academy, an operations manual has been produced to indicate delegated powers and lines of responsibility. This is reviewed annually to ensure that adequate controls are maintained without being overly prescriptive in approach. Recognising and rewarding the increased professionalism and performance of the Academy is an important factor.

At present, the Trust sponsors one Academy (City Road Primary Academy) and the University's Head of the School of Education, who is also a Trustee, acts as Accounting Officer.

### **Arrangements for setting pay and remuneration of key management personnel**

Trustees are not currently employed by, or receive any remuneration from the Trust. The Accounting and Chief Financial Officers are employed and remunerated by the sponsor, Birmingham City University, and do not receive any financial payments from the Trust. A donation is made by the Trust from the sponsor for the services rendered by the Chief Financial Officer.

### **Arrangements for setting pay and remuneration of key management personnel (cont'd)**

When initially setting the Principal's pay, the Trust determine the 'head teacher group size' of each academy using the formula published in the School Teachers' Pay and Condition document. Where a Principal is appointed prior to 1 September 2014, the group size of the academy relates to a range of seven spine points on the Leadership scale. For Principals appointed with effect from or after 1 September 2014, the group size of the academy on the Leadership Pay Range is calculated by reference to its total unit score.

On appointment the Principal for each academy is normally appointed on one of the first 4 points on the seven-point range (where appointed prior to 1 September 2014), or on the starting salary for the Leadership Pay Range Group (where appointed on or after 1 September 2014). The Trust will ensure that reasons for setting the individual school range (ISR) at a given level are recorded and that the process for the determination of each Principal's salary is fair and transparent. The Trust and the Local Advisory Board will ensure that there is no overlap of salary bands between the Principal and other leadership posts.

Progression for each Principal is subject to a review of their performance, which is assessed as part of an annual appraisal process to ensure that they have the skills and support needed to carry out their role effectively, within the context of the Trust's plan for improving educational provision and performance.

Performance objectives are set for the Principal by two members of the Board of Trustees in December of each academic year, after consultation with a suitably skilled and experienced external adviser. Performance against these objectives is monitored and discussed throughout the year in line with the Trust's Appraisal and Capability Policy. An annual appraisal review is conducted during the following autumn term by two Board of Trustee members and the external adviser. Based on the outcome of this appraisal, the panel make a recommendation for pay progression within the Leadership pay scale.

The Trust may decide to award one increment for sustained high quality performance or two increments where performance has been exceptional. Where performance has not been of a sustained high quality the Trust may decide that there should be no pay progression. The pay review process for the Principal is normally completed by the end of December each year, any salary increases awarded are backdated to 1 September.

Exceptionally, the Trust may consider a discretionary payment not exceeding 25% of the Principal's salary (if the Budget allows) for reasons not already taken into account in determining the ISR, and which may include:

- the academy is an academy causing concern
- without such additional payment BCUAT considers that the academy would have substantial difficulty filling a vacant Principal post
- without such additional payment BCUAT considers the academy would have substantial difficulty retaining the existing Principal
- the Principal is appointed as a temporary Principal of one or more additional academies

The Trust may also consider additional payments in respect of:

- additional responsibilities and activities due to, or in respect of, the provision of services by the Principal relating to the raising of educational standards to one or more additional academies;
- where the Principal is providing services relating to the raising of educational standards to one or more other academies e.g. as a consultant leader, academy improvement partner, local leader for education or national leader of education.

Any payment considered under this section will be temporary only.

No payment is considered where these duties have already been taken into account in other sections of the pay, appraisal and capability policies.

### **Related Parties and other Connected Charities and Organisations**

Birmingham City University has no direct responsibility for the Trust but as one of the members, it is an interested party. None of the Trustees are remunerated for their involvement and a register of interests is maintained and available for inspection.

## **OBJECTIVES AND ACTIVITIES**

### **Objects and Aims**

The object of the Trust is to advance for the public benefit education in the United Kingdom by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum; or educational institutions which are principally concerned with providing full-time or part-time education for children of compulsory school age who, by reason of illness, exclusion from school or otherwise, may not for any period receive suitable education unless alternative provision is made for them; or 16 to 19 Academies offering a curriculum appropriate to the needs of its students or schools specially organised to make special educational provision for pupils with Special Educational Needs.

### **Objects, Strategies and Activities**

The overall aims of the Trust are:

- to protect and develop the Trust's core vision for all its sponsored academies;
- to set and uphold high standards of academic performance, attainment and behaviour;
- to enhance the quality of teaching and foster continuous improvement in all its academy schools;
- to develop excellent leadership both within the Trust itself and within each of its individual academies.

**Objects, Strategies and Activities (cont'd)**

The Trust also draws on the skills and expertise of its sponsor, Birmingham City University, to support enhanced teaching and improved performance by sharing excellent practice and the findings of its pedagogic research; and by developing a community of learning across its member academies.

The Trust is also responsible for ensuring the financial health of its academy schools, for safeguarding their assets and for ensuring an adequate level of investment to protect the health, safety and well-being of pupils, both currently and in the future.

This is the fourth year of operation for the Trust and its Academy school. The year has, to a large extent, been one in which the foci have been about maintaining the financial stability of the Trust and looking to ensure that it is best placed to address changes to school-funding regimes as a consequence of proposed changes to formula funding, along with maintaining the status quo as a consequence of continued uncertainties about Government policy in respect of academisation and the role of/expectation placed on Universities. Alongside this, the Trust continued to operate within a climate of some uncertainty in respect of the University's strategic direction and academies, the institution - at least in part - not wishing to take final decisions until Government policy was clarified. The outcome of the 2017 General Election has provided some of the clarity needed and this has enabled a set of decisions to be taken about the future of the Trust. The recognised need to seek to improve the educational performance of the Primary Academy was an ongoing priority, as was continuing to build the effectiveness of the Trust Board. Changes in membership of the Board informed the review of Governance and an assessment of the skills set within the Board.

The investment in the Trust's Head Office staffing in Year Three of its existence reaped continued benefits in respect of a strong regulatory framework, policies being updated in a timely fashion. A high level Trust wide business continuity plan, developed in 2016, was approved by the Trust Board.

**Public Benefit**

The Trust provides educational services to children through the operation of its Academy. The Trustees confirm that they have complied with the guidance on public benefit provided by the Charity Commission.

**STRATEGIC REPORT**

**Achievements and Performance**

The outcomes of the 2016 external assessment were a disappointment despite a number of interventions including additional guided reading sessions, smaller SEN class sizes, increased practice tests, improved cross curricular links for writing, staff training and the revision of assessment practices. Challenge remains with regards to increasingly high levels of pupil mobility. Despite the Academy focusing on addressing higher levels of consistency, so that all pupils perform well under test conditions, the outcomes indicate that impact has not been consistent. To address these issues a programme of rapid improvement was initiated at the end of the 2016/17 academic year.

## **STRATEGIC REPORT (cont'd)**

### **Performance and Standards 2016-17**

#### **Achievement of pupils**

##### **Early years provision**

- 44% of pupils attained a Good Level of Development at the end of the EYFS. This data is not yet validated.

##### **Phonics Test**

- In Year 1 74% of pupils passed the Phonics Test.
- In Year 2 80% of pupils passed the Phonics Re-Test.

##### **Key Stage 1**

- 45% of pupils achieved the Expected Standard in Reading.
- 67% of pupils achieved the Expected Standard in Writing.
- 78% of pupils achieved the Expected Standard in Mathematics.

##### **Key Stage 2**

- 47% of pupils achieved the Expected Standard in Reading.
- 49% of pupils achieved the Expected Standard in Writing.
- 64% of pupils achieved the Expected Standard in Mathematics.
- 67% of pupils achieved the Expected Standard in Grammar Punctuation and Spelling.
- 40% of pupils achieved the Expected Standard in Reading, Writing and Mathematics.

This data is not yet validated but indicates that the School has not met the floor standard of 65% of pupils achieving the Expected Standard in Reading, Writing and Mathematics.

The data indicates that the school has met the floor standard of achieving sufficient progress scores in Reading, Writing and Mathematics.

In May 2016 the school was subject to a Section 5 Ofsted Inspection and the outcomes were very disappointing indicating that the school had made insufficient progress in improving the quality of teaching

The Ofsted outcomes were the following:

Effectiveness of leadership and management	Requires improvement
Quality of teaching, learning and assessment	Requires improvement
Personal development, behaviour and welfare	Good
Outcomes for pupils	Requires improvement
Early years provision	Good

### **Key Financial Performance Indicators**

In recognition of ongoing performance issues in the School, that impacted on the rate of progress of pupils, the SIP that was appointed at the end of the last cycle worked with senior leaders and with the Chair of the LAB throughout 2016/17. Alongside this, the School drew on school-to-school support from a local Teaching School Alliance (TSA). The Chair of the LAB, working with the SIP, worked with the Principal of the School to establish key performance measures against which she and her staff would be held to account. Regrettably, the Ofsted Inspection in the spring of 2017 indicated that the impact of all of this work was not sufficiently embedded across the School. Changes to the leadership of the School at the end of 2016/7, with the departure of both the Principal and Deputy Principal led to the appointment of an interim executive team and a new clarity of understanding and purpose has resulted in appropriate, key metrics being put in place for all staff and a robust system of accountability is being operated through which performance - and consequently , pupil progress - is being effectively monitored. Issues around staff absence were noted in the previous Annual Audit and Accounts and, this, alongside staff turnover, continued in 2016/17.

In respect of financial policy and practice, whilst a very strong oversight of budgets has been operated throughout the Academy Trust's period of existence, it is again recognised that an approach that sets KPI's is one that is more appropriate in the future.



## **STRATEGIC REPORT (cont'd)**

### **Going Concern**

After making appropriate enquiries, the Trustees have a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

### **FINANCIAL REVIEW**

The Academy's financial period end deficit position of £1,234,000 (2016: £1,518,000) comprises restricted fixed asset funds of £1,247,000 (2016: £1,188,000), unrestricted funds of £170,000 (2016: £161,000) and negative restricted general funds of £2,651,000 (2016: £2,867,000), which includes the pension deficit of £2,746,000 (2016: £3,105,000). The Trustees accept that the period-end deficit position is not a reflection of the Trust's operational performance, but is due to the pension liability which is a recognised factor across the sector. The pension deficit has reduced by £359k (2016: £1,123,000 increase) since the previous actuarial report for the year ended 31 August 2017.

### **Reserves Policy**

The Trust's reserves policy aims to ensure that sufficient funds are retained to manage future financial risks and priorities, whilst also ensuring that the maximum resources are provided for students with the majority of funds spend during the period. However Trustees must consider both the future sustainability of the Academy and the needs of today's pupils when setting a reserves policy, as the full spend of the current funds could compromise the education of tomorrow's pupils. The reserves held will be reviewed annually to ensure that they are not excessive and do not compromise operations. The Trustees wish to build a financial contingency to contribute towards building repairs which have already been identified, to ensure the safety and well-being of staff and students and of the learning environment. The Trustees have authorised capital expenditure of £110k to replace the academy's boilers (45% will be covered by ESFA emergency funding), £50k for educational improvement plans and £18k for the replacement of the smartboards in the classrooms. All the aforementioned expenditure will take place before the end of 2017.

Due to accounting for the Local Government Pension Scheme (LGPS) under FRS102 the Trust is recognising a pension fund deficit of £2,746k (2016: £3,105k) based on the latest actuarial valuation of the fund. There is no immediate liability for this amount to crystallise. Any agreed cash contributions towards this pension fund deficit are built into the Academy Trust's forward budgets and cash flows. The Trustees recognise that increased pension contributions should continue to be met from the academy trust's budgeted annual income and have not set aside a further designated reserve to cover the pension liability.

The reserves of the Academy Trust excluding the fixed asset and pension reserves, amount to £265k.

This consists of £170k unrestricted funds and £95k restricted funds. All funds are available for general purposes of the Academy Trust.

### **Investment Policy**

The Trustees considered and approved an investment policy in 2016/17, within which they considered their options to utilise fixed period layering of deposit accounts as offered by the current banking provider. Due to the sponsorship withdrawal consideration and urgent capital expenditure considerations regarding the boilers and drainage, the fixed period layering of deposit accounts was not implemented and instead the Cash remained to be held in an interest bearing current account.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

- Political – Change in Government agenda . The outcome of the General Election and academisation has impacted upon the Trust, with a decision taken in the summer of 2017 that the University should seek to exit from sponsorship of academies
- Economic – Austerity measures applied to education sector
- Social – A transient population which impacts upon retention, and the cultural and educational challenges resulting from English being the second language to most pupils.
- Building Condition - The Trust's commissioned survey indicated that a sum of some £600k may need to be spent over the next four years on the building and grounds, to bring them to a good state of repair. The Trust's ability to finance these works remains heavily dependent upon Capital Grants. A new capital bid was developed and submitted but this was unsuccessful. The Trust is working with a consultant and a further bid has been prepared which is to be submitted in the Autumn term of 2017. An emergency bid was submitted to the EFA in respect of the boilers for the Academy. This bid was successful, with the Trust contributing 55% of the total cost of the project from the Trust's reserves.

### **Plans for Future Periods**

2016/17 was a period of uncertainty in respect of the future direction of the Trust. Decisions about growth were placed 'on hold' until there was greater clarity in respect of Government policy. In addition, the uncertainties about the role of the University in sponsorship per se remained and changes to the senior leadership of the organisation led to a review of strategy. It was ultimately determined that the University would seek to step back from academy sponsorship and discussions were subsequently opened up with the DfE. The Head Teacher Board of the Regional Schools Commissioner considered this matter in October 2017 and a proposed new sponsor was identified. A process of due diligence, leading to transfer of the school to the identified new sponsor, has commenced.

### **Funds held as Custodian Trustee on behalf of others**

There are no funds held as Custodian Trustee on behalf of others.

### **AUDITORS**

UHY Hacker Young (Birmingham) LLP has indicated its willingness to continue in office.

The Trustees have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Trustees have confirmed that they have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

The Trustees' Annual Report is approved by order of the Board of Trustees and the Strategic Report (included therein) is approved by the Board of Trustees in their capacity as the Trustees at a meeting on 5 December 2017 and signed on its behalf by:

  
.....  
**M Penlington**  
**Chair of Trustees**  
**5 December 2017**

### **Scope of Responsibility**

As Trustees we acknowledge we have overall responsibility for ensuring that Birmingham City University Academies Trust has an effective and appropriate system of control, financial and otherwise. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board of Trustees in 2014 appointed the incoming Head of School of Education as a Trustee of BCUAT and Accounting Officer. BCUAT has delegated to this individual responsibility for ensuring that financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Birmingham City University Academies Trust and the Secretary of State for Education. The Accounting Officer is also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

### **Governance**

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees has formally met six times during the period. Attendance during the period at meetings of the Board of Trustees was as follows:

<b>Trustee</b>	<b>Meetings attended</b>	<b>Out of a possible</b>
M Penlington (Chair)	6	6
K Mattinson	3	6
Helen Yorke	6	6
C M Abbott	-	-
M Hopton	5	6
I Blair	5	6

### **Governance Review**

The Trust has reflected on its current governance arrangements under which one of the Trustees has assumed the role of the Accounting Officer and there is only one sub-committee, the Audit and Finance Committee, apart from the Local Advisory Board responsible for City Road Primary Academy. The change in nomenclature from the Audit Committee took place during the 2016-17 academic year. This change coincided with the appointment of a new Audit Committee Chair and subsequent changes in conduct and processes of the Committee, strengthening the already robust financial oversight that was in place. Further changes were put in place at the end of the 2016/17 academic year, so that the Accounting Officer was now formally required to attend every meeting.

The Trust considers the current arrangements to be appropriate given the current size of the Trust with only one sponsored academy. The Trust will review its current governance structure in the event of expansion and has already considered the nature of the arrangements that will need to be put in place. Local governance of the Academy is undertaken by a Local Advisory Board reporting to the Trust Board. Reviews in 2014/15 by both the DfE and Ofsted recommended a review of governance. Ofsted noted that governors needed to be more rigorous in their scrutiny of some areas of spending and actions taken by the academy.

In response, the Trust arranged a formal review of governance led by the National Governors Association. This took place in October 2015. The recommendations of the review have undergone careful consideration over a prolonged period of time and began to be embedded in the 2016-17 academic year.

The Academy Trust reviews its governance arrangements on an annual basis. As part of this process, Directors had completed a skills audit questionnaire in late 2016/early 2017. A review of the outcomes by the Chair of the Trust resulted in a conclusion that there was no immediate need to initiate a further effectiveness review of the Trust Board. The results of the skills audit had demonstrated that it was a well-constituted Board for the current size of business, but it was acknowledged that if, the Trust were to expand, there could potentially be a need to amend the Articles to allow for more than seven Directors in order to populate committees/local advisory boards.

**GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 AUGUST 2017****Governance Review (cont'd)**

It was proposed that annual 1:1 meetings with the Chair, for each Director, would be a sufficient measure at present to monitor board effectiveness but it was also requested that the Head Office undertake a mapping exercise of the Department for Education's Governance Handbook against the Trust's current structures and processes to ensure full compliance. The mapping exercise was completed in the 2016/17 academic year. The Chair of the Trust undertook 1: 1 meetings with each Director in September/October of 2017. A skills audit of the LAB membership was also undertaken. As a result of the mapping exercise a code of conduct was established for the Trust Board, the LAB code of conduct was amended and a register of interest for the Board of Members was published. Given the decision of the University that it should seek to withdraw from academy sponsorship, it was agreed that a review of Governance in 2017/18 would not be appropriate.

**Audit and Finance Committee**

The Audit Committee was established in November 2014. It was agreed that it would be redesignated as the Audit and Finance Committee in June 2016 and this has been implemented for the 2016/17 academic year. The Committee is a sub-committee of the main Board of Trustees. Its purpose is to review the audit aspects of the annual financial statements, including the external audit opinion, the statement of members' responsibilities, the statement of internal control and any relevant issue raised in the external auditors' management letter. The Committee also reviews the effectiveness of the risk management, finance, control and governance arrangements of the Trust and has oversight of the management accounts and budgets. During the period, the Committee has:

- considered and approved action plans in response to External Audit's management letter following the audit of the 2016 accounts;
- reviewed the existing risk register and risk management policy and made appropriate updates
- undertook an internal audit review in May 2017;
- provided oversight in respect of the implementation of the recommendation of the internal audit review for the Trust and the Academy.

Attendance at meetings in the year was as follows:

<b>Audit and Finance Committee Member</b>	<b>Meetings attended</b>	<b>Out of a Possible</b>
N Spedding (Chair from 01.05.2016)	3	3
K Edwards	-	3
M Penlington	3	3

**Review of Value for Money**

The Accounting Officer has responsibility for ensuring that the Trust delivers good value in the use of public resources. There is a clear understanding that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received. This, in turn informs practice within the Trust in respect of a careful assessment of spending proposals.

The Accounting Officer considers how the Trust's use of its resources has provided good value for money during each academic year, and reports to the Board of Trustees where value for money can be improved, including the use of benchmarking data where available. The Accounting Officer for the Trust has delivered improved value for money during the 2016/17 year by the continued utilisation of tutors from within the University's School of Education and Social Work in respect of support for staff development. Senior colleagues who lead on teaching and learning at postgraduate level have delivered sessions for the teaching staff in City Road Primary Academy. In addition, the Chair of the Lab is a member of the School of Education and Social Work's Executive and has made extensive contributions to the School through her work as Chair. Key staff have worked with leaders in the School in respect of the improvement plan and, post the 2017 inspection by Ofsted, have worked closely with the interim senior leadership in the School on the post-Ofsted action and implementation plan. University Tutors from the School of Education and Social Work remain on the School's LAB.

Throughout the 2016/17 academic year, work has continued in respect of utilising a School Improvement Partner as well as drawing on services from a local Teaching School Alliance to support the drive for continuous improvement.

### **Review of Value for Money (cont'd)**

The external partner worked with the Chair of the LAB and the Accounting Officer to review the annual performance of the Academy Principal and monitor performance against appropriately challenging objectives. However, the outcomes from the Ofsted inspection, and from the End of Key Stage assessments in the summer of 2017 point to the fact that progress had been inconsistent and the level of accountability and monitoring not as great as required to deliver the necessary improvements.

The Board of Trustees comprise very experienced and passionate individuals in the education sector who are able to provide appropriate direction and challenge the Academy's management team in order to enable them to perform to their outmost potential. A further strengthening of the Board was dependent upon decisions as to the future direction of the Trust. With the decision to step back from academy sponsorship, additional appointments to the Trust Board will not be made.

The Trust has continued to work very closely with Academy staff to review and update policies on an annual basis and to ensure that there is an appropriate level of understanding, with the necessary response, to changes in any element of Education Policy that impact upon the School, the teachers and the pupils.

The Trust has continued to have a particular concern about the relatively high use of agency staff and the relatively high proportion of teaching assistant vis-à-vis teachers and the implication of this in respect of pupil performance. Alongside this, proposed changes to the funding of schools through revisions of formula funding, continued requirements to make provision for the pension deficit for the West Midlands Pension Scheme and the aim of ensuring sustainability and security in to the future has resulted in work being undertaken to analyse current staffing structures and consider what might be most appropriate for the way ahead. This work remains a key objective and actions for 2017/18; however, the form and speed of any change will be dependent upon cooperation and collaboration with any incoming sponsor and the strategic and operational objectives of the new sponsor.

A full teaching staff complement was achieved for the 2016/17 academic year; however, continued levels of absence and turnover remain as challenges for the School and the Trust.

The Trust continues to monitor all contracts and has sought to bring about savings for the Academy through the University's purchasing power and expertise. Planning work initiated in the previous academic year in respect of the external environment of the School, was seen through to completion in respect of the first two phases of playground and facilities improvement. The outcomes of the Ofsted inspection led to a further review of priorities, with a decision being taken to postpone phase three of the improvement plan and utilise resources to support the interim leadership team in resourcing the School's improvement plan to ensure that the educational priorities following the inspection were supported and acted upon. In respect of the first two phases of the refurbishment of the estate, it is clear that the children's outdoor learning experiences have been significantly enhanced and this has been delivered through an extensive and careful procurement process to ensure that best use was made of scarce resources.

Throughout the academic year, a number of changes to supply of utilities and other services were implemented that have been intended to deliver effectiveness and value for money. Changes in electricity and gas supplier have resulted in a slight reduction in cost and additional support services and better customer care. The Management Information System was changed and the new system is felt by colleagues in the school to more effectively meet their information and data needs. The new system will deliver a financial saving over two years. Investment in learning support continued, with 3 additional touchscreens – these were purchased at a discounted price with free installation. They include the latest technology and meet the School requirements to drive forward technology-enhanced learning.

The Trust remains committed to developing and enhancing practice that will be to the benefit of Academy pupils, staff and the wider Academy community. Outcomes for 2017 have been disappointing and have not reflected the improved performance that was being demonstrated, and externally verified, over the academic year. This is the second year that outcomes have been lower than that which formative data was indicating and the Ofsted inspection confirmed the inconsistencies in practice that the Trust has recognised are a significant constraint to sustained and consistent improvement. This remains a focus for the Trust as it manages the transition to a new sponsor.

### **The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Birmingham City University Academies Trust for the period 1 September 2016 to 31 August 2017 and up to the date of approval of the annual report and financial statements.

### **Capacity to Handle Risk**

The Board of Trustees has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the period 1 September 2016 to 31 August 2017 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

### **The Risk and Control Framework**

The Academy Trust's system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular it includes:

- budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Trustees;
- regular reviews by the Trust Board of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

The Board of Trustees commissioned Solihull Council to perform an internal audit during 2016-17 and intends to repeat this in 2017-18 to provide assurance that risks are managed appropriately, give advice on financial matters and perform a range of checks on the Trust's financial systems.

### **Review of Effectiveness**


The Accounting Officer has responsibility for reviewing the effectiveness of the system of internal control. During the period in question the review has been informed by:

- the work of the external auditor;
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the systems is in place.

Approved by order of the members of the Board of Trustees on 5 December 2017 and signed on its behalf by:

  
.....  
**M Penlington**  
**Chair of Trustees**  
**5 December 2017**

  
.....  
**K Mattinson**  
**Accounting Officer**  
**5 December 2017**

**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE FOR THE YEAR ENDED 31 AUGUST 2017**

As accounting officer of Birmingham City University Academies Trust I have considered my responsibility to notify the Academy Trust board of trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2016.

I confirm that I and the Academy Trust board of trustees are able to identify any material irregular or improper use of funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's funding agreement and the Academies Financial Handbook 2016.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the board of trustees and the ESFA.

**[Signed]**

A handwritten signature in black ink, appearing to read 'K Mattinson', with a long horizontal flourish extending to the right.

**K Mattinson**  
**Accounting Officer**

**5 December 2017**

**STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE YEAR ENDED 31 AUGUST 2017**

The trustees (who act as governors of Birmingham City University Academies Trust and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction issued by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards FRS102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the academy will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the ESFA / DfE have been applied for the purposes intended.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the board of trustees on 5 December 2017 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'M Penlington', is written over a horizontal dotted line.

**M Penlington**  
**Chair of Trustees**



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST FOR THE YEAR ENDED 31 AUGUST 2017****Opinion**

We have audited the financial statements of Birmingham City University Academies Trust (the 'academy trust') for the year ended 31 August 2017 which comprise Statement of Financial Activities, the Balance Sheet and the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding

This report is made solely to the academy trust's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the academy trust's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the academy trust and the academy trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the academy trust's affairs as at 31 August 2017, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the academy trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material uncertainty relating to going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Statement of Accounting Policies on page 25 concerning the charitable company's ability to continue as a going concern. The charitable company is reliant on the Education and Skills Funding Agency for the advancement of general annual grant and the sponsorship of Birmingham City University which is to be withdrawn during 2017/18. The plan for the future is that the only academy within the company is for City Road Primary Academy to be transferred to another multi academy Trust in Birmingham and for the charitable company to close during 2017/18.

This condition, together with the other matters set out in the Statement of Accounting Policies, indicates the existence of a material uncertainty which may cast significant doubt on the charitable company's ability to continue as a going concern in the longer term. The financial statements do not include the adjustments that would result if the charitable company was unable to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST FOR THE YEAR ENDED 31 AUGUST 2017 (cont'd)****Other information**

The trustees are responsible for the other information. The other information comprises the information included in the trustees' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the trustees' report (incorporating the strategic report and the trustees' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the trustees' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the academy trust and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement set out on page 16, the trustees (who are also the directors of the academy trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the academy trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the academy trust or to cease operations, or have no realistic alternative but to do so.

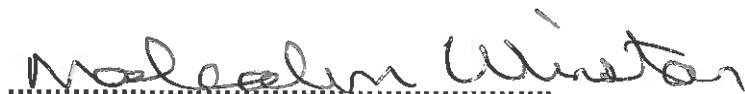
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST FOR THE YEAR ENDED 31 AUGUST 2017 (cont'd)****Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the academy trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the academy trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the academy trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Malcolm Winston**

**Senior Statutory Auditor**

**UHY Hacker Young (Birmingham) LLP, Statutory Auditor**

**9-11 Vittoria Street**

**Birmingham**

**B1 3ND**

**5 December 2017**

**INDEPENDENT REPORTING ACCOUNTANT'S AUDITOR'S ASSURANCE REPORT ON REGULARITY TO BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY FOR THE YEAR ENDED 31 AUGUST 2017**

In accordance with the terms of our engagement letter dated 24 May 2017 and further to the requirements of the Education and Skills Funding Agency (ESFA), as included in the Academies Accounts Direction 2016 to 2017 we have carried out an engagement to obtain limited assurance about whether, the expenditure disbursed and income received by the Academy Trust during the period 1 September 2016 to 31 August 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Birmingham City University Academies Trust and the ESFA in accordance with our engagement letter. Our review has been undertaken so that we might state to the governing body and the ESFA those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Birmingham City University Academies Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

**Respective responsibilities of Birmingham City University Academies Trust's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of Birmingham City University Academies Trust funding agreement with the Secretary of State for Education dated NEED DATE, and the Academies Financial Handbook extant from 1 September 2016 for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies: Accounts Direction 2016 to 2017. We report to you whether, anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2016 to 31 August 2017 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

**Approach**

We conducted our engagement in accordance with the Academies: Accounts Direction 2016 to 2017 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the Academy Trust's income and expenditure.

**INDEPENDENT REPORTING ACCOUNTANT'S AUDITOR'S ASSURANCE REPORT ON  
REGULARITY TO BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST AND THE  
EDUCATION AND SKILLS FUNDING AGENCY FOR THE YEAR ENDED 31 AUGUST 2017**

**Approach (con't)**

Summary of the work undertaken was as follows:

- Analytical review of the Academy Trust's general activities are within the Academy Trusts framework of authorities;
- Consideration of the evidence supporting the accounting officers statement on regularity, propriety and compliance;
- Review of the general control environment for the Academy Trust on financial statements and on regularity;
- Sample testing of expenditure transactions to ensure the activity is permissible within the Academy Trust's framework of authority;
- Confirmation that a sample of expenditure has been appropriately authorised in accordance with the Academy Trust's delegated authorities;
- Formal representations obtained from the board of trustees and the accounting officer acknowledging the responsibilities including disclosing all non compliance with laws and regulations specific to the authorising framework;
- Confirmation that any extra contractual payments such as severance and compensation payments have been appropriately authorised;
- Review of credit card expenditure for any indication of personal use by staff, principal or trustees;
- Review of specific terms of grant funding within the funding agreement;
- Review of related party transactions for connections with the principal/finance manager or trustees;
- Review of income received in accordance with the activities permitted within the Academy Trust's charitable objectives.

**Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2016 to 31 August 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



**Reporting Accountant**  
**UHY Hacker Young (Birmingham) LLP**  
**9-11 Vittoria Street**  
**Birmingham**  
**B1 3ND**

**5 December 2017**

## STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 AUGUST 2017

(Including Income and Expenditure Account)

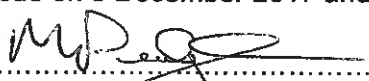
		Unrestricted	Restricted	Restricted	Total	Total
	Note	Funds	General	Fixed	2017	2016
		£'000	Funds	Asset	£'000	£'000
		£'000	£'000	Funds	£'000	£'000
<b>Income from:</b>						
Donations and capital grants						
Charitable activities:	3	-	-	9	9	9
- Funding for the Academy Trust's educational operations	4	-	2,379	-	2,379	2,422
Other trading activities	5	17	-	-	17	25
Investments	6	-	-	-	-	-
<b>Total</b>		<b>17</b>	<b>2,379</b>	<b>9</b>	<b>2,405</b>	<b>2,456</b>
<b>Expenditure on:</b>						
Raising funds	7	8	-	-	8	12
Charitable activities:						
- Academy Trust's educational operations	7 & 8	-	2,561	53	2,614	2,550
Other		-	-	-	-	-
<b>Total</b>	<b>7</b>	<b>8</b>	<b>2,561</b>	<b>53</b>	<b>2,622</b>	<b>2,562</b>
<b>Net income/(expenditure)</b>		<b>9</b>	<b>(182)</b>	<b>(44)</b>	<b>(217)</b>	<b>(106)</b>
Transfers between funds	15	-	(103)	103	-	-
<b>Other recognised gains and losses</b>						
Actuarial gain/(loss) on defined benefit pension schemes	25	-	501	-	501	(1,116)
<b>Net movement in funds</b>		<b>9</b>	<b>216</b>	<b>59</b>	<b>284</b>	<b>(1,222)</b>
<b>Reconciliation of funds</b>						
<b>Total funds brought forward</b>		<b>161</b>	<b>(2,867)</b>	<b>1,188</b>	<b>(1,518)</b>	<b>(296)</b>
<b>Total funds carried forward</b>	<b>15</b>	<b>170</b>	<b>(2,651)</b>	<b>1,247</b>	<b>(1,234)</b>	<b>(1,518)</b>

All of the Academy Trust's activities derive from acquisitions and continuing operations during the above two financial periods.

## BALANCE SHEET AS AT 31 AUGUST 2017

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Tangible assets	12	<u>1,247</u>	<u>1,188</u>
		<u>1,247</u>	<u>1,188</u>
<b>Current assets</b>			
Debtors	13	59	89
Cash at bank and in hand		<u>396</u>	<u>496</u>
		<u>455</u>	<u>585</u>
<b>Liabilities</b>			
Creditors: Amounts falling due within one year	14	<u>(190)</u>	<u>(186)</u>
<b>Net current assets</b>		<u>265</u>	<u>399</u>
<b>Total assets less current liabilities</b>		<b>1,512</b>	<b>1,587</b>
Creditors: Amounts falling due after more than one year		-	-
<b>Net assets excluding pension liability</b>		<u>1,512</u>	<u>1,587</u>
Defined benefit pension scheme liability	25	(2,746)	(3,105)
<b>Total Net Liabilities</b>		<u><u>(1,234)</u></u>	<u><u>(1,518)</u></u>
<b>Funds of the Academy:</b>			
<b>Restricted funds</b>			
- Fixed asset fund	15	1,247	1,188
- Restricted income fund	15	95	238
- Pension reserve	15	<u>(2,746)</u>	<u>(3,105)</u>
<b>Total restricted funds</b>		<u><u>(1,404)</u></u>	<u><u>(1,679)</u></u>
<b>Unrestricted income fund</b>	15	<u>170</u>	<u>161</u>
<b>Total unrestricted funds</b>		<u>170</u>	<u>161</u>
<b>Total Funds</b>		<u><u>(1,234)</u></u>	<u><u>(1,518)</u></u>

The financial statements on pages 22 to 24 were approved by the trustees and authorised for issue on 5 December 2017 and signed on their behalf by:

  
 .....  
**M Penlington**  
 Chair of Trustees

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 AUGUST 2017

	Notes	2017 £'000	2016 £'000
<b>Cash flows from operating activities</b>			
Net cash provided by/(used in) operating activities	19	3	(289)
Cash flows from investing activities	20	(103)	(30)
Cash flows from financing activities	21	-	-
Change in cash and cash equivalents in the reporting period		<u>(100)</u>	<u>(319)</u>
 Cash and cash equivalents at 1 September	22	<b>496</b>	<b>815</b>
Cash and cash equivalents at 31 August	22	<u><b>396</b></u>	<u><b>496</b></u>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017****1 Statement of Accounting Policies**

A summary of principal accounting policies adopted (which have been applied consistently, except where noted), judgements and key sources of estimation uncertainty, is set out below.

**Basis of Preparation**

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities : Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2016 to 2017 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Birmingham City University Academies Trust meets the definition of a public benefit entity under FRS 102.

**Going Concern**

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. Sponsorship of the company is to be withdrawn by Birmingham City University during 2017/18. As a result the only academy within the company, City Road Primary Academy, will be transferred to another multi academy trust in Birmingham in 2017/18. Following the transfer of the academy to another multi academy trust, the primary source of funding from the ESFA for the company will cease. The trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future but there are material uncertainties about the Academy Trust's ability to continue as a going concern. The academy trust may, therefore, be unable to continue realising its assets and discharging its liabilities in the normal course of business after the withdrawal of support by the ESFA.

**Income**

All incoming resources are recognised when the Academy Trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

- **Grants**

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of meeting any performance- related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance sheet in creditors; amounts falling due within one year in deferred income.

- **Sponsorship income**

Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where receipt is probable and it can be measured reliably.

- **Donations**

Donations are recognised on a receivable basis where there is certainty of receipt and the amount can be reliably measured.

- **Other income**

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the Academy Trust has provided the goods or services.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017 (cont'd)**

- **Donated goods, facilities and services**

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the financial statements until they are sold. This income is recognised within 'Income from other trading activities'.

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Academy Trust's accounting policies.

- **Transfers of leasehold property**

Leasehold property transferred to the Academy from the local authority at little or no consideration will be revalued at fair value in accordance with FRS 102. This value will be recognised as incoming resources in the Statement of Financial Activities and will be included in the appropriate fixed assets category and depreciated over the life of the lease.

**Expenditure**

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

- **Expenditure on Raising Funds**

This includes all expenditure incurred by the Academy Trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

- **Charitable Activities**

These are costs incurred on the Academy Trust's educational operations, including support costs and costs relating to the governance of the Academy Trust apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

**Tangible Fixed Assets**

Assets costing **£2,000** or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017 (cont'd)****Tangible Fixed Assets (continued)**

Depreciation is provided on a straight line basis on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on leasehold land. The principal annual rates used for other assets are:

Leasehold buildings	50 years
Furniture and equipment	3 to 15 years
Computer equipment and software	3 years

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

**Leased assets**

Rentals under operating leases are charged on a straight line basis over the lease term.

**Financial Instruments**

The academy trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the academy trust and their measurement basis are as follows:

*Financial assets* - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 13. Prepayments are not financial instruments.

*Cash at bank* - is classified as a basic financial instrument and is measured at face value.

*Financial liabilities* - trade creditors, accruals and other creditors are financial instrument, and are measured at amortised cost as detailed in note 14. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

**Taxation**

The Academy Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Academy Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

**Pensions Benefits**

Retirement benefits to employees of the Academy Trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in Note 25, the TPS is a multi employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017 (cont'd)**

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of the scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

**Fund Accounting**

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the Academy Trust at the discretion of the trustees. Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Education and Skills Funding Agency/Department for Education.

**Critical accounting estimates and areas of judgement**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Critical accounting estimates and assumptions**

The Academy Trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

**Critical areas of judgement**

The critical judgements that the Trustees have made in the process of applying the Academy Trust's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below:

The critical areas of judgement are accounting for government grants, accounting for the write down of assets through depreciation and accounting for the pension liability. Government grants are accounted for as restricted funds. The pension liability is assessed by an independent actuarial valuation. Depreciation rates are based on the expected life of the asset.

In assessing whether there have been any indicators of impairment assets, the Trustees have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017 (cont'd)

**2 GENERAL ANNUAL GRANT (GAG)**

Under the funding agreement with the Secretary of State the Academy Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2017 (See note 15).

**3 DONATIONS AND CAPITAL GRANTS**

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2017 £'000	Total 2016 £'000
Devolved formula capital grant	-	9	9	9
	-	9	9	9

The income from donations and capital grants was restricted fixed assets for both 2017 and 2016.

**4 FUNDING FOR THE ACADEMY TRUST'S EDUCATIONAL OPERATIONS**

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2017 £'000	Total 2016 £'000
<b>DfE/ESFA grants</b>				
General annual grant (GAG) (note 2)	-	1,968	1,968	1,975
Pupil premium grant	-	157	157	168
Other DfE/ESFA grants	-	78	78	81
	-	2,203	2,203	2,224
<b>Other Government grants</b>				
Local authority grants (BCC)	-	166	166	198
Other government grants	-	10	10	-
	-	176	176	198
Other income from the Academy Trust's Educational Operations	-	-	-	-
	-	-	-	-
	-	2,379	2,379	2,422

The income from the academy trusts's educational operations was restricted for both 2017 and 2016.

**5 OTHER TRADING ACTIVITIES**

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2017 £'000	Total 2016 £'000
Lettings	5	-	5	5
Other Income	12	-	12	20
	17	-	17	25

The income from the Academy Trusts's other trading activities was unrestricted for both 2017 and 2016.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017 (cont'd)

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2017 £'000	Total 2016 £'000
<b>6 INVESTMENT INCOME</b>				
Bank interest received	-	-	-	-
	-	-	-	-

The income from the Academy Trusts's investment income was unrestricted for both 2017 and 2016.

**7 EXPENDITURE**

	Staff Costs £'000	Non Pay Expenditure Premises £'000	Other Costs £'000	Total 2017 £'000	Total 2016 £'000
Expenditure on raising funds	2	-	6	8	12
Academy's educational operations					
- Direct costs	1,603	53	128	1,784	1,731
- Allocated support costs	549	106	175	830	819
	<u>2,152</u>	<u>106</u>	<u>303</u>	<u>2,614</u>	<u>2,550</u>
	<u>2,154</u>	<u>106</u>	<u>309</u>	<u>2,622</u>	<u>2,562</u>

The expenditure was £2,622,000 (2016 : £2,562,000) of which £8,000 (2016 : £12,000) was unrestricted, £2,561,000 (2016 : £2,508,000) restricted and £53,000 (2016 : £42,000) restricted fixed assets.

	2017 £'000	2016 £'000
<b>Net income/(expenditure) for the year includes:</b>		
Operating lease rentals	7	7
Depreciation	53	42
Fees payable to auditor for:		
- audit	8	17
- other services	-	1
	<u>8</u>	<u>1</u>

**8 CHARITABLE ACTIVITIES**

	Total 2017 £'000	Total 2016 £'000
Direct costs - educational operations	1,784	1,731
Support costs - educational operations	830	819
	<u>2,614</u>	<u>2,550</u>
<b>Analysis of Support Costs</b>		
	Total 2017 £'000	Total 2016 £'000
Support staff costs	549	484
Technology costs	30	6
Premises costs	106	126
Other support costs	120	185
Governance	25	18
	<u>830</u>	<u>819</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017 (cont'd)

## 9 STAFF COSTS

	2017	2016
	£'000	£'000
a Staff costs during the year were:		
Wages and salaries	1,521	1,422
Social security costs	138	113
Operating costs of defined benefit pension schemes	388	350
	<u>2,047</u>	<u>1,885</u>
Supply staff costs	107	172
Staff restructuring costs	-	-
	<u>2,154</u>	<u>2,057</u>
Staff restructuring costs comprise:		
Redundancy payments	-	-
Severance payments	-	-
Other restructuring costs	-	-
	<u>-</u>	<u>-</u>

## b Staff severance payments

Included in staff restructuring costs is £Nil (2016:£Nil) non-statutory/non-contractual severance payment totalling £Nil (2016 : £Nil).

## c Staff numbers

The average number of persons (including senior management team) employed by the academy during the year ended 31 August 2017 by headcount was as follows:

	2017	2016
	No	No
<b>Charitable Activities</b>		
Teachers	21	20
Administration and support	55	58
Management	2	3
	<u>78</u>	<u>81</u>

## d Higher paid staff

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

	No	No
£60,001 - £70,000	<u>1</u>	<u>1</u>

## e Key management personnel

The key management of the Academy Trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Academy Trust was £76,135 (2016 : £75,381).

## 10 RELATED PARTY TRANSACTIONS - TRUSTEES' REMUNERATION AND EXPENSES

The Trustees did not receive any payments from the Academy Trust in respect of their role as Trustees. There are no staff trustees.

During the period ended 31 August 2017 or 31 August 2016, there were no travel and subsistence expenses reimbursed to Trustees in their role of Trustees.

Other related party transactions involving the Trustees are set out in note 26.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017 (cont'd)

**11 TRUSTEES' AND OFFICERS' INSURANCE**

The Academy Trust has opted into the Department of Education's Risk Protection Arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business, and provides cover up to £10,000,000. It is not possible to quantify the trustees and officers indemnity element from the overall cost of the RPA scheme.

**12 TANGIBLE FIXED ASSETS**

	Leasehold			
	Land & Buildings	Furniture & Equipment	Computer Equipment	Total
Cost	£'000	£'000	£'000	£'000
At 1 September 2016	1,177	89	29	1,295
Additions	-	103	9	112
Disposals	-	-	-	-
At 31 August 2017	1,177	192	38	1,407
Depreciation				
At 1 September 2016	74	17	16	107
Charged in year	24	18	11	53
Disposals	-	-	-	-
At 31 August 2017	98	35	27	160
Net book value				
At 31 August 2017	1,079	157	11	1,247
At 31 August 2016	1,103	72	13	1,188

**13 DEBTORS**

	2017	2016
	£'000	£'000
VAT recoverable	13	46
Prepayments and accrued income	46	43
	59	89

**14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017	2016
	£'000	£'000
Trade Creditors	19	1
Taxation and social security	55	57
Accruals	76	94
Deferred income	40	34
	190	186
Deferred Income		
	2017	2016
	£'000	£'000
Deferred income at 1 September 2016	34	30
Resources deferred in the year	40	34
Amounts released from previous years	(34)	(30)
Deferred income at 31 August 2017	40	34

At the balance sheet date the academy was holding funds received in advance for 2017/18 consisting of prepaid universal free school meals funding £37,473 (2016: £32,000) and rates reimbursement funding £2,710 (2016: £2,000).



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017 (cont'd)

## 15 FUNDS

The income funds of the academy comprise the following balances of grants to be applied for specific purposes:

	Balance at 1 September 2016 £'000	Incoming Resources £'000	Resources Expended £'000	Gains, Losses & Transfers £'000	Balance at 31 August 2017 £'000
<b>Restricted general funds</b>					
General annual grant (GAG) (note i)	236	1,968	(2,006)	(103)	95
Pupil premium grant (note ii)	2	235	(237)	-	-
Other grants - BCC (note iii)	-	166	(166)	-	-
Other government grants (note iv)	-	10	(10)	-	-
	<u>238</u>	<u>2,379</u>	<u>(2,419)</u>	<u>(103)</u>	<u>95</u>
<b>Restricted fixed asset funds</b>					
Devolved formula capital grant (note v)	18	9	(13)	-	14
Fixed assets donation (note vi)	1,075	-	(24)	-	1,051
Capital expenditure from GAG (note vii)	95	-	(16)	103	182
	<u>1,188</u>	<u>9</u>	<u>(53)</u>	<u>103</u>	<u>1,247</u>
<b>Restricted pension scheme liability</b>					
Pension reserve (note viii)	(3,105)	-	(142)	501	(2,746)
	<u>(3,105)</u>	<u>-</u>	<u>(142)</u>	<u>501</u>	<u>(2,746)</u>
<b>Total restricted funds</b>	<b>(1,679)</b>	<b>2,388</b>	<b>(2,614)</b>	<b>501</b>	<b>(1,404)</b>
<b>Unrestricted funds</b>					
Unrestricted funds	161	17	(8)	-	170
<b>Total unrestricted funds</b>	<u>161</u>	<u>17</u>	<u>(8)</u>	<u>-</u>	<u>170</u>
<b>Total funds</b>	<u><b>(1,518)</b></u>	<u><b>2,405</b></u>	<u><b>(2,622)</b></u>	<u><b>501</b></u>	<u><b>(1,234)</b></u>

The balance of restricted general funds (excluding pension reserve) is £95,000 (2016 : £238,000) and the balance on unrestricted funds is £170,000 (2016 : £161,000) resulting in a net surplus of £265,000 (2016: £399,000) in funds. As the Trust currently has only one Academy school the current reserves are pertinent to the City Road Primary Academy's operations. These reserves offer assurance that sufficient funds are retained to manage future financial risks and priorities of the Trust.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017 (cont'd)

## 15 FUNDS (Continued)

**Notes**

- i) General Annual Grant must be used for the normal running costs of the School. Under the funding agreement with the Secretary of State, the Academy Trust was not subject to a limit on the amount of GAG that it would carry forward at 31 August 2017. (see note 2)
- ii) Pupil Premium grant has been used to support children from low income families placed at the School.
- iii) Other grants received from Birmingham city council in respect of Early Years Funding, pupil premium and SEN.
- iv) Other government grants were received from the Big Lottery Fund to fund a drama workshop with the summer holidays.
- v) Devolved formula capital and Academy capital maintenance grant has been used for a new boiler.
- vi) Restricted fixed assets were funded by BCC donating Academy land and buildings on a 125 year lease at a pepper corn rent.
- vii) The gross transfer from the restricted general fund to the restricted fixed asset fund of £103,000 (2016: £30,000) represents the total capital expenditure from GAG during the year.
- viii) The pension reserve represents the deficit on the Local Government Pension Scheme (see note 25).

## 16 ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 August 2017 are represented by:

	Unrestricted Funds £'000	Pension Restricted Funds £'000	General Restricted Funds £'000	Fixed Assets Restricted Funds £'000	Total £'000
Tangible fixed	-	-	-	1,247	1,247
Current assets	170	-	285	-	455
Current liabilities	-	-	(190)	-	(190)
Pension scheme liability	-	(2,746)	-	-	(2,746)
	<u>170</u>	<u>(2,746)</u>	<u>95</u>	<u>1,247</u>	<u>(1,234)</u>

## 17 CAPITAL COMMITMENTS

	2017 £'000	2016 £'000
Contracted for, but not provided in the financial statements	110	89
Authorised by trustees, but not yet contracted	<u>Nil</u>	<u>Nil</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017 (cont'd)

**18 COMMITMENTS UNDER OPERATING LEASES*****Operating leases***

At 31 August 2017 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	2017	2016
	Other	Other
	£'000	£'000
Operating leases		
- Within one year	4	4
- Within two to five years	7	7
	<u>11</u>	<u>11</u>

**19 RECONCILIATION OF NET EXPENDITURE TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	2017	2016
	£'000	£'000
Net expenditure for the reporting period (as per the statement of financial activities)	(217)	(106)
Adjusted for:		
Depreciation (note 12)	53	42
Capital grants from DfE and other capital income	(9)	(9)
Interest receivable	-	-
Defined benefit pension scheme cost less contributions payable (note 25)	75	(68)
Defined benefit pension scheme finance cost (note 25)	67	75
Increase/(decrease) in debtors	30	(16)
Increase/(decrease) in creditors	4	(207)
<b>Net cash provided by/(used in) operating activities</b>	<u>3</u>	<u>(289)</u>

**20 CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received	-	-
Purchase of tangible fixed assets	(112)	(39)
Capital grants from DfE/ESFA	9	9
Capital funding received from sponsors and others	-	-
Receipts from sale of tangible fixed assets	-	-
<b>Net cash used in investing activities</b>	<u>(103)</u>	<u>(30)</u>

**21 CASH FLOWS FROM FINANCING ACTIVITIES**

Repayments of borrowing	-	-
Cash inflows from new borrowing	-	-
<b>Net cash provided by financing activities</b>	<u>-</u>	<u>-</u>

**22 ANALYSIS OF CASH AND CASH EQUIVALENTS**

	At 31 Aug 2017	At 31 Aug 2016
	£'000	£'000
Cash in hand and at bank	396	496
<b>Total cash and cash equivalents</b>	<u>396</u>	<u>496</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017 (cont'd)****23 CONTINGENT LIABILITIES**

During the period of the Funding Agreement, in the event of the sale or disposal by other means of any asset for which a Government capital grant was received, the academy is required either to re-invest the proceeds or to repay to the Secretary of State for Education the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State.

Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the academy serving notice, the academy shall repay to the Secretary of State sums determined by reference to :

- a) the value at that time of the academy's site and premises and other assets held for the purpose of the academy: and
- b) the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement.

**24 MEMBERS' LIABILITY**

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he/she ceases to be a member.

**25 PENSION AND SIMILAR OBLIGATIONS**

The Academy's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff and the Local Government Pension Scheme (LGPS) for non-teaching staff which is managed by West Midlands Pension Fund. Both are defined multi employer benefit schemes.

The total pension cost to the Academy during the year ended 31 August 2017 was £387,738 (2016: £350,000) of which £117,738 (2016 : £113,000) relates to the TPS and £270,000 (2016: £237,000) relates to LGPS.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017 (cont'd)

**25 PENSION AND SIMILAR OBLIGATIONS (cont'd)****Teachers' Pension Scheme****Introduction**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and from 1 April 2014 by the Teachers Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and from 1 January 2007 automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a "pay as you go" basis - these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

**Valuation of the Teachers' Pension Scheme**

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge).
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million.
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations.
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

During the previous year the employer contribution rate was 14.1% the TPS valuation for 2012 determined an employer rate of 16.48% which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employers pension costs paid to TPS in the period amounted to £117,738 (2016: £113,000).

A copy of the valuation report and supporting documentation is on the [Teachers' Pensions website](#).

Under the definitions set out in FRS 102, the TPS is a multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust has set out above the information available on the scheme.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017 (cont'd)

## 25 PENSION AND SIMILAR OBLIGATIONS (cont'd)

**Local Government Pension Scheme**

The LGPS is a funded defined benefit scheme, with the assets held in a separate trustee administered funds. The total contributions made for the year ended 31 August 2017 was £306,000 (2016:£272,000) of which employers contributions totalled £270,000 (2016:£237,000) and employees contributions totalled £36,000 (2016: £35,000). The agreed contributions for future years are 18.4% (2016:12.8%) for employers and 8.5% (2016: 8.5%) for employees. Furthermore deficit lump sum payments are required for 2017/18 of £67,300 (2016/17 £75,200)

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding local government pension liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

**Principal Actuarial Assumptions**

The major assumptions used by the actuary were:

	At 31 August 2017	At 31 August 2016
	% per annum	% per annum
Discount rate	2.6%	2.2%
Salary increases	4.2%	3.8%
Pension increase	2.7%	2.0%

Sensitivity analysis for the principal assumptions used to measure the scheme liabilities were as follows:

	At 31 August 2017 Approx % Increase to Employers Liability	At 31 August 2017 Approx £'000
Discount rate reduced by 0.1% per annum	3.7%	102
Assumed pension increased by 0.1% per annum	2.6%	71
Salary growth increased by 0.1% per annum	1.1%	31
Life expectancy at retirement increased by 1 year	4.5%	124

The mortality assumptions used were as follows:

	2017 years	2016 years
Longevity at age 65 retiring today		
- Men	21.8	23.1
- Women	24.3	25.8
Longevity at age 65 retiring in 20 years		
- Men	24.0	25.3
- Women	26.6	28.1

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017 (cont'd)

## 25 PENSION AND SIMILAR OBLIGATIONS (cont'd)

## Local Government Pension Scheme (Continued)

The Academy's share of the assets in the scheme were:

	Fair value at 31 August 2017 £'000	Fair value at 31 August 2016 £'000
Equity instruments	722	508
Debt instruments	128	132
Property	84	68
Cash	209	147
<b>Total market value of assets</b>	<b>1,143</b>	<b>855</b>
<b>Present value of scheme liabilities</b>		
- Funded	(1,143)	(855)
- Unfunded	(2,746)	(3,105)
<b>Total liabilities</b>	<b>(3,889)</b>	<b>(3,960)</b>
<b>Deficit in the scheme</b>	<b>(2,746)</b>	<b>(3,105)</b>

The actual return on the scheme assets in the year was £159,000 (2016: £112,000).

## Amounts recognised in the Statement of Financial Activities

	2017 £'000	2016 £'000
Current service cost	203	162
Interest income	(20)	(24)
Interest cost	87	99
<b>Total operating charge</b>	<b>270</b>	<b>237</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017 (continued)

## 25 PENSION AND SIMILAR OBLIGATIONS (Continued)

	2017 £'000	2016 £'000
<b>Movement in deficit during the period</b>		
Deficit in the scheme at 1 September 2016	3,105	1,982
Movement in year:		
- Employer service cost (net of employee contributions)	203	162
- Employer contributions	(128)	(230)
- Expected return on scheme assets	(20)	(24)
- Interest cost	87	99
- Actuarial (gains)/losses	(501)	1,116
<b>Deficit in the scheme at 31 August 2017</b>	<b>2,746</b>	<b>3,105</b>

## Changes in the present value of defined benefit obligations were as follows:

	2017 £'000	2016 £'000
Scheme liabilities at 1 September 2016	3,960	2,461
Current service cost	203	162
Interest cost	87	99
Contributions by scheme participants	36	35
Benefits paid	(11)	(1)
Actuarial (gains)/losses	(386)	1,204
<b>Scheme liabilities at 31 August 2017</b>	<b>3,889</b>	<b>3,960</b>

## Changes in the fair value of academy's share of scheme assets:

	2017 £'000	2016 £'000
Fair value of scheme assets at 1 September 2016	855	479
Expected return on scheme assets	20	24
Actuarial gains	115	88
Contributions by employer	128	230
Benefits paid	(11)	(1)
Contributions by scheme participants	36	35
<b>Fair value of scheme assets at 31 August 2017</b>	<b>1,143</b>	<b>855</b>

The estimated value of employers contribution for the year ended 31 August 2018 is £108,000.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017 (cont'd)****26 RELATED PARTY TRANSACTIONS**

Owing to the nature of the Academy Trust's operations and the composition of the board of trustees being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of trustees may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the academy's financial regulations and normal procurement procedures. The following related party transaction took place in the period of account:

During the period the Trust received extensive support from its sponsor, Birmingham City University (BCU). This support consisted of:

- Direct support relating to management and administration, including the services of the Trust's CFO, Estates department, CICT, Secretariat and Procurement. This support was not charged for but has been estimated at a cost of £22k.
- Ad hoc support for projects in relation to education improvement services and marketing. It has not been possible to estimate the value of these services.

The Trust is grateful for the continued support from BCU. Key management personnel disclosure is included in note 9.

In entering into the transactions the trust has complied with the requirements of the Academies Financial Handbook 2016.

**27 EVENTS AFTER THE END OF THE REPORTING PERIOD**

During 2017/18 the charitable company will be discontinuing its operations when all activities are to be transferred to another multi academy company.