

**BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST**  
**ANNUAL REPORT & FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 AUGUST 2014**

Registered Number 08497028 (England and Wales)

# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

PERIOD ENDED 31 AUGUST 2014

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# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

PERIOD ENDED 31 AUGUST 2014

## REFERENCE AND ADMINISTRATIVE DETAILS

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### Trustees

M Penlington (appointed 19 April 2013) (Chair)  
M Carswell ( appointed 19 April 2013, resigned  
30 September 2014)  
F Church (appointed 19 April 2013)  
L Fulford (appointed 19 April 2013)  
A Jones (appointed 12 September 2013)  
K Mattinson (appointed 1 October 2014; Accounting  
Officer)

### Company Secretary

C M Abbott

### Key Personnel:

#### Accounting Officer

K Mattinson

#### Principal Finance Officer

L Stamatakis

#### Principal, City Road Primary Academy

J Gazeley

### Principal and Registered Office

Birmingham City University  
University House  
15 Bartholomew Row  
Birmingham  
B5 5JU

### Company Registration Number

08497028 (England and Wales)

### Independent Auditor

Baker Tilly UK Audit LLP  
Chartered Accountants  
St Philips Point  
Temple Row  
Birmingham  
B2 5AF

### Bankers

Natwest  
1 St Philips Place  
Birmingham  
West Midlands  
B3 2PP

### Solicitors

Mills & Reeve LLP  
78-84 Colmore Row  
Birmingham  
B3 2AB

# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

## TRUSTEES' REPORT

PERIOD ENDED 31 AUGUST 2014

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The Trustees present their annual report together with the financial statements and auditors' report of the charitable company for the period commencing on 1 July 2013 and ending on 31 August 2014.

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.

### **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.

Details of the Trustees who served during the period are included in the Reference and Administrative Details on page 1.

#### 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 University Board of Governors.

The Trustees may appoint Co-opted Trustees, with recommendations being brought to a meeting of the Trust Board.

The term of office for any Trustee shall be four periods. 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(s) 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 recruitment (where applicable.)

# **BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST**

## **TRUSTEES' REPORT (CONTINUED)**

**PERIOD ENDED 31 AUGUST 2014**

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### Organisational Structure

The Board of Trustees (Directors) meets no less than three times per year. Each Academy is governed and managed by the Trust Board, which delegates specific governance responsibilities to a Local Advisory Board to enable the day to day running of each Academy. 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 each Academy.

The Board of Trustees will operate on the principle of 'earned delegation', with tight control at the start of every new Academy transfer to ensure the Trust's vision, objectives and mission become quickly embedded into each Academy's activities and ethos. As the relationship develops and improvements are observed at the Academy, the Trust Board may give more delegated powers to the Principal and Local Advisory Board as appropriate to each particular circumstance.

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

At present, the Trust sponsors one Academy: the City Road Primary Academy.

### Connected Organisations including Related Party Relationships

The Trust is registered with Companies House and its three members are:

- Birmingham City University (BCU)
- Maxine Penlington (Chair of Trustees)
- Fiona Church (Trustee)

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

### Risk Management

The Director of Planning and Performance at Birmingham City University has acted as a consultant to the Trust to assist it in the development of risk registers for both the Trust and the Academy. The Board will keep its approach to the management of risk and the content of the risk registers under active review through its governance structure as the Trust develops.

## **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.

# **BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST**

## **TRUSTEES' REPORT (CONTINUED)**

**PERIOD ENDED 31 AUGUST 2014**

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### Objectives, 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.

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 first year of operation for the Trust and the newly converted Academy school. Bearing in mind the speed of conversion through the fast-track validation process, the main objectives for the Trustees in the first year were to ensure continuity of Academy operations, lay the foundations for school improvement, to start creating sufficient reserves to safeguard the stability of the Academy, and to ensure that it has the ability to adjust swiftly to changing financial circumstances.

The Trust has also developed an operations manual and a range of financial and personnel policies, and laid the foundations of its risk management and financial control environment.

The Trust has carried out a building condition survey of City Road Primary Academy, to understand the level of future financial investment required. Urgent building work has been authorised in relation to fire safety and safety of the building fabric.

Trustees and Local Advisory Board (LAB) members have undergone training in relation to safeguarding and understanding school data and performance and have reviewed academic results for 2013 and 2014. Significant attention has been given to measures to secure school improvement.

### 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.

### **Achievements and Performance**

During 2013/14 the Trust with the support of the sponsor, Birmingham City University, undertook a number of initiatives/developments aimed at improving the effectiveness of the Academy:

- An experienced clerk was appointed to the Local Advisory Board. This has led to significant improvements in the organisation and management of local governance.
- An experienced HR manager was appointed, again leading to significant improvements in the organisation and management of personnel and adding to the support networks for the Academy.
- The Finance Team was strengthened within the year to improve resilience and capability, to support the Academy.

# **BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST**

## **TRUSTEES' REPORT (CONTINUED)**

**PERIOD ENDED 31 AUGUST 2014**

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- The Local Advisory Board and the Trust Board endorsed the principles of the school improvement plan for 13/14.

In addition, with the support of the sponsor Birmingham City University, a number of initiatives were undertaken with the intention of impacting upon pupil and teacher performance:

- The School of Education delivered training in mathematics and English to the staff at the Academy and has supported the observations of teaching.
- Students provided individual support in mathematics for Key Stage 2 children.
- Support for early years was given from the School of Education.
- Regular weekly meetings took place between the Chair of the LAB (a Trustee) and the Academy senior staff.
- A visit by the author and former Children's Laureate Anne Fine, was organised to inspire the children in their reading.
- The Deputy Principal participated in a research project with the University exploring the use of ICT to improve parental involvement in their children's education.
- Training for Local Advisory Board members has been supported and initiated by the University.
- Furniture and equipment from University surplus stock was provided free of charge to enhance nursery provision in the Academy.

Despite the support above, data published by Ofsted in Raise on Line for 2014 demonstrate that:

- Attainment at Key Stage 1 is significantly below national levels in all subjects
- Attainment at Key Stage 2 is significantly below national levels in Mathematics, Reading, Writing and English, Punctuation and Grammar, and
- Pakistani children, who are the biggest ethnic group in the school, perform significantly worse than at national level

These outcomes are being addressed robustly with the Academy leadership, and the Trust has introduced speedy measures to effect improvement. These include school to school support from a serving head teacher and a teaching school alliance. These measures will be analysed and evaluated throughout 14/15.

### Financial Review

The Academy's financial period end position of £(241,000) comprises restricted fixed asset funds of £1,152,000, unrestricted funds of £111,000 and restricted general funds of £(1,504,000), which includes the pension deficit of (£1,749,000). The Trustees confirm that the restricted general funds deficit is due to the LGPS pension liability which has increased considerably by £(381,000) since conversion. The liability transferred from the Local Authority on conversion was £(1,368,000), whilst the latest actuarial report recalculated the deficit to be £(1,749,000). 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 common factor across the sector.

### Principal Risks and Uncertainties

- Political – Change in Government agenda
- Economic – Austerity measures applied to education sector
- Social – A transient population which impacts upon retention, and the cultural and educational challenges from English being second language to most pupils.
- Building Condition - The Trust's commissioned survey indicates 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

# **BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST**

## **TRUSTEES' REPORT (CONTINUED)**

**PERIOD ENDED 31 AUGUST 2014**

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state of repair. The Trust's ability to finance these works will be heavily dependent upon Capital Grants.

### 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.

### Investment Policy

The Trustees will consider the need for an investment policy when the Academy Trust reserves reach £500,000. There are currently insufficient funds to warrant such a policy. Cash is currently held in an interest bearing current account.

### Key Performance Indicators

This is the first year of operation for the Trust and the newly converted Academy school. Bearing in mind the speed of conversion through the fast-track validation process, the main objectives for the Trustees in the first year were to ensure continuity of Academy operations, lay the foundations for school improvement, to start creating sufficient reserves to safeguard the stability of the Academy, and to ensure that it has the ability to adjust swiftly to changing financial circumstances.

### Plans for Future Periods

The Trust's strategy for the acquisition of schools is initially to focus on primary level sponsorship and forming partnerships with secondary schools in the future. The Trust's desire is to grow cautiously with a view to adding another Academy within the 15/16 financial period. Any sponsored schools should be within a reasonable travelling distance from each other in order to allow for inter-school collaboration and school-to-school support.

### 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.

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

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



**BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST**

**TRUSTEES' REPORT (*CONTINUED*)**

**PERIOD ENDED 31 AUGUST 2014**

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**AUDITORS**

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

**Statement as to disclosure of information to auditors**

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 2014 and signed on its behalf by:

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

M Penlington  
Chair of Trustees

# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

## GOVERNANCE STATEMENT

PERIOD ENDED 31 AUGUST 2014

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### 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 has identified an experienced educational professional, a Trustee of BCUAT, to serve as 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 seven times during the period. Attendance during the period at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
M Penlington (Chair)	7	7
M Carswell (resigned 30 September 2014)	4	7
F Church	6	7
L Fulford	7	7
A Jones	7	7

The Audit Committee was established in November 2014. This is a sub-committee of the main Board of Trustees. Its purpose is to review the audit aspects of the annual financial statements. These aspects will include 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 will confirm that the effectiveness of the internal control systems have been reviewed.

No meetings were held in the financial period ended 31 August 2014.

### 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 July 2013 to 31 August 2014 and up to the date of approval of the annual report and financial statements.

# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

## GOVERNANCE STATEMENT

PERIOD ENDED 31 AUGUST 2014

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### 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 an on-going process for identifying, evaluating and managing the Academy Trust's significant risks was put in place during the period 1 July 2013 to 31 August 2014 and was operational at the date of approval of the annual report and financial statements. The management of risk forms a regular part of the business of 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:

- comprehensive 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 finance and general purposes committee 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 has considered the need for a specific internal audit function and have decided not to appoint an internal auditor. However the Trustees recognise that the audit function is required, and the means of ensuring this will be reviewed early in the financial year 14/15.

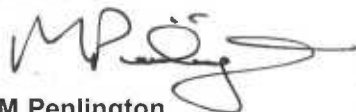
### Review of Effectiveness

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:

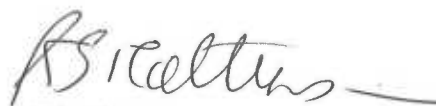
- the work of the external auditor;
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

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 2014 and signed on its behalf by:



**M Penlington**  
Chair of Trustees



**K Mattinson**  
Accounting Officer

**BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST**  
**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE**  
**PERIOD ENDED 31 AUGUST 2014**

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**Statement on Regularity, Propriety and Compliance**

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 Funding Agency of material irregularity, impropriety and non-compliance with EFA 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.

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.

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 EFA.



K Mattinson  
Accounting Officer

5 December 2014

# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

## STATEMENT OF TRUSTEES' RESPONSIBILITIES

PERIOD ENDED 31 AUGUST 2014

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### Statement of Trustees' Responsibilities

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 Requirements issued by the Education 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 period. 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 statement 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;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 Charitable Company 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 of both propriety and of good financial management. They are also responsible for ensuring grants received from the EFA/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 2014 and signed on its behalf by:



M Penlington  
Chair of Trustees

# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

## INDEPENDENT AUDITOR'S REPORT

PERIOD ENDED 31 AUGUST 2014

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### Independent Auditor's Report on the Financial Statements to the Board of Trustees of Birmingham City University Academies Trust

We have audited the financial statements of Birmingham City University Academies Trust for the period ended 31 August 2014 on pages 14 to 31. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), and the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

This report is made solely to the Charitable Company'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 Charitable Company'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 Charitable Company and the Charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of Trustees and Auditor

As explained more fully in the Statement of Trustees Responsibilities set out on page 11 the Trustees (who act as Trustees for the charitable activities of the Charitable Company, and are also the Directors of the Charitable Company 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2014 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

#### Opinion on other requirement of the Companies Act 2006

In our opinion the information given in the Trustees Report and the incorporated Strategic Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST**

**INDEPENDENT AUDITOR'S REPORT**

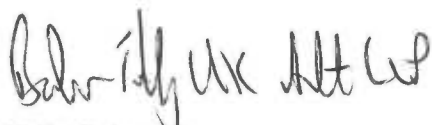
**PERIOD ENDED 31 AUGUST 2014**

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

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

- the charity has not kept adequate accounting records, 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 Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Philip Coleman

**Senior Statutory Auditor**

**For and on behalf of Baker Tilly UK Audit LLP**

**Statutory Auditor**

Chartered Accountants

St Philips Point

Temple Row

Birmingham

B2 5AS

Date

12 Dec 2014

# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

## STATEMENT OF FINANCIAL ACTIVITIES

(Including Income and Expenditure Account and Statement of Recognised gains and losses)

**FOR THE PERIOD ENDED 31 AUGUST 2014**

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2014 £000
<b>Incoming resources</b>					
<i>Income resources from generated funds:</i>					
Voluntary income	2	44	-	-	44
Transfer from Local Authority on conversion	21	100	(1,368)	1,182	(86)
Activities for generating funds		-	-	-	-
<i>Incoming resources from charitable activities:</i>					
Funding for the Academy's educational operations	3	-	2,738	-	2,738
<b>Total incoming resources</b>		<u>144</u>	<u>1,370</u>	<u>1,182</u>	<u>2,696</u>
<b>Resources expended</b>					
<i>Charitable activities:</i>					
Academy's educational operations	5	33	2,503	30	2,566
Provision of boarding activities		-	-	-	-
Governance costs	6	-	75	-	75
<b>Total resources expended</b>	4	<u>33</u>	<u>2,578</u>	<u>30</u>	<u>2,641</u>
<b>Net incoming/ (outgoing)</b>					
resources before transfers		111	(1,208)	1,152	55
Gross transfers between funds		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net income/(expenditure) for the period</b>					
		111	(1,208)	1,152	55
<i>Other recognised gains and losses:</i>					
Actuarial losses on defined benefit pension scheme	19	-	(296)	-	(296)
<b>Net movement in funds and total funds at 31 August 2014</b>		<u>111</u>	<u>(1,504)</u>	<u>1,152</u>	<u>(241)</u>

All of the Academy Trust's activities derive from continuing operations during the above financial period.



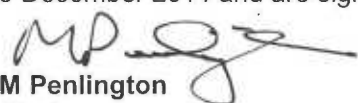
**BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST**

**BALANCE SHEET AS AT 31 AUGUST 2014**

**COMPANY NUMBER: 08497028**

	Notes	2014 £000	2014 £000
<b>Fixed assets</b>			
Tangible assets	10		1,152
<b>Current assets</b>			
Debtors	11	115	
Cash at bank and in hand		407	
		<u>522</u>	
<b>Liabilities</b>			
Creditors: amounts falling due within one period	12	(166)	
<b>Net current assets</b>			<u>356</u>
<b>Total assets less current liabilities</b>			1,508
Pension scheme liability	19		<u>(1,749)</u>
<b>Net liabilities including pension liability</b>			<u>(241)</u>
<b>Funds of the Academy Trust:</b>			
Restricted funds			
Fixed asset fund	13	1,152	
General fund	13	245	
		<u>1,397</u>	
<b>Restricted funds excluding pension reserve</b>			
Pension reserve	13	(1,749)	
<b>Total restricted funds</b>			<u>(352)</u>
<b>Unrestricted income funds</b>			
General fund	13	111	
<b>Total unrestricted funds</b>			<u>111</u>
<b>Total funds</b>			<u>(241)</u>

The financial statements on pages 14 to 31 were approved by the Trustees and authorised for issue on 5 December 2014 and are signed on their behalf by:

  
**M Penlington**  
 Chair

The notes on pages 17 to 31 form part of these financial statements.

# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

## CASH FLOW STATEMENT

**FOR THE PERIOD ENDED 31 AUGUST 2014**

	Notes	2014 £000
Net cash inflow from operating activities	15	298
Capital expenditure	16	<u>9</u>
<b>Increase in cash in the period</b>		<u><u>307</u></u>
<b>Reconciliation of net cash flow to movement in net funds</b>		
Brought forward on conversion		
Cash transferred on conversion to an Academy Trust	17	100
Increase in cash in the period		<u>307</u>
<b>Net funds at 31 August 2014</b>	17	<u><u>407</u></u>

The notes on pages 17 to 31 form part of these financial statements.

# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 AUGUST 2014

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#### 1. Statement of Accounting Policies

##### **Basis of Preparation**

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Statement of Recommended Practice ('SORP 2005') 'Accounting and Reporting by Charities', the Academies: Accounts Direction 2013 to 2014 issued by the Education Funding Agency and Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

##### **Conversion to an Academy Trust**

The conversion from a state maintained school to an Academy Trust involved the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion from Birmingham City Council and the governing body of City Road Primary School, to an Academy Trust have been valued at their fair value being a reasonable estimate of the current market value that the governors would expect to pay in an open market for an equivalent item. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income/(expenditure) in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. Further details of the transaction are set out in note 21.

##### **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 Trust to continue as a going concern. The Trustees make this assessment each year in respect of a period of one year from the date of approval of the financial statements.

##### **Incoming resources**

All incoming resources are recognised when the Academy Trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

- **Grants receivable**

Grant income is 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.

The general annual grant ('the GAG') from the DfE, which is intended to meet recurrent costs, is recognised on a receivable basis and is credited directly to the Statement of Financial Activities, incoming resources from charitable activities, to the extent of the entitlement of the funds, any abatement in respect of the period is deducted from income and is recognised as a liability.

Capital grants are recognised as voluntary income on a receivable basis to the extent there is entitlement.

Other grants from government agencies and other bodies are recognised in the period in which they are receivable to the extent the conditions of funding have been met. Where income is received in advance of entitlement of receipt its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received the income is accrued.

- **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 there is certainty of receipt and it is measurable.

# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 AUGUST 2014

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#### 1. Statement of Accounting Policies (*continued*)

- **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 goods have been provided or on completion of the service.

- **Donated services and gifts in kind**

The value of donated services and gifts in kind provided to the Academy Trust are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the Academy Trust can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with Academy Trust's policies.

#### **Resources expended**

All expenditure is recognised in the period in which a liability is incurred and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

- **Cost of generating funds**

These are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

- **Charitable activities**

These are costs incurred on the Trust's educational operations.

- **Governance costs**

These include the costs attributable to the Academy Trust's compliance with constitutional and statutory requirements, including audit, strategic management and governor's meetings and reimbursed expenses.

All resources expended are inclusive of irrecoverable VAT.

#### **Tangible fixed assets**

Tangible fixed assets costing £2,000 or more are capitalised at cost 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 the related grants require the asset to be held for a specific purpose and continued use they are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet, with this amount being reduced over the useful economic life of the related asset on a basis consistent with the depreciation policy by transfer from the restricted fixed asset fund to restricted funds in the Statement of Financial Activities to offset the depreciation of the asset.

# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 AUGUST 2014

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#### 1. Statement of Accounting Policies (*continued*)

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful lives, as follows:

Freehold buildings	- 50 years
Computer equipment	- 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.

#### **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, are contracted out of the State Earnings-Related Pension Scheme ('SERPS') (until April 2016), and the assets are held separately from those of the Academy Trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the 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 benefit method. As stated in Note 19, the TPS is a multi-employer scheme and the Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each period.

The LGPS is a funded scheme and the assets are held separately from those of the 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 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 gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2014

### 1. Statement of Accounting Policies (continued)

#### Fund Accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the Trust at the discretion of the Trustees.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Education Funding Agency where the asset acquired or created is held for a specific purpose, on a continuing basis.

Restricted general funds comprise all other restricted funds received and include grants from the Education Funding Agency or the Department for Education.

### 2. Voluntary income

	Unrestricted funds £000	Restricted funds £000	Total 2014 £000
Trips Income	10	-	10
Other Income	34	-	34
	<u>44</u>	<u>-</u>	<u>44</u>

### 3. Funding for Academy's educational operations

	Unrestricted funds £000	Restricted funds £000	Total 2014 £000
<b>DfE/EFA capital grants</b>			
- Main Academy buildings	-	9	9
<b>DfE/EFA revenue grants</b>			
- General Annual Grant (GAG)	-	2,232	2,232
- Start-up Grants	-	40	40
- Other DfE/EFA Grants	-	189	189
	<u>-</u>	<u>2,461</u>	<u>2,461</u>
<b>Other government grants</b>			
- Local authorities grants	-	236	236
- Special educational projects	-	32	32
	<u>-</u>	<u>268</u>	<u>268</u>
	<u>-</u>	<u>2,738</u>	<u>2,738</u>

**BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 AUGUST 2014**

**4. Resources expended**

	<b>Staff costs £000</b>	<b>Premises costs £000</b>	<b>Other costs £000</b>	<b>Total 2014 £000</b>
Academy's education operations:				
- Direct costs	1,845	30	117	1,992
- Allocated support costs	208	187	179	574
	<u>2,053</u>	<u>217</u>	<u>296</u>	<u>2,566</u>
Governance costs	-	-	75	75
	<u>2,053</u>	<u>217</u>	<u>371</u>	<u>2,641</u>

**Incoming/outgoing resources for the period include:**

	<b>2014 £000</b>
Fees payable to auditor	
- Audit	5
Depreciation of fixed assets	30
	<u>35</u>

**5. Charitable Activities – Academy's educational operations**

	<b>Restricted Funds £000</b>	<b>Total 2014 £000</b>
<b>Direct costs:</b>		
Teaching and educational support staff costs	1,845	1,845
Depreciation	30	30
Educational supplies	117	117
	<u>1,992</u>	<u>1,992</u>
<b>Allocated support costs:</b>		
Support staff costs	208	208
Staff training	7	7
Recruitment and support	2	2
Maintenance of premises and equipment	84	84
Cleaning	34	34
Rent and rates	7	7
Insurance	34	34
Security and transport	7	7
Catering	60	60
Pension finance cost	77	77
Energy cost	28	28
Legal & Professional fees	13	13
Other support costs	13	13
	<u>574</u>	<u>574</u>
<b>Total</b>	<u>2,566</u>	<u>2,566</u>

# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2014

### 6. Governance Costs

	Restricted Funds £000	Total 2014 £000
Legal & professional fees	70	70
Auditor's remuneration:		
Audit of financial statements	5	5
	<u>75</u>	<u>75</u>

### 7. Staff numbers and costs

#### Staff costs

Staff costs during the period were:

	2014 £000
Wages and salaries	1,708
Social security costs	110
Pension costs	214
	<u>2,032</u>
Supply teacher costs	21
	<u>2,053</u>

#### Staff numbers

The average number of persons (including senior management team) employed by the Academy during the period expressed as full time equivalents was as follows:

	2014 No.
Charitable activities	
Teachers	20
Administration and support	30
Management	3
	<u>53</u>

#### Higher paid staff

The number of employees whose emoluments fell within the following band was:

	2014 No.
£70,001 - £ 80,000	2

Both of the above employees participated in the Teachers' Pension Scheme. During the period ended 31 August 2014, pension contributions for these staff amounted to £19,225.



# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 AUGUST 2014

#### 8. Related Party Transactions – Trustees' Remuneration & Expenses

The Trustees did not receive any payments from the Academy Trust in respect of their role as Trustees.

During the period ended 31 August 2014, there were no travel and subsistence expenses reimbursed to Trustees.

Other related party transactions involving the Trustees are set out in note 20.

#### 9. Directors' and Officers' Insurance

In accordance with normal commercial practice, the Academy has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the period ended 31 August 2014 was £4,240.

The cost of this insurance is included in the total insurance cost.

#### 10. Tangible Fixed Assets

	Freehold land and buildings £000	Computer equipment £000	Total £000
<b>Cost</b>			
Transfer on conversion	1,177	5	1,182
At 31 August 2014	<u>1,177</u>	<u>5</u>	<u>1,182</u>
<b>Depreciation</b>			
Charged in period	(28)	(2)	(30)
At 31 August 2014	<u>(28)</u>	<u>(2)</u>	<u>(30)</u>
<b>Net book value</b>			
At 31 August 2014	<u>1,149</u>	<u>3</u>	<u>1,152</u>

Included in the value of freehold land and buildings is land valued at £0 which has not been depreciated.

#### 11. Debtors

	2014 £000
Trade debtors	1
Other debtors	64
Prepayments and accrued income	50
	<u>115</u>

All amounts shown within debtors fall due for repayment within one period.

# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 AUGUST 2014

#### 12. Creditors: amounts falling due within one period

	2014 £000
Trade creditors	86
Other creditors	5
Accruals and deferred income	75
	<u>166</u>

#### Deferred income

Resources deferred in the period	55
Deferred Income at 31 August 2014	<u>55</u>

Deferred Income relates to monies received in 2013/14 which relate to expenditure which will be incurred in 2014/15, for example School Trips and Rates Funding (EFA).

#### 13. Funds

	Transfer on conversion £000	Income resources £000	Resources expended £000	Gains, losses and transfers £000	Balance at 31 August 2014 £000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	-	2,232	(2,232)	-	-
Other DfE/EFA grants	-	238	(234)	-	4
Other restricted funds	-	268	(27)	-	241
Pension reserve	(1,368)	-	(85)	(296)	(1,749)
	<u>(1,368)</u>	<u>2,738</u>	<u>(2,578)</u>	<u>(296)</u>	<u>(1,504)</u>
<b>Restricted fixed asset funds</b>					
Assets transferred on conversion	1,182	-	(30)	-	1,152
	<u>1,182</u>	<u>-</u>	<u>(30)</u>	<u>-</u>	<u>1,152</u>
<b>Total restricted funds</b>	<u>(186)</u>	<u>2,738</u>	<u>(2,608)</u>	<u>(296)</u>	<u>(352)</u>
<b>Unrestricted funds</b>					
General funds	100	44	(33)	-	111
<b>Total funds</b>	<u>(86)</u>	<u>2,782</u>	<u>(2,641)</u>	<u>(296)</u>	<u>(241)</u>

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 as at 31 August 2014.

The balance of restricted general funds (excluding pension reserve) is £245k and the balance on unrestricted funds is £111k resulting in a net surplus of £356k in funds. These reserves offer assurance that sufficient funds are retained to manage future financial risks and priorities of the Trust.

No central services have been charged during the period.

**BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 AUGUST 2014**

**14. Analysis of net assets between funds**

Fund balances at 31 August 2014 are represented by:

	Unrestricted Funds £000	Restricted general funds £000	Restricted fixed asset funds £000	Total funds £000
Tangible fixed assets	-	-	1,152	1,152
Current asset	111	411	-	522
Liabilities	-	(166)	-	(166)
Pension scheme liability	-	(1,749)	-	(1,749)
<b>Total net assets/(liabilities)</b>	<u>111</u>	<u>(1,504)</u>	<u>1,152</u>	<u>(241)</u>

**15. Reconciliation of net income to net cash inflow from operating activities**

	<b>2014 £000</b>
Net income	55
Depreciation	30
Capital grants from DfE and other capital income	(9)
FRS 17 pension cost less contributions payable (note 19)	8
FRS 17 pension finance cost (note 19)	77
Increase in debtors	(115)
Increase in creditors	166
Transfer from local authority	86
<b>Net cash inflow from operating activities</b>	<u>298</u>

**16. Capital expenditure and financial investment**

	<b>2014 £000</b>
Capital grants from DfE/EFA	9
<b>Net cash outflow from capital expenditure and financial investment</b>	<u>9</u>

# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 AUGUST 2014

#### 17. Analysis of changes in net funds

	Transfer on conversion £000	Cash flows £000	At 31 August 2014 £000
Cash in hand and at bank	100	307	407

#### 18. Members' Liabilities

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 period 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.

#### 19. Pension and similar obligations

The Academy Trust'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-benefit schemes.

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 2013.

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

#### Teachers' Pension Scheme

The Teachers' Pensions Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. Retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pensions Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001 to 31 March 2011, the account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

#### Valuation of the Teachers' Pensions Scheme

Not less than every four periods the Government Actuary ("GA"), using normal actuarial principles, conducts a formal actuarial review of the TPS. 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. Many of these were being discussed in the context of the design for a reformed TPS, and as set out in the Proposed Final Agreement, scheme valuations had been suspended since the last valuation in 2004.

# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 AUGUST 2014

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#### 19. Pension and similar obligations (*continued*)

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ("SCR") is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

Valuations of the TPS are now required under the Public Service Pensions Act 2013 every 4 periods and are required to be carried out in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury.

An actuarial valuation of the TPS in accordance with these directions was published in June 2014 assessing the TPS as at 31 March 2012. The GA's report revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191,500 million. The value of the notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176,600 million. 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%.

#### Employer and employee contribution rates

As from 1 January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 periods). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced – effective for the first time for the 2008 valuation – a 14% cap on employer contributions payable.

From 1 April 2013 to 31 March 2014, the employee contribution rate ranged between 6.4% and 11.2%, depending on a member's Full Time Equivalent salary and for 2014/15 will range between 6.4% and 12.4%. Thereafter members will be expected to pay an average contribution rate of 9.6%.

The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015 and an employee cost cap of 10.9%, both to be set in regulations. The employer contribution rate will be payable during the implementation period until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

There will be further reforms and changes to the TPS with a new 2015 scheme.

The pension costs paid to TPS in the period amounted to £128k.

Under the definitions set out in Financial Standards (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the Academy Trust has taken the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The Academy Trust has set out above the information available on the scheme and the implications for the Academy Trust in terms of the anticipated rates.

# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 AUGUST 2014

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#### 19. Pension and similar obligations (*continued*)

##### Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate Trustee-administered funds. The total contribution made for the period ended 31 August 2014 was £128k, of which employer's contributions totalled £92k and employees' contribution totalled £36k. The agreed rates for future periods are 12.8 per cent for employers and 8.5 per cent for employees.

Furthermore, deficit lump sum payments are required as follows:

2014/15 £69,100

2015/16 £72,100

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 scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2014.

##### **Principal Actuarial Assumptions**

At 31 August  
2014

Rate of increase in salaries	3.95%
Rate of increase for pensions in payment / inflation	2.20%
Discount rate for scheme liabilities	4.00%
Inflation assumption (CPI)	2.20%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

At 31 August  
2014

##### *Retiring today*

Males	22.9
Females	25.5

##### *Retiring in 20 periods*

Males	25.1
Females	27.8

# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 AUGUST 2014

#### 19. Pension and similar obligations (*continued*)

The Academy's share of the assets and liabilities in the scheme and the expected rates of return were:

	Expected return at 31 August 2014	Fair value at 31 August 2014	Fair value at 31 August 2014
Equities	7.00%	7.00%	165
Bonds	7.80%	6.70%	67
Property	5.70%	6.20%	32
Cash	0.50%	0.50%	16
Other	7.11%	7.11%	87
			<b>367</b>
Total market value of assets			
Present value of scheme liabilities			(2,116)
<b>Deficit in the scheme</b>			<b>(1,749)</b>

The actual return on scheme assets was £367,000.

#### Amounts recognised in the statement of financial activities

	2014 £000
Current service cost (net of employee contributions)	100
<b>Total operating charge</b>	<b>100</b>

#### Analysis of pension finance income/(costs)

Expected return on pension scheme assets	17
Interest on pension liabilities	(94)
<b>Pension finance costs</b>	<b>(77)</b>

The actuarial gains and losses for the current period are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £296,000 loss.

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

	2014 £000
Transfer on conversion	1,578
Current service cost	100
Employee contributions	36
Actuarial loss	308
Interest cost	94
<b>At 31 August</b>	<b>2,116</b>

# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 AUGUST 2014

#### 19. Pension and similar obligations (*continued*)

##### Movements in the fair value of Academy's share of scheme assets:

	2014 £000
Transfer on conversion	210
Expected return on assets	17
Actuarial gain	12
Employer contributions	92
Employee contributions	36
<b>At 31 August</b>	<b>367</b>

The estimated value of employer contributions for the period ended 31 August 2015 is £134,000.

##### The one period history of experience adjustments is as follows:

	2014 £000
Present value of defined benefit obligations	(2,116)
Fair value of share of scheme assets	367
<b>Deficit in the Scheme</b>	<b>(1,749)</b>
Experience adjustments on share of scheme assets £000	12
<b>Experience adjustments on scheme liabilities</b>	<b>-</b>

#### 20. Related Party Transactions

Owing to the nature of the Academy'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 Trust's financial regulations and normal procurement procedures.

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

- Purchased services relating to HR with a total value of £2k were provided by BCU at cost;
- Direct support relating to management and administration, including the services of the Trust's PFO. This support was not charged for but has been estimated at a cost of £9k and voluntary income and operational expenditure has been recognised in relation to these services in kind;
- Ad hoc support for projects in relation to IT, education improvement services, estates and marketing. It has not been possible to estimate the value of these services.

The Trust is grateful for the continued support from BCU.



# BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 AUGUST 2014

#### 21. Conversion to an Academy Trust

On 1 July 2013 the City Road Primary School converted to Academy Trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Birmingham City University Academies Trust Limited from 1 July 2013 for £nil consideration.

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net income/resources expended in the Statement of Financial Activities as voluntary income/other resources expended.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the Statement of Financial Activities.

	Unrestricted Funds £000	Restricted general funds £000	Restricted fixed asset funds £000	Total £000
Freehold land & buildings	-	-	1,177	1,177
Inherited assets	-	-	5	5
Budget surplus on LA funds	95	-	-	95
Budget surplus on school fund	5	-	-	5
LGPS pension deficit	-	(1,368)	-	(1,368)
<b>Net assets/(liabilities)</b>	<b>100</b>	<b>(1,368)</b>	<b>1,182</b>	<b>(86)</b>

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON  
REGULARITY TO BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST AND  
THE EDUCATION FUNDING AGENCY**

**FOR THE PERIOD ENDED 31 AUGUST 2014**

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**Independent Auditor's Report on Regularity to the Governing Body of Birmingham City University Academies Trust and the Education Funding Agency**

In accordance with the terms of our engagement letter dated 4 February 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2014, 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 2013 to 31 August 2014 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 Birmingham City University Academies Trust and the EFA in accordance with the terms of our engagement letter. Our review work has been undertaken so that we might state to Birmingham City University Academies Trust and the EFA those matters we are required to state 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 EFA for our review work for this report, or for the opinion we have formed.

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

The accounting officer is responsible, under the requirements of Birmingham City University Academies Trust's funding agreement with the Secretary of State for Education dated 20 February 2013 and the Academies Financial Handbook, extant from 1 August 2013, 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 2014. 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 August to 31 August 2014 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**Approach**

We conducted our engagement in accordance with the Academies: Accounts Direction 2014 issued by the EFA. 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 ASSURANCE REPORT ON  
REGULARITY TO BIRMINGHAM CITY UNIVERSITY ACADEMIES TRUST AND  
THE EDUCATION FUNDING AGENCY (CONTINUED)**

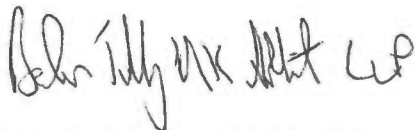
**FOR THE PERIOD ENDED 31 AUGUST 2014**

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Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including high level financial control areas and areas assessed of presenting a higher risk of impropriety. We undertook detailed testing, based on our assessment of risk of material irregularity, where such controls, policies and procedures apply to classes of transactions. This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

**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 August 2013 to 31 August 2014 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



**BAKER TILLY UK AUDIT LLP**

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St Philips Point  
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22 December 2014