

Meeting of the South Bank Academies Audit Committee

2.00 pm on Tuesday, 16 January 2018
in 1B16 - Technopark, SE1 6LN

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
	Items to discuss		
1.	Letter of Representation (to approve)	3 - 8	
2.	Annual Reports and Accounts (to approve)	9 - 92	

Date of next meeting
4.00 pm on Tuesday, 6 March 2018

Members: Richard Flatman (Chair), David Phoenix and Rao Bhamidimarri

Apologies:

In attendance: Michael Broadway

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TO BE PRINTED ON SBA HEADED PAPER

LETTER OF REPRESENTATION

Kingston Smith LLP
Chartered Accountants
Davonshire House
60 Goswell Road
London
EC1M 7AD

Dear Sirs,

We confirm to the best of our knowledge and belief the following representations given to you in connection with your audit of the Academy Trust's financial statements for the year ended 31 August 2017. We confirm that they are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you.

General

- 1) We acknowledge our responsibility for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Academy Trust and enable us to ensure that the financial statements comply with the Companies Act 2006 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency (ESFA).
- 2) We acknowledge our responsibility for preparing financial statements in accordance with the Companies Act 2006, the Academies Accounts Direction 2016 to 2017 issued by the ESFA and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice/UK GAAP), including FRS 102 'The Financial Reporting Standard Applicable in the UK and Ireland' and are satisfied that the financial statements give a true and fair view.
- 3) We acknowledge our responsibility for the design and implementation of internal control systems to prevent and detect fraud and error in safeguarding the assets of the Academy Trust.
- 4) We confirm that the accounting policies selected are suitable to the Academy Trust's circumstances and that they have been applied consistently; that any judgements and estimates made are reasonable and prudent; and that it is appropriate to prepare the financial statements on a going concern basis.
- 5) We confirm that significant assumptions used by us in making accounting estimates, including those measured at fair value are reasonable.

Information Provided

- 6) We have provided you with:
 - a) Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b) Additional information that you have requested from us for the purpose of the audit; and
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to

obtain audit evidence.

- 7) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 8) We have disclosed to you the identity of all of the entity's related parties, related party relationships and transactions, and any services donated of which we are aware, including those with London South Bank University.
- 9) We have disclosed to you all the transactions undertaken by LSBU on behalf of the academy trust, financial and otherwise.

Assets and Liabilities

- 10) All known assets and liabilities as at the balance sheet date have been included in the financial statements.
- 11) We confirm that there is no fixed asset or notional rent to be disclosed in respect of the premises from which South Bank Engineering UTC was operating during the year.
- 12) We confirm the Academy Trust has satisfactory title to all assets and there are no liens or encumbrances on the Academy Trust's assets except those disclosed within the financial statements.
- 13) We confirm that the financial statements disclose appropriately all liabilities, actual and contingent, and have disclosed all guarantees given to third parties.
- 14) We confirm that we do not anticipate a material adjustment to the reports received by Hymans Robertson LLP relating to the early recognition of the LGPS contributions payment of £22k for the year.
- 15) We confirm the accrual for light and heat of £111k is a valid liability and is the best estimate based on the information available at the time of signing the accounts.
- 16) The value and classification of assets and liabilities in the financial statements is not materially affected by management's plans and intentions.
- 17) We confirm that the actuarial assumptions used by the actuaries Aon Hewitt Limited and Hymans Robertson LLP in calculating the actuarial movements, and fair values of the assets and liabilities of the local government defined benefit pension schemes are consistent with our knowledge of the trust.

Transactions Involving Directors and Connected Persons

- 18) We confirm that there are no transactions with, or on behalf of, the directors or their associates, or contracts in which the directors or their associates have an interest, which are required to be disclosed in the financial statements under the provisions of the Companies Act 2006 other than those detailed in the notes to the financial statements.

Fraud

- 19) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

20) We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involve management, employees who have significant roles in internal control and others where the fraud could have a material effect on the financial statements.

21) We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Contingent Liabilities

22) Provision has been made where a material loss is expected to result from any litigation or claim against the Academy Trust. Other contingent liabilities at the balance sheet date, none of which are expected to result in a material loss to the Academy Trust or in commitments which it cannot meet, have been disclosed in the financial statements.

Going Concern & Future Cash Requirements

23) In our opinion the Academy Trust will have adequate cash resources available to finance its trading and meet its obligations during the course of the twelve months following the date of approval of the financial statements. Accordingly, the financial statements have been drawn up on a going concern basis.

Post Balance Sheet Events

24) All events subsequent to the date of the financial statements and for which the financial statements require adjustment or disclosure have been adjusted or disclosed.

Data Protection Act

25) We confirm that the Academy Trust complied with the statutory requirements of the Data Protection Act during the year.

Laws and regulations

26) We confirm that we have disclosed to you all those events which we are aware of which involve actual or possible non compliance with laws and regulations, together with the actual or contingent consequences which may arise there from.

Other Regulatory Regimes

27) We confirm that the academy was in compliance with the Companies Act 2006 during the period and that we are not aware of any breaches or other matters that should be brought to your attention.

28) We confirm that the academy was in compliance with the rules of the ESFA on all other matters except for those disclosed in the regularity report.

Unadjusted Errors

29) We acknowledge the unadjusted errors on the attached schedule identified from your audit work,

which you have requested that we correct, but consider that adjustments are not necessary for the following reasons:

- The adjustments in totality fall below the materiality level of £60,947

Yours faithfully

For and on behalf of Management

.....
Accounting Officer
Rao Bhamidimarri

.....
Date

For and on behalf of the Board

.....
Trustee
Richard Flatman

.....
Date

Unadjusted journals

		Balance sheet		SOFA		Effect on surplus/
		Dr £000s	Cr £000s	Dr £000s	Cr £000s	(deficit) £000s
1	Unconfirmed	-	-	55	-	(55)
	VAT recoverable	-	55	-	-	-
	Being the adjustments to recognise UTC LGPS movement					
2	Governance	-	-	12	-	(12)
	Unconfirmed	-	-	-	12	12
	Being Kingston Smith fees included within accruals but not expenditure					
3	Energy	-	-	43	-	(43)
	Unconfirmed	-	-	-	43	43
	Being energy accrual made in excess of energy costs recognised					
4	Accruals	31	-	-	-	-
	Unconfirmed	-	-	-	31	31
	Being release of unidentified UAE accruals					
5	Accruals	42	-	-	-	-
	Unconfirmed	-	-	-	42	42
	Being release of unidentified UTC accruals					
6	Unconfirmed	-	-	20	-	(20)
	Trade creditors	-	20	-	-	-
	Being UTC unrecognised trade creditors					
	Net potential effect of unadjusted misstatements and reclassifications					(2)

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South Bank Academies

Annual Report and Financial Statements

For the year ended 31 August 2017

Company Registration Number: 08589525 (England and Wales)

Reference and Administrative Details

Members	London South Bank University (LSBU) Richard Flatman David Phoenix	
Directors	David Phoenix Rao Bhamidimarri Adam Crossley Douglas Denham- St- Pinnock Richard Flatman Anthony Giddings Steve McGuire Lesley Morrison Richard Parrish James Stevenson	Chair of the Board Chief Executive Officer Resigned 27- September /09/2017 Appointed 01- September /09/2017
Company Secretary	Michael Broadway	
Key Management Personnel	Rao Bhamidimarri Dan Cundy Gary Nelson (resigned 29/06/2017) Dan Smith (resigned 08/08/2017) John Taylor (appointed 01/09/2017) Claire Viner (appointed 01/08/2017)	Chief Executive Officer Principal of South Bank Engineering UTC Interim Principal of University Academy of Engineering South Bank Business Manager Principal of University Academy of Engineering South Bank Business Manager
Registered Office	103 Borough Road London SE1 0AA	
Company Registration Number	08589525 (England and Wales)	
Independent Auditor	Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD	
Bankers	Lloyds Bank Plc Threadneedle Street London EC2R 8AU	

Chief Executive's Statement

2016/17 has been a year of considerable change and challenge.

South Bank Academies continued to develop as the new multi-academy trust and the Academy and the [University Technical College \(UTC\)](#) expanded as the additional cohorts of students joined the schools in [the](#) 2016/17 school year. Partnerships with employers continued to strengthen as we strived to ensure that all students had interaction with employers through projects, mentoring, site visits and work experience. Structured support from London South Bank University is beginning to take shape with the students from the [TrustCompany](#) schools accessing the University's laboratories and workshops, advice and guidance from University's student ambassadors and academic staff supporting projects.

The Academy's first intake of students progressed to Key Stage 4 and we launched Post-16 offer in September 2016. The UTC opened in September 2016 and recruited students into all years of Key Stage 4 and Key Stage 5 for 2017/18 school year.

Given the timing of the departure of the Principal of the Academy in August last year, we recruited an Interim Principal to prepare the Academy for its first Ofsted [inspection](#). Following extensive search, the [TrustCompany](#) appointed John Taylor as the permanent Principal and he took up the post on 1st September 2017.

The education vision at the [TrustCompany](#) schools attracted interest nationally. Both of our schools specialise in [science, technology, engineering, and mathematics \(STEM\)](#) and the [Department for Education \(DfE\)](#) has identified the UTC as a potential school to launch phase 1 of T-Levels in 2020.

The Academy was inspected by Ofsted in May 2017. Following the two-day inspection, Ofsted graded the Academy as [a](#)'GOOD' in all aspects.

Student achievement continued to make progress at both schools and our Year 11 students at the UTC and Year 13 students at both schools will be the first cohorts from our schools to sit the national examinations. Employer support for the project-based learning at the UTC is strong, in particular from Skanska, King's College and Guys & St Thomas' NHS Trust.

Operationally, we took possession of the Phase 1 of the [new](#) UTC ~~new~~ building in Brixton and we equipped the premises with high quality equipment and services over summer in time for the school to open for the new school year. Work on Phase 2 of the building has commenced and will be completed by July 2018. Financially, the [TrustCompany](#) and its schools continue to be viable, although student recruitment at the UTC remains a challenge. ~~We are considering options for the future positioning of the UTC to ensure its sustainability.~~

Support from the sponsors, London South Bank University, and the employer partners played an important role in the continued development of the two schools, successful Ofsted grade for the Academy and the UTC's move into [its](#) new building.

Professor Rao Bhamidimarri
Chief Executive [Officer](#), South Bank Academies

Directors' Report

The directors of [South Bank Academies \(SBA\)](#) ("the Company") present their annual report together with the financial statement and auditors' report of South Bank Academies (SBA) for the period ended 31 August 2017. The annual report serves the purpose of both a charitable trustees' report and a directors' report under company law.

The Company operates two education establishments in London, the University Academy of Engineering [\(UAE\)](#) South Bank in the London Borough of Southwark which opened in September 2014 and South Bank Engineering UTC in the London Borough of Lambeth which was opened in September 2016.

Structure, Governance and Management

Constitution

South Bank Academies is a company limited by guarantee. The [eCompany's](#) articles of association are its primary governing documents.

SBA's directors are also trustees in relation to the charity.

Details of the directors who served throughout the period except as noted are included in the Reference and Administrative Details on page 1.

Members' Liability

Each member of the Company undertakes to contribute to the assets of the [eCompany](#) in the event of it being wound up while they are a member, or within one year 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.

Directors' ~~li~~ndemnities

In June 2015 the [eCompany](#) joined the Department for Education's Risk Protection Scheme which gives unlimited cover for Governor's Liability Insurance. This cover has been renewed and is ongoing.

Method of Recruitment and Appointment or Election of Directors

The Board of Directors has agreed its composition as:

- 5 directors appointed by the sponsor, LSBU
- The CEO
- The Chairs of the local governing bodies [\(LGBs\)](#)
- No parent [directortrustees](#) (as they ~~are~~will be represented on the local governing body)
- 4 co-opted [directortrustees](#)

The Board has established a ~~n~~Nomination [eCommittee](#) to recruit new directors to the Board.

Co-opted [directortrustees](#) will be recruited through an open recruitment process, supported by the Nomination Committee.

Policies and Procedures Adopted for the Induction and Training of [DirectorsTrustees](#)

Directors and local governors are encouraged to attend training organised by London Borough of Southwark and London Borough of Lambeth. A training register is maintained by the Clerk.

During the year directors received Ofsted training delivered by the London Borough of Southwark.

Organisational [s](#)Structure

The Company is responsible for running the University Academy of Engineering South Bank and South Bank Engineering UTC.

The Company is headed by a Board of Directors which is responsible for overseeing the business of the [e](#)Company and may exercise all the powers of the [e](#)Company (article 93). The Board of Directors has established a Nomination Committee, a Remuneration Committee and an Audit Committee. A local governing body for each academy school has been established.

The Matters reserved to the Board and delegation of responsibilities to the local governing bodies of each school is set out in a Scheme of Delegation approved by the Board at its meeting of 7 January 2016.

Under the Scheme of Delegation, the Board has delegated decisions regarding the curriculum, learning and teaching strategy and Academy performance management to Local Governing Bodies to oversee. Although local control is delegated, the Board remains responsible for ensuring that standards are maintained across both the Academy and the UTC.

Related Parties and other Connected Charities and Organisations

South Bank Academies was incorporated in 2013 to enable the development of academies to provide technical and vocational education within the broader STEM framework. The [CompanyTrust](#) opened the University Academy of Engineering (UAE) South Bank in 2014 and has subsequently opened a UTC with a specialism in engineering which is sponsored by London South Bank University, Skanska, Guy's & St Thomas' and King's College NHS Foundation Trusts.

London South Bank University and Professor [Davide](#) Phoenix and Mr Richard Flatman, who are employees of London South Bank University, are Members of South Bank Academies. Four staff members of London South Bank University and an independent Governor of London South Bank University are [D](#)irectors of the [CompanyTrust](#).

South Bank Academies is not currently part of any networks or soft federations.

Objectives and Activities

There is a growing gap in engineering skills in the UK. According to the Royal Academy of

Engineering, over one million science and engineering technicians and professional engineers are required by 2020.

The UAE South Bank is an 11–18 secondary Academy with a specialism in engineering within the broader STEM framework and the UTC has a particular focus on engineering for building and health sectors to bridge the current skills gap identified by the employers as well as to prepare young people to drive forward innovations in the engineering industry generally.

Vision and Values

South Bank Academies aspires to create Outstanding schools, UTCs and Academies providing employment focused educational opportunities for young people in South London in partnership with employer sponsors and London South Bank University within the broad STEM framework. While each of the Academies will have distinctive specialisms, the education will be based on a broadly-based curriculum designed in partnership with business and industry. The students will graduate with strong transferrable skills that not only enhance employability opportunities but also subsequent career success. The curriculum will be rigorous and will prepare the students to ensure that they are well qualified to enter good universities for higher education.

To realise this vision, the Company has achieved the commitment of our industry partners, the Principals and staff through clear and consistent communication. The Company Trust has set ambitious but realistic objectives through a five-year strategic plan working with the Principals and the staff.

The Board and the Governing Bodies will challenge and support the Principals and staff of the UTC and Academy to deliver agreed targets on both achievement and progress. Outstanding success of the UTC and Academy will also be reflected by feedback from employers and partners, Ofsted inspections and student destinations.

The Board will reassure itself on the performance of the UTC and academies through periodic internal and external reviews. We expect that the graduates of the UTC and academies will be most preferred by the employers, while those students wishing to pursue higher education will progress into good universities.

The sponsors are committed to facilitating and supporting the provision of STEM education through UTCs and Academies with distinctive objectives of preparing young people for future leadership roles in the STEM sector. The academies and the UTCs will offer broad based education underpinned by creativity and innovation. The institutions will offer a learning experience that fosters confidence and enterprise in young people.

The Company places students at the centre of everything it does, with a focus on creating a culture of success, achievement, happiness, hope, confidence, respect and responsibility, reflection and service to others. The Board will create positive climate for innovative learning, and increased student attainment, achievement and effective social and emotional development.

Objects and Aims

The key objective of the Company Trust is to promote high quality STEM education at

secondary level in South London. In pursuit of achieving this, the CompanyTrust will

- Eestablish 4 ~~to~~ 5 STEM Academies in South London each with a distinct specialism in the broader STEM framework; the education vision at these schools would be distinct with a strong employability focus
- Ddevelop strong partnerships with world leading employers to facilitate real world learning and career opportunities
- Eestablish close links with the university to create seamless higher learning opportunities
- To foster confidence and enterprise in all students through innovative curriculum and learning environments;

Objectives, Strategies and Activities

The TrustCompany's main objectives during the period under review were to;

- eembed education vision in both the UTC and the Academy
- ensure that all students in our schools achieve or exceed their learning targets
- support the building project for the UTC's permanent building
- prepare the Academy for its first Ofsted Inspection
- expand industry links for the UTC and Academy students for projects and work placements, and progression opportunities
- enhance governance across the TrustCompany and schools, improve challenge and support to staff
- ensure that the schools are equipped and resourced to accommodate the growth in student numbers.
- work with local community

In order to achieve these objectives the TrustCompany implemented

- harmonised policies and procedures across the TrustCompany including consistent performance-linked reward systems.
- a staff development programme to support the staff and enhance learning, & teaching and assessment.
- a system of termly external review of schools for continuous improvement
- TrustCompany-wide Assurance Visits by Directors to promote consistency across the schools

The TrustCompany schools closely engage the local community. Examples of community support include:

- the hall at the Academy is made available for over-50s fitness classes
- Burgess Park sports clubs use the sports hall
- Sspace is given free of charge for Sewing classes for recent immigrant women.

Public Benefit

South Bank Academies is an exempt charity within the meaning of the Charities Act 2011 and is regulated by the Secretary of State for Education on behalf of the Charity Commission.

Charity Commission **g**Guidance on Public Benefit

The members of the Board of Directors are the charitable trustees of the **e**Company. In undertaking its duties the Board of Directors has regard to the Charity Commission's guidance on public benefit.

Charitable **e**Objects

South Bank Academies receives the vast majority of its income from the Department for Education to provide educational services to children and to ensure a broad and balanced curriculum across its schools.

The charitable objectives of the **e**Company as set out in its articles of association are restricted to the following:

“to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum which includes provision for technical education”.

The **e**Company's objects are applied solely for the public benefit, as follows.

The **e**Company advances education for the public benefit by:

- establishing and running two academy schools which offer a broad and balanced curriculum. Both schools have an engineering focus and have provision for technical education;
- each school providing teaching to its students; and
- setting and marking assessments and giving feedback to students.

Beneficiaries

In carrying out its objects the **e**Company benefits its students and future students through teaching and learning activities.

The **trusteedirector**s affirm that the opportunity to benefit is not unreasonably restricted. The schools are committed to open, fair and transparent admissions arrangements and act in accordance with the School Admissions Code.

Strategic Report

Achievements and Performance

The eCompany's main objectives during the period were to continue to ensure that the TrustCompany's education vision is embedded at both the UTC and the Academy. Significant progress was made in introducing project-based learning as well as promoting team work and enhancing communication skills in students.

The Phase 1 of the UTC's building project was completed ahead of schedule and the UTC relocated into the new building without detrimental impact on business continuity.

Industry links continued to expand, creating opportunities for our students in learning in real world context.

Key Performance Indicators

South Bank Academies has a list of key performance indicators (KPIs), both financial and non-financial.

The main KPI's that were set in 2016/17 were:

- Finance – Surplus of over 1% in TrustCompany accounts
- Infrastructure – All compliance documentation was complete
- Teaching and Learning – Good or better
- Income target – £4.6-m
- Student numbers – ~~90~~82% of submission to DfE

All except student recruitment numbers were achieved during the year. The Academy achieved an Ofsted grading of 'GOOD'. The UTC was visited termly by DfE's Educational Adviser, who continues to be positive about the way the UTC is developing.

Each school is given targets throughout the year and these were monitored through TrustCompany Management Meetings, Local Governing Bodies, and the TrustCompany Board. Neither of the schools had cohorts of students that had national examinations.

Going Concern

After making appropriate enquiries, the bBoard of Directorstrustees has a reasonable

expectation that the ~~a~~Academy ~~t~~Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt 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 ~~T~~rust~~C~~ompany's financial performance is healthy, with reserves of £1.2m and cash of £2.2m. We have a small pension deficit, but this has no material impact on the financial position of the ~~T~~rust~~C~~ompany. Funds were received primarily from Education and Skills Funding Agency (ESFA) and these were used in accordance with the objectives of the ~~T~~rust~~C~~ompany. Policies and procedures are in place to ensure best value for money.

Reserves Policy

South Bank Academies aims to carry forward some resources from the central services charge against its ~~school's the~~ General Annual Grant (restricted fund).

The ~~e~~Company also expects its schools to carry forward some resources from the General Annual Grant (restricted fund) and the School fund (unrestricted fund) to cover the medium and long term needs for renewal and replacement of major capital projects and unforeseen contingencies.

Currently the balance of Unrestricted Funds is £86k this is to be used to increase the capacity for learning and teaching at the ~~a~~Academy. Restricted funds carry forward balance is £905k; this is the equivalent of two month's income and is to be used as a contingency for unforeseen operational disruption.

Investment Policy

Directors of South Bank Academies are firmly committed to ensuring that all funds under their control are administered in such a way as to maximise return while minimising risk. ~~Trustees~~Directors do not consider the investment of surplus funds as a primary activity, but rather a requirement for the effective management of the various funds.

Principal Risks and Uncertainties

Directors have identified the principal risks and uncertainties affecting the ~~e~~Company. A risk register agreed by the ~~b~~Board is the subject of careful and frequent monitoring and is reviewed at each board meeting. The principal risks are as follows:

Risk and Impact

Inappropriate governance structure and organisation allowing poor information flow and inadequate level of challenge at board and local governing body level.

Mitigation Strategy

- Qualified and experienced governance support.
- Representation of the board at local governing body level.
- Annual review of local governing bodies ~~including external review.~~

Risk and Impact

Changes to funding via government policy which could lead to a loss of income.

Mitigation Strategy

- Monitoring of government policy including fair funding formula-
- Long term forecast-
- Financial expertise at ~~b~~Board and operational level

Risk and Impact

Failure to recruit sufficient student numbers in schools leading to a decrease in pupil led income and cash flow or long term financial problems.

Mitigation Strategy

- Designated positions for marketing and admissions at school and multi academy trust level-
- Monthly reports on current and prospective student numbers-
- Student number led sensitivity analysis on forecasts to allow for reasonable reduction in numbers-

Risk and Impact~~System of Internal Controls~~

Failure of internal controls leading to lack of financial scrutiny and budget management

Mitigation Strategy

- Adequate staff capability and capacity supported by appropriate training
- Periodic independent internal audit
- Robust finance policies and procedures
- Ensuring management oversight of operational finance

Plans for Future Periods

South Bank Academies currently operates two schools. It is proposed that the ~~Trust~~Company would open ~~2-3-4~~ more schools in South London specialising in STEM to enhance educational and career opportunities for young people. We will do this in partnership with employers and London South Bank University.

It is the ~~directors'~~Trustees' aspiration that the Academy will be a model school for a distinctive model for learning in which the students take more responsibility for their learning with mentoring support of the teachers. The UTC will develop to be an industry-led and employment focused high technology learning environment.

We are continuing to build on our employer links with some world leading employers supporting our students. A ~~Member~~ member of the University's Executive is leading a comprehensive programme of collaborative activities between the schools and the University to offer a range of support to students of the schools. These include career guidance, master classes, access to University's high technology laboratories and workshops, and guidance on preparation of UCAS applications.

Auditor

Insofar as the ~~director~~trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware;
- the ~~director~~trustees have taken all steps that they ought to have taken as to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The members of South Bank Academies will be asked to re-appoint Kingston Smith LLP as its auditors by written resolution.

The ~~Trustees~~Directors' Report, incorporating a strategic report, was approved by order of the ~~Board~~ of ~~Director~~trustees, as the company directors, on and signed on the ~~Board~~'s behalf by:

[Name]

~~Trustee~~Director

[Date]

Governance Statement

Scope of Responsibility

As directors, we acknowledge we have overall responsibility for ensuring that South Bank Academies 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 **bB**oard of **eD**irectors has delegated the day-to-day responsibility to the Chief Executive Officer and the Chief Financial Officer, for ensuring 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 South Bank Academies and the Secretary of State for Education. They are also responsible for reporting to the **bB**oard of **eD**irectors any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Directors' Report and in the Statement of Directors' Responsibilities. The **bB**oard of **eD**irectors has formally met four times during the year. Attendance during the year at meetings of the **bB**oard of **eD**irectors was as follows:

Director	Meetings attended	Out of a possible
Davide Phoenix (Chair)	2	4
Adam Crossley	2	4
Douglas Denham St Pinnock	4	4
James Stevenson	4	4
Rao Bhamidimarri (CEO)	4	4
Richard Flatman	4	4
Richard Parrish	1	4
Steve McGuire	1	4
Tony Giddings	2	4

The Board and local governing bodies completed internal light-touch effectiveness reviews in July 2017. The outcomes of these effectiveness reviews will feed into a wider review of governance structures by the **eC**ompany's member and sponsor, London South Bank University. Any recommended changes to the governance of the Company will be implemented during the academic year 2017/18.

The Board noted its current composition and has taken steps to address the gender and ethnicity imbalance, and a new director has been appointed in 2017/18.

The Board is supported by three committees: an **aA**udit **eC**ommittee, a **fR**emuneration **eC**ommittee, and a **nN**omination **eC**ommittee. In addition, each school has a LGB to

maintain oversight of the learning environment and student achievement, which report into the Board.

Audit Committee

The Audit Committee's purpose is to monitor the internal and external audit functions, risk management and internal financial control at the Company.

Attendance at meetings in the year was as follows:

Directors	Meetings attended	Out of a possible
Richard Flatman (Chair)	3	3
Adam Crossley	2	3
Tony Giddings	3	3

Remuneration Committee

The Remuneration Committee's purpose is to set the objectives and review the Principals' performance; to set the pay of the Key Management Personnel; and to approve the HR policy for the Company.

Attendance at meetings in the year was as follows:

Directors	Meetings attended	Out of a possible
Douglas Denham St Pinnock (Chair)	1	1
Richard Parrish	1	1
Davide Phoenix	1	1

Nomination Committee

The purpose of the Nomination Committee is to consider succession planning for the Board and to appoint new directors to the Board. The Committee did not meet during the year.

Arrangements for setting pay and remuneration of key management personnel

The Remuneration Committee has defined the key management personnel as the CEO, Chief Financial Officer and the Principals of the two schools. The Committee reviews benchmark data and performance of the key management personnel when setting pay. The CEO is seconded from London South Bank University who pay his salary.

Review of Value for Money

As Accounting Officer, the Chief Executive Officer has responsibility for ensuring that the Company delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the Company's use of its resources has provided good value for money during each academic year, and reports to the Board of Directors

where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer for the Company has delivered improved value for money during the year by:

- **Effective purchasing** - reviewing contracts on an annual basis to make sure they are fit for purpose and still offer value for money, exploring various purchasing options to gain best value and always following a tender process on major purchases.
- **Income generation** – The Academy’s facilities continue to be let to local community groups to generate additional income and maintain relationships with the local community.
- **Economies of Scale** – Cleaning and Catering contracts have been entered into for services across the TrustCompany schools. This includes the sharing of larger cleaning equipment between the sites.

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 Company 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 South Bank Academies for the period covered by the accounts (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 Directors has reviewed the key risks to which the Company is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Directors is of the view that there is a formal on-going process for identifying, evaluating and managing the Company’s significant risks that has been in place for the period covered by the accounts (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 Directors.

The Risk and Control Framework

The Company’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 of performance against budget which are reviewed and agreed by the Board of Directors
- setting targets to measure financial and other performance
- finance control policy (clearly defined purchasing (asset purchase or capital investment) guidelines – verify)
- delegation of authority and segregation of duties

- identification and management of risks

~~The Audit Committee had previously considered the need for a specific internal audit function and decided:~~

- ~~• during the year under review, not to appoint an internal auditor. However the directors have appointed the CFO to undertake an agreed internal audit programme and report regularly to the Audit Committee~~

In May 2017, the previous CFO submitted his resignation and left the TrustCompany before the Summer break. A smooth transition to the new CFO was not possible. This, and a combination of other factors, has contributed to a breakdown in controls with significant gaps in the oversight of routine financial operations and data quality towards the end of the financial year. The Board has responded in a timely manner to rectify this position, although inadequate bank and control account reconciliations and incomplete posting of payroll transactions has created delay and significant audit issues at year end resulting in the failure to meet the 31 December filing deadline for accounts submission. An action plan has been developed to ensure that the position is rectified, effective controls implemented and the finance system brought up to date. An independent internal audit function is also being established to provide assurance to the Audit Committee and Board regarding the future maintenance and effective operation of control systems.

~~Given the above, and the challenges associated with growth, on the recommendation of the Audit Committee, the Board has reviewed the need for an internal audit function and has decided to appoint an independent internal auditor.~~

Review of Effectiveness

As Accounting Officer the Chief Executive Officer has responsibility for reviewing the effectiveness of the system of internal control. During the year the review has been informed by:

- the work of the Chief Financial Officer as part of the internal audit programme
- the work of the external auditor
- the work of the Chief Financial Officer who has responsibility for the development and maintenance of the internal control framework

A plan to address any weakness and to ensure continuous improvement of the system is in place.

Approved by the ~~b~~Board of ~~d~~Directors on and signed on its behalf by:

[Signed]

[Signed]

David Phoenix
Chair of the Board

Rao Bhamidimarri
Chief Executive Officer

Statement on Regularity, Propriety and Compliance

As accounting officer of South Bank Academies I have considered my responsibility to notify the ~~a~~Academy ~~t~~Trust ~~b~~Board of ~~Director~~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 ~~a~~Academy ~~t~~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 ~~a~~Academy ~~t~~Trust ~~b~~Board of ~~Director~~trustees are able to identify any material irregular or improper use of funds by the ~~a~~Academy ~~t~~Trust, or material non-compliance with the terms and conditions of funding under the ~~a~~Academy's funding agreement and the Academies Financial Handbook 2016.

I confirm that the following instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the ~~b~~Board of ~~Director~~trustees and the ESFA. If any instances are identified after the date of this statement, these will be notified to the ~~b~~Board of ~~Director~~trustees and the ESFA:

- Breakdown in controls which has resulted in delays at year end. An action plan has been developed to ensure that the position is rectified . Further information provided on page 15
- Late filing of accounts with the ESFA

[Signed]

[Name to be typed]

Accounting Officer

[Date]

Statement of ~~Trustees~~Directors' Responsibilities

The ~~d~~Directors ~~are also the trustees of the charitable company~~ are responsible for preparing the Directors'~~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~~directors to prepare financial statements for each financial year. Under company law the ~~director~~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 the incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the ~~trustees~~directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards [FRS 102] 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~~directors 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~~directors 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~~directors 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 the ~~b~~Board of Director~~trustees~~ on and signed on its behalf by:

[Signed]

[Name to be typed]
Director

South Bank Academies

Independent Auditor's Report on the Financial Statements to the Members of South Bank Academies

Opinion

We have audited the financial statements of South Bank Academies ('the Academy Trust'), for the year ended 31 August 2017 which comprise the Statement of Financial Activities, the Balance Sheet, Statement of Cash Flows and the related 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, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the **TrustCompany**'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;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2016 to 2017 issued by the ESFA.

This report is made solely to the **TrustCompany**'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 **TrustCompany**'s members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 financial statements section of our report. We are independent of the **TrustCompany** in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRS'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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the **trusteesdirectors**' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the **trusteesdirectors** have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the **eCompany**'s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report on the Financial Statements to the Members of South Bank Academies

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The [trusteesdirectors](#) are responsible for the other information. 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.

Opinion on other matter 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 strategic report and the [trusteesdirectors](#)' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the strategic report and the [trusteesdirectors](#)' annual report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the [TrustCompany](#) and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the trustees' annual report.

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:

- 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 or [trusteesdirectors](#)' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of [trusteesdirectors](#)

As explained more fully in the Statement of [TrusteesDirectors](#)' Responsibilities set out on page 10, the [trusteesdirectors](#) (who 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, and for such internal control as the [trusteesdirectors](#) 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 [trusteesdirectors](#) are responsible for assessing the [TrustCompany](#)'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 [trusteesdirectors](#) either intend to liquidate the [TrustCompany](#) or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report on the Financial Statements to the Members of South Bank Academies

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 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 judgement 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 purposes of expressing an opinion on the effectiveness of the **TrustCompany's** internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the **trusteesdirectors**.
- Conclude on the appropriateness of the **trusteesdirectors'** 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 charitable company'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 **TrustCompany** 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.

Date:

Shivani Kothari (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

South Bank Academies

Independent Reporting Accountant's Report on Regularity to South Bank Academies and the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 9 June 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 South Bank Academies 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 South Bank Academies and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to South Bank Academies and the ESFA 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 South Bank Academies and the ESFA, for our work, or for the conclusion we have formed.

Respective responsibilities of South Bank Academies' accounting officer and the reporting auditor

The accounting officer is responsible, under the requirements of South Bank Academies' funding agreement with the Secretary of State for Education dated 8 April 2014 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 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 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.

The work undertaken to draw to our conclusion includes:

- Enquiry
- Inspection and review
- Observation and reperformance

South Bank Academies

Independent Reporting Accountant's Report on Regularity to South Bank Academies and the Education and Skills Funding Agency (continued)

Conclusion

In the course of our audit work we have identified instances where the Academy Trust has not complied with the guidance and the internal control framework as set out in the Academies Accounts Direction 2016 to 2017. These matters have been reported by the Directors in the on pages.....

In the course of our work, ~~nothing~~no other matters have~~s~~ 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.

Date:

Shivani Kothari (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

South Bank Academies

Statement of Financial Activities for the year ended 31 August 2017
(including Income and Expenditure Account)

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2017 £000	Restated Total 2016 £000
Income and endowments from:						
Donations and capital grants	2	3	92	-	95	23,092
Transfer on conversion		28	-	-	28	-
Charitable activities:						
Funding for the academy trust's educational operations	3	-	4,811	-	4,811	2,472
Other trading activities	4	1	-	-	1	12
Investments	5	2	-	-	2	2
Total		34	4,903	-	4,937	25,578
Expenditure on:						
Raising funds	6	10	-	-	10	-
Charitable activities:						
Academy trust educational operations	7	-	4,275	388	4,663	2,454
Other		-	-	-	-	2
Net liabilities transfer loss		-	-	-	-	2
Total		10	4,275	388	4,673	2,456
Net income / (expenditure)		24	628	(388)	264	23,122
Transfers between funds	15	-	(13)	13	-	-
		<u>24</u>	<u>615</u>	<u>(375)</u>	<u>264</u>	<u>23,122</u>
Other recognised gains/(losses)						
Actuarial gains / (losses) on defined benefit pension schemes	15, 22	-	44	-	44	(36)
Net movement in funds		24	659	(375)	308	23,086
Reconciliation of funds						
Total funds brought forward		62	501	23,304	23,867	597
Total funds carried forward		86	1,094	22,995	24,175	23,867

All of the Company's activities derive from continuing operations during the above two financial periods.

South Bank Academies

Balance Sheet
as at 31 August 2017

Company number 08589525

	Notes	2017 £000	2017 £000	Restated 2016 £000	Restated 2016 £000
Fixed assets					
Tangible assets	11		22,995		23,100
Current assets					
Debtors	13	217		124	
Cash at bank and in hand		<u>2,240</u>		<u>1,188</u>	
		2,457		1,312	
Liabilities					
Creditors : Amounts falling due within one year	14	<u>(1,229)</u>		<u>(517)</u>	
Net current assets			<u>1,228</u>		<u>795</u>
Total assets less current liabilities			<u>24,223</u>		<u>23,895</u>
Net assets excluding pension liability					
Defined benefit pension scheme liability	22		(48)		(28)
Total net assets			<u>24,175</u>		<u>23,867</u>
Funds of the academy trust:					
Restricted funds					
Fixed asset fund	15	22,995		23,304	
General fund	15	1,142		529	
Pension reserve	15	<u>(48)</u>		<u>(28)</u>	
Total restricted funds			<u>24,089</u>		<u>23,805</u>
Unrestricted income funds	15		86		62
Total funds			<u>24,175</u>		<u>23,867</u>

The financial statements on pages 23 to 39 were approved by the trustees, and authorised for issue on and are signed on their behalf by:

David Phoenix

Director

South Bank Academies

Statement of Cash Flows for the year ended 31 August 2017

		2017	Restated
	Notes	£000	2016 £000
Cash flows from operating activities			
Net cash provided by/(used in) operating activities	17	1,208	(84)
Cash flows from investing activities	19	(156)	2
Cash flows from financing activities	18	-	-
Change in cash and cash equivalents in the reporting period		<u>1,052</u>	<u>(82)</u>
Cash and cash equivalents at 1 September 2016		1,188	1,238
Transfer from South Bank Engineering UTC		-	32
Cash and cash equivalents at 31 August 2017	20	<u>2,240</u>	<u>1,188</u>

South Bank Academies

Notes to the Financial Statements for the year ended 31 August 2017

1 Statement of Accounting Policies

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

Company information

South Bank Academies is a limited company domiciled and incorporated in England and Wales. The registered office is 103 Borough Road, London, SE1 0AA.

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 the ESFA, the Charities Act 2011 and the Companies Act 2006.

South Bank Academies meets the definition of a public benefit entity under FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest thousand pound.

Going Concern

The directors 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. The directors 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 and there are no material uncertainties about the Academy Trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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.

General Annual Grant is recognised in full in the statement of Financial Activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised when there is entitlement 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 in the restricted fixed asset fund.

• Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable 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.

• 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 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".

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

1 Statement of Accounting Policies (continued)

• Donated Fixed Assets - Prior Year Restatement

The University Academy of Engineering South Bank was gifted its land and buildings on a 125 year lease as at 3 August 2016 from the local authority, the London Borough of Southwark. For the purposes of these financial statements a prior year adjustment has been made to show these assets being gifted to the Trust in the prior year. The buildings have been recognised at their estimated cost for rebuild as given by the local authority of £23m. The restated fixed asset fund as at 1 September 2016 is therefore £23m higher than previously reported, with net income for the year to 31 August 2016 also being £23m higher than previously reported. A professional valuation will be obtained so the asset can be recognised being gifted to the trust at fair value.

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 a 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 the support costs involved in undertaking each activity. Direct costs attributable to a single activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with 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.

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 life, as follows:

Long leasehold buildings	125 year straight line
Leasehold improvements	15 year straight line
Fixtures, fittings and equipment	5 year straight line
Computer hardware	3 year straight line

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.

Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in the settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the Academy Trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods and services it must provide.

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

1 Statement of Accounting Policies (continued)

Provisions

Provisions can be recognised when the Academy Trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle an obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the last pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

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:

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term liquid investments with original maturities of three months or less.

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

Financial instruments are recognised in the Company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 17 and 18. 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 part 11, chapter 3 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.

Employee benefits

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

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 29, 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.

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

1 Statement of Accounting Policies (continued)

Pensions Benefits (continued)

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 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 directors.

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 and Department for Education.

Critical accounting estimates and areas of judgment

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:

- *Long Leasehold Land and Buildings*

The University Academy of Engineering South Bank was gifted its land and buildings on a 125 year lease as at 3 August 2016 from the local authority, the London Borough of Southwark. For the purposes of these financial statements a prior year adjustment has been made to show these assets being gifted to the Trust in the prior year. The buildings have been recognised at their estimated cost for rebuild as given by the local authority of £23m. The restated fixed asset fund as at 1 September 2016 is therefore £23m higher than previously reported, with net income for the year to 31 August 2016 also being £23m higher than previously reported. A professional valuation will be obtained so the asset can be recognised being gifted to the trust at fair value.

- *Local Government Pension Scheme*

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 29, 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.

- *Provisions*

Provisions have been made for various expenses for which the full year's expense has not been invoiced. The difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

- *Key Management Remuneration*

Key management includes the CEO who is employed by a member, LSBU. His costs relating to the Company are recognised as donated income and salary costs within the Company and has been recognised based on estimated time spent.

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

1 Statement of Accounting Policies (continued)

Critical accounting estimates and areas of judgment (continued)

- *Salaries and Wages*

The split of payroll expenditure between direct costs and support costs has been made on an estimated basis, using the prior year split.

2 Donations and capital grants

	Unrestricted General Funds £000	Restricted General Funds £000	Total 2017 £000	Restated Total 2016 £000
Donated fixed assets	-	-	-	23,000
Donations	3	-	3	-
Donated salaries	-	92	92	92
	<u>3</u>	<u>92</u>	<u>95</u>	<u>23,092</u>

3 Funding for the Academy Trust's Educational Operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2017 £000	Total 2016 £000
DfE / ESFA revenue grants				
General Annual Grant (GAG)	-	3,787	3,787	2,171
Start Up Grants	-	612	612	-
Other DfE/ESFA grants	-	275	275	147
	<u>-</u>	<u>4,674</u>	<u>4,674</u>	<u>2,318</u>
Other Government grants				
Local authority grants	-	54	54	96
	<u>-</u>	<u>54</u>	<u>54</u>	<u>96</u>
Other Income from the Academy Trust's educational operations	-	83	83	58
	<u>-</u>	<u>4,811</u>	<u>4,811</u>	<u>2,472</u>

4 Other trading activities

	Unrestricted Funds £000	Restricted Funds £000	Total 2017 £000	Total 2016 £000
Hire of facilities	1	-	1	12
	<u>1</u>	<u>-</u>	<u>1</u>	<u>12</u>

5 Investment income

	Unrestricted Funds £000	Restricted Funds £000	Total 2017 £000	Total 2016 £000
Short term deposits	2	-	2	2
	<u>2</u>	<u>-</u>	<u>2</u>	<u>2</u>

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

6 Expenditure

	Staff Costs £000	Non Pay Expenditure		Total 2017 £000	Restated Total 2016 £000
		Premises £000	Other £000		
Expenditure on raising funds	-	-	10	10	-
Academy's educational operations:					
Direct costs	2,081	-	118	2,199	1,168
Allocated support costs	1,012	830	622	2,464	1,286
	3,093	830	750	4,673	2,454

Net income / (expenditure) for the period includes:

	2017 £000	Restated 2016 £000
Depreciation	263	188
Fees payable to auditor for:		
Audit	7	5
Other services	34	4
	304	197

7 Charitable Activities

	Total 2017 £000	Restated Total 2016 £000
Direct costs - educational operations	2,199	1,168
Support costs - educational operations	2,464	1,286
Loss on transfer of liabilities from South Bank Engineering UTC	-	2
	4,663	2,456

Analysis of support costs

	Educational operations £000	Total 2017 £000	Restated Total 2016 £000
Support staff costs	1,012	1,012	373
Depreciation	263	263	188
Technology costs	87	87	67
Premise costs	567	567	357
Other support costs	299	299	291
Catering	217	217	-
Governance costs	19	19	10
Total support costs	2,464	2,464	1,286

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

8 Staff

a. Staff costs

	2017 £000	2016 £000
Staff costs during the period were:		
Wages and salaries	1,760	1,058
Social security costs	246	90
Operating costs of defined benefit pension scheme	408	118
	<u>2,414</u>	<u>1,266</u>
Supply staff costs	587	125
Donated staff costs	92	-
Staff restructuring costs	-	84
	<u>3,093</u>	<u>1,475</u>
Staff restructuring costs comprise:		
Other restructuring and settlement costs	-	84
	<u>-</u>	<u>84</u>

b. Staff numbers

The average number of persons employed by the Academy Trust during the period was as follows:

	2017 No.	2016 No.
Teachers	47	26
Administration and support	32	5
Management	8	1
	<u>87</u>	<u>32</u>

c. Higher paid staff

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

	2017 No.	2016 No.
£60,001 - £70,000	4	-
£70,001 - £80,000	2	-
£90,001 - £110,000	1	1

d. Key management personnel

The key management personnel of the Academy Trust comprise the directors 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 £380,473 (2016: £299,650).

Key management also includes the CEO who is employed by LSBU and whose remuneration is donated to the trust. This has been recognised in the accounts based on estimated time spent and amounts to £92k (2016: £92k).

Key management also includes the interim principal of the University Academy of Engineering South Bank who was not employed by the trust. His remuneration of £80k was invoiced to the trust and is included within agency staff costs.

10 Disclosure of central services

The Academy Trust has provided the following central services to its academies during the year: human resources; financial services; educational support services; marketing; recruitment

The Company charges for these services on the following basis:

3.5% of GAG income received for each school is taken as a fee for central services

The actual amounts charged during the year were as follows:

	2017	2016
University Academy of Engineering South Bank	147,512	-
South Bank Engineering UTC	41,665	-
	<u>189,177</u>	<u>-</u>

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

9 Related Party Transactions - Directors' Remuneration and Expenses

None of the directors have been paid remuneration or have received other benefits from an employment with the Academy Trust.

During the year ended 31 August 2017, no travel and subsistence expenses were reimbursed or paid directly to any trustees (2016: £nil).

10 Directors 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 directors 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 directors and officers indemnity element from the overall cost of the RPA scheme.

11 Tangible fixed assets

	Leasehold Land and Buildings £000	Leasehold Improvements £000	Furniture and Equipment £000	Computer Hardware £000	Total £000
Cost					
At 1 September 2016 (restated)	23,000	-	10	105	23,115
Additions	-	17	49	92	158
Disposals	-	-	-	-	-
At 31 August 2017	23,000	17	59	197	23,273
Depreciation					
At 1 September 2016	-	-	6	9	15
Charged in year	184	1	12	66	263
Disposals	-	-	-	-	-
At 31 August 2017	184	1	18	75	278
Net book values					
At 31 August 2017	22,816	16	41	122	22,995
At 31 August 2016	23,000	-	4	96	23,100

The valuation for long leasehold land and buildings shown is the insurance valuation. The directors are in the process of commissioning a surveyor to value to Academy Trust's land and buildings for educational purposes.

12 Financial instruments

	2017 £000	2016 £000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	2	9
Carrying amount of financial liabilities		
Measured at amortised cost	1,174	455

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

13 Debtors	2017 £000	2016 £000
Trade debtors	-	4
VAT recoverable	129	48
Other debtors	2	-
Prepayments and accrued income	86	67
Amounts due from sponsoring organisation	-	5
	<u>217</u>	<u>124</u>

14 Creditors: Amounts falling due within one year	2017 £000	2016 £000
Trade creditors	95	62
Taxation and social security	55	28
ESFA creditor: abatement of GAG	769	83
Other creditors	22	40
Accruals and deferred income	288	304
	<u>1,229</u>	<u>517</u>

Deferred income

	2017 £000	2016 £000
Deferred Income at 1 September 2016	34	-
Resources deferred in the year	-	34
Amounts released from previous years	(34)	-
Deferred Income at 31 August 2017	<u>-</u>	<u>34</u>

At the 2016 year end, deferred income related to rates relief income.

15 Funds	Restated Balance at 1 September 2016 £000	Incoming Resources £000	Resources Expended £000	Gains, Losses and Transfers £000	Balance at 31 August 2017 £000
Restricted general funds					
General Annual Grant (GAG)	458	3,787	(2,943)	(160)	1,142
Start Up Grant	-	612	(612)	-	-
Other DfE grants	-	275	(275)	-	-
Other sources	89	229	(318)	-	-
Transfer from South Bank Engineering UTC	(18)	-	-	18	-
Pension reserve	(28)	-	(127)	107	(48)
	<u>501</u>	<u>4,903</u>	<u>(4,275)</u>	<u>(35)</u>	<u>1,094</u>
Restricted fixed asset funds					
Local authority capital grants	289	-	(171)	-	118
Transfer from local authority	23,000	-	(184)	-	22,816
Transfer from South Bank Engineering UTC	15	-	(33)	79	61
	<u>23,304</u>	<u>-</u>	<u>(388)</u>	<u>79</u>	<u>22,995</u>
Total restricted funds	<u>23,805</u>	<u>4,903</u>	<u>(4,663)</u>	<u>44</u>	<u>24,089</u>
Total unrestricted funds	<u>62</u>	<u>34</u>	<u>(10)</u>	<u>-</u>	<u>86</u>
Total funds	<u>23,867</u>	<u>4,937</u>	<u>(4,673)</u>	<u>44</u>	<u>24,175</u>

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

15 Funds (continued)

The specific purposes for which the funds are to be applied are as follows:

Restricted general funds

All restricted funds are grants received from the Department for Education and the Local Authority for the purpose of running the Academy Trust. This also includes catering income received from pupils.

Restricted fixed asset funds

All capital grants received from the Department for Education and the Local Authority are to be used on capital expenditure.

Unrestricted funds

All unrestricted funds are amounts raised by the Company which can be used for any purposes the directors deem appropriate.

Total funds analysis by academy

Fund balances at 31 August 2017 were

	Total 2017 £000	Restated Total 2016 £000
University Academy of Engineering South	1,065	609
South Bank Engineering UTC	162	(18)
Central services	1	-
Total before fixed assets and pension reserve	1,228	591
Restricted fixed asset fund	22,995	23,304
Pension reserve	(48)	(28)
Total	24,175	23,867

Total cost analysis by academy

Expenditure incurred by each academy during the year was as follows:

	Teaching and Educational Support Staff Costs £000	Other Support Staff Costs £000	Educational Supplies £000	Other Costs (excluding depreciation) £000	Restated Total £000
University Academy of Engineering South Bank	1,498	683	78	739	2,998
South Bank Engineering UTC	611	185	36	387	1,219
Central services	-	116	4	73	193
Academy Trust	2,109	984	118	1,199	4,410

16 Analysis of net assets between Funds

Fund balances at 31 August 2017 are represented by:

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets	-	-	22,995	22,995
Current assets	-	2,457	-	2,457
Current liabilities	-	(1,229)	-	(1,229)
Pension scheme liability	-	(48)	-	(48)
Total net assets	-	1,180	22,995	24,175

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

17 Reconciliation of Net Income/(expenditure) to Net Cash Inflow from Operating Activities	2017 £000	Restated 2016 £000
Net income/(expenditure) for the reporting period	264	23,122
Adjusted for:		
Depreciation	263	188
Interest receivable	(2)	(2)
Defined benefit pension scheme cost less contributions payable	64	(5)
Donated fixed assets	-	(23,000)
(Increase)/decrease in debtors	(93)	(38)
Increase/(decrease) in creditors	712	(349)
Net Cash provided by / (used in) Operating Activities	1,208	(84)
18 Cash flows from financing activities	2017 £000	2016 £000
Repayments of borrowing	-	-
Cash inflows from new borrowing	-	-
Net cash provided by / (used in) financing activities	-	-
19 Cash flows from investing activities	2017 £000	2016 £000
Dividends, interest and rents from investments	2	2
Purchase of tangible fixed assets	(158)	-
Net Cash provided by / (used in) Operating Activities	(156)	2
20 Analysis of cash and cash equivalents	At 31 August 2017 £000	At 31 August 2016 £000
Cash in hand and at bank	2,240	1,188
Total cash and cash equivalents	2,240	1,188
21 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.

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

22 Pension and Similar Obligations

The Company's employees belong to three principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the two Local Government Pension Schemes (LGPS) for non-teaching staff, one managed by Southwark Council and one by Lambeth Council. All are multi-employer defined-benefit schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPSs 31 March 2016.

Contributions amounting to £21,608 were payable to the schemes at 31 August 2017 (2016: £nil) and are included within creditors.

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

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effect 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 of 3.0% in excess of prices and 2% in excess of earnings. The rate or real earnings growth is assumed to be 2.75%. The assumed normal 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 16.4%, 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 employer's pension costs paid to TPS in the period amounted to £183,791 (2016: £91,247).

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 Company has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Company has set out above the information available on the scheme.

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

22 Pension and Similar Obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2017 was £75,000 (2016: £35,000), of which employer's contributions totalled £57,000 (2016: £27,000) and employees' contributions totalled £18,000 (2016: £8,000). The agreed contribution rates for future years are 14.5 per cent for employers and between 5.5 per cent and 7.5 per cent for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of an academy closure, outstanding Local Government Pension Scheme Liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

Principal Actuarial Assumptions	Lambeth At 31 August 2017	Southwark At 31 August 2017	Southwark At 31 August 2016
Rate of increase in salaries	2.8%	3.4%	3.4%
Rate of increase for pensions in payment/inflation	2.4%	1.9%	1.9%
Discount rate for scheme liabilities	2.5%	2.5%	2.0%
Inflation assumption (CPI)	2.4%	1.9%	1.9%

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

	Lambeth At 31 August 2017 years	Southwark At 31 August 2017 years	Southwark At 31 August 2016 years
<i>Retiring today</i>			
Males	21.6	22.5	21.9
Females	23.9	26.1	26.5
<i>Retiring in 20 years</i>			
Males	23.8	24.1	24.1
Females	26.0	27.9	28.8

Sensitivity analysis

Approximate monetary increase to the obligation as a result of the following changes in assumptions at 31 August 2017:

	At 31 August 2017 £000	At 31 August 2016 £000
Southwark		
0.1% increase in the salary increase rate	2	-
0.1% increase in the pension increase rate	4	-
0.1% decrease in real discount rate	6	-
Lambeth		
0.5% increase in the salary increase rate	-	N/A
0.5% increase in the pension increase rate	9	N/A
0.5% decrease in real discount rate	9	N/A

The Company'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	77	28
Debt instruments	38	14
Property	20	9
Cash and other liquid assets	1	1
Total market value of assets	136	52

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

22 Pension and Similar Obligations (continued)

Local Government Pension Scheme (continued)

	2017 £000	2016 £000
Amounts recognised in the statement of financial activities		
Current service cost	127	22
Interest income	(2)	(1)
Interest cost	2	1
Total amount recognised in the SOFA	127	22

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

	2017 £000	2016 £000
At 1 September	80	10
Current service cost	127	22
Interest cost	2	1
Employee contributions	20	8
Actuarial (gain)/loss	(35)	40
Benefits paid	(2)	(1)
At 31 August	192	80

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

	2017 £000	2016 £000
At 1 September	52	13
Interest income	2	1
Actuarial gain/(loss)	9	4
Employer contributions	63	27
Employee contributions	20	8
Benefits paid	(2)	(1)
At 31 August	144	52

Net movements in the defined benefit liability:

	2017 £000	2016 £000
At 1 September	(28)	3
Current service cost	(127)	(22)
Finance cost	-	-
Employer contributions	63	27
Net actuarial gain/(loss)	44	(36)
Net pension liability	(48)	(28)

23 Related Party Transactions

Owing to the nature of the Academy Trust and the composition of the Board of Directors being drawn from local public and private sector organisations, transactions may take place with organisations in which the Company has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Company's financial regulations and normal procurement procedures. The following related party transactions took place in the period of account.

- four directors are full time salaried employees of LSBU;
- one director is a non-remunerated governor of LSBU;
- the CEO is seconded from LSBU and his salary is paid by LSBU;
- there is an agreement with LSBU to receive governance services for £15k per annum. No payment was made during the year and the services for 2016/17 will be invoiced during 2017/18.

South Bank Academies

Annual Report and Financial Statements

For the year ended 31 August 2017

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Reference and Administrative Details

Members	London South Bank University Richard Flatman David Phoenix	(LSBU)
Directors	David Phoenix Rao Bhamidimarri Adam Crossley Douglas Denham St Pinnock Richard Flatman Anthony Giddings Steve McGuire Lesley Morrison Richard Parrish James Stevenson	Chair of the Board Chief Executive Officer Resigned 27/09/2017 Appointed 01/09/2017
Company Secretary	Michael Broadway	
Key Management Personnel	Rao Bhamidimarri Dan Cundy Gary Nelson (resigned 29/06/2017) Dan Smith (resigned 08/08/2017) John Taylor (appointed 01/09/2017) Claire Viner (appointed 01/08/2017)	Chief Executive Officer Principal of South Bank Engineering UTC Interim Principal of University Academy of Engineering South Bank Business Manager Principal of University Academy of Engineering South Bank Business Manager
Principal and Registered Office	103 Borough Road London SE1 0AA	
Company Registration Number	08589525 (England and Wales)	
Independent Auditor	Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD	
Bankers	Lloyds Bank Plc Threadneedle Street London EC2R 8AU	

Chief Executive's Statement

2016/17 has been a year of considerable change and challenge.

South Bank Academies continued to develop as the new multi-academy trust and the Academy and the University Technical College (UTC) expanded as the additional cohorts of students joined the schools in the 2016/17 school year. Partnerships with employers continued to strengthen as we strived to ensure that all students had interaction with employers through projects, mentoring, site visits and work experience. Structured support from London South Bank University is beginning to take shape with the students from the Company schools accessing the University's laboratories and workshops, advice and guidance from University's student ambassadors and academic staff supporting projects.

The Academy's first intake of students progressed to Key Stage 4 and we launched Post-16 offer in September 2016. The UTC opened in September 2016 and recruited students into all years of Key Stage 4 and Key Stage 5 for 2017/18 school year.

Given the timing of the departure of the Principal of the Academy in August last year, we recruited an Interim Principal to prepare the Academy for its first Ofsted inspection. Following extensive search, the Company appointed John Taylor as the permanent Principal and he took up the post on 1 September 2017.

The education vision at the Company schools attracted interest nationally. Both of our schools specialise in science, technology, engineering, and mathematics (STEM) and the Department for Education (DfE) has identified the UTC as a potential school to launch phase 1 of T-Levels in 2020.

The Academy was inspected by Ofsted in May 2017. Following the two-day inspection, Ofsted graded the Academy as 'GOOD' in all aspects.

Student achievement continued to make progress at both schools and our Year 11 students at the UTC and Year 13 students at both schools will be the first cohorts from our schools to sit the national examinations. Employer support for the project-based learning at the UTC is strong, in particular from Skanska, King's College and Guys & St Thomas' NHS Trust.

Operationally, we took possession of the Phase 1 of the new UTC building in Brixton and we equipped the premises with high quality equipment and services over summer in time for the school to open for the new school year. Work on Phase 2 of the building has commenced and will be completed by July 2018. Financially, the Company and its schools continue to be viable, although student recruitment at the UTC remains a challenge.

Support from the sponsors, London South Bank University, and the employer partners played an important role in the continued development of the two schools, successful Ofsted grade for the Academy and the UTC's move into its new building.

Professor Rao Bhamidimarri
Chief Executive Officer, South Bank Academies

Directors' Report

The directors of South Bank Academies (SBA) ("the Company") present their annual report together with the financial statement and auditors' report of South Bank Academies (SBA) for the period ended 31 August 2017. The annual report serves the purpose of both a charitable trustees' report and a directors' report under company law.

The Company operates two education establishments in London, the University Academy of Engineering (UAE) South Bank in the London Borough of Southwark which opened in September 2014 and South Bank Engineering UTC in the London Borough of Lambeth which was opened in September 2016.

Structure, Governance and Management

Constitution

South Bank Academies is a company limited by guarantee. The Company's articles of association are its primary governing documents.

SBA's directors are also trustees in relation to the charity.

Details of the directors who served throughout the period except as noted are included in the Reference and Administrative Details on page 1.

Members' Liability

Each member of the Company undertakes to contribute to the assets of the Company in the event of it being wound up while they are a member, or within one year 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.

Directors' Indemnities

In June 2015 the Company joined the Department for Education's Risk Protection Scheme which gives unlimited cover for Governor's Liability Insurance. This cover has been renewed and is ongoing.

Method of Recruitment and Appointment or Election of Directors

The Board of Directors has agreed its composition as:

- 5 directors appointed by the sponsor, LSBU
- The CEO
- The Chairs of the local governing bodies (LGBs)
- No parent directors (as they are represented on the local governing body)
- 4 co-opted directors

The Board has established a Nomination Committee to recruit new directors to the Board. Co-opted directors will be recruited through an open recruitment process, supported by the Nomination Committee.

Policies and Procedures Adopted for the Induction and Training of Directors

Directors and local governors are encouraged to attend training organised by London Borough of Southwark and London Borough of Lambeth. A training register is maintained by the Clerk.

During the year directors received Ofsted training delivered by the London Borough of Southwark.

Organisational Structure

The Company is responsible for running the University Academy of Engineering South Bank and South Bank Engineering UTC.

The Company is headed by a Board of Directors which is responsible for overseeing the business of the Company and may exercise all the powers of the Company (article 93). The Board of Directors has established a Nomination Committee, a Remuneration Committee and an Audit Committee. A local governing body for each academy school has been established.

The Matters reserved to the Board and delegation of responsibilities to the local governing bodies of each school is set out in a Scheme of Delegation approved by the Board at its meeting of 7 January 2016.

Under the Scheme of Delegation, the Board has delegated decisions regarding the curriculum, learning and teaching strategy and Academy performance management to Local Governing Bodies to oversee. Although local control is delegated, the Board remains responsible for ensuring that standards are maintained across both the Academy and the UTC.

Related Parties and other Connected Charities and Organisations

South Bank Academies was incorporated in 2013 to enable the development of academies to provide technical and vocational education within the broader STEM framework. The Company opened the University Academy of Engineering (UAE) South Bank in 2014 and has subsequently opened a UTC with a specialism in engineering which is sponsored by London South Bank University, Skanska, Guy's & St Thomas' and King's College NHS Foundation Trusts.

London South Bank University and Professor David Phoenix and Mr Richard Flatman, who are employees of London South Bank University, are Members of South Bank Academies. Four staff members of London South Bank University and an independent Governor of London South Bank University are directors of the Company.

South Bank Academies is not currently part of any networks or soft federations.

Objectives and Activities

There is a growing gap in engineering skills in the UK. According to the Royal Academy of Engineering, over one million science and engineering technicians and professional engineers are required by 2020.

The UAE South Bank is an 11-18 secondary Academy with a specialism in engineering

within the broader STEM framework and the UTC has a particular focus on engineering for building and health sectors to bridge the current skills gap identified by the employers as well as to prepare young people to drive forward innovations in the engineering industry generally.

Vision and Values

South Bank Academies aspires to create Outstanding schools providing employment focused educational opportunities for young people in South London in partnership with employer sponsors and London South Bank University within the broad STEM framework. While each of the Academies will have distinctive specialisms, the education will be based on a broadly-based curriculum designed in partnership with business and industry. The students will graduate with strong transferrable skills that not only enhance employability opportunities but also subsequent career success. The curriculum will be rigorous and will prepare the students to ensure that they are well qualified to enter good universities for higher education.

To realise this vision, the Company has achieved the commitment of our industry partners, the Principals and staff through clear and consistent communication. The Company has set ambitious but realistic objectives through a five-year strategic plan working with the Principals and the staff.

The Board and the Governing Bodies will challenge and support the Principals and staff of the UTC and Academy to deliver agreed targets on both achievement and progress. Outstanding success of the UTC and Academy will also be reflected by feedback from employers and partners, Ofsted inspections and student destinations.

The Board will reassure itself on the performance of the UTC and academies through periodic internal and external reviews. We expect that the graduates of the UTC and academies will be most preferred by the employers, while those students wishing to pursue higher education will progress into good universities.

The sponsors are committed to facilitating and supporting the provision of STEM education through UTCs and Academies with distinctive objectives of preparing young people for future leadership roles in the STEM sector. The academies and the UTCs will offer broad based education underpinned by creativity and innovation. The institutions will offer a learning experience that fosters confidence and enterprise in young people.

The Company places students at the centre of everything it does, with a focus on creating a culture of success, achievement, happiness, hope, confidence, respect and responsibility, reflection and service to others. The Board will create positive climate for innovative learning, and increased student attainment, achievement and effective social and emotional development.

Objects and Aims

The key objective of the Company is to promote high quality STEM education at secondary level in South London. In pursuit of achieving this, the Company will

- establish 4-5 STEM Academies in South London each with a distinct specialism in the broader STEM framework; the education vision at these schools would be distinct

- with a strong employability focus
- develop strong partnerships with world leading employers to facilitate real world learning and career opportunities
- establish close links with the university to create seamless higher learning opportunities
- foster confidence and enterprise in all students through innovative curriculum and learning environments

Objectives, Strategies and Activities

The Company's main objectives during the period under review wereto;

- embed education vision in both the UTC and the Academy
- ensure that all students in our schools achieve or exceed their learning targets
- support the building project for the UTC's permanent building
- prepare the Academy for its first Ofsted Inspection
- expand industry links for the UTC and Academy students for projects and work placements, and progression opportunities
- enhance governance across the Company and schools, improve challenge and support to staff
- ensure that the schools are equipped and resourced to accommodate the growth in student numbers
- work with local community

In order to achieve these objectives the Company implemented

- harmonised policies and procedures across the Company including consistent performance-linked reward systems
- a staff development programme to support the staff and enhance learning, teaching and assessment
- a system of termly external review of schools for continuous improvement
- Company-wide assurance visits by directors to promote consistency across the schools

The Company schools closely engage the local community. Examples of community support include:

- the hall at the Academy is made available for over-50s fitness classes
- Burgess Park sports clubs use the sports hall
- space is given free of charge for sewing classes for recent immigrant women

Public Benefit

South Bank Academies is an exempt charity within the meaning of the Charities Act 2011 and is regulated by the Secretary of State for Education on behalf of the Charity Commission.

Charity Commission Guidance on Public Benefit

The members of the Board of Directors are the charitable trustees of the Company. In undertaking its duties the Board of Directors has regard to the Charity Commission's guidance on public benefit.

Charitable Objects

South Bank Academies receives the vast majority of its income from the Department for Education to provide educational services to children and to ensure a broad and balanced curriculum across its schools.

The charitable objectives of the Company as set out in its articles of association are restricted to the following:

“to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum which includes provision for technical education”.

The Company's objects are applied solely for the public benefit, as follows.

The Company advances education for the public benefit by:

- establishing and running two academy schools which offer a broad and balanced curriculum. Both schools have an engineering focus and have provision for technical education;
- each school providing teaching to its students; and
- setting and marking assessments and giving feedback to students.

Beneficiaries

In carrying out its objects the Company benefits its students and future students through teaching and learning activities.

The directors affirm that the opportunity to benefit is not unreasonably restricted. The schools are committed to open, fair and transparent admissions arrangements and act in accordance with the School Admissions Code.

Strategic Report

Achievements and Performance

The Company's main objectives during the period were to continue to ensure that the Company's education vision is embedded at both the UTC and the Academy. Significant progress was made in introducing project-based learning as well as promoting team work and enhancing communication skills in students.

The Phase 1 of the UTC's building project was completed ahead of schedule and the UTC relocated into the new building without detrimental impact on business continuity.

Industry links continued to expand, creating opportunities for our students in learning in real world context.

Key Performance Indicators

South Bank Academies has a list of key performance indicators (KPIs), both financial and non-financial.

The main KPIs that were set in 2016/17 were:

- Finance – Surplus of over 1% in Company accounts
- Infrastructure – All compliance documentation was complete
- Teaching and Learning – Good or better
- Income target – £4.6m
- Student numbers – 82% of submission to DfE

All except student recruitment numbers were achieved during the year. The Academy achieved an Ofsted grading of 'GOOD'. The UTC was visited termly by DfE's Educational Adviser, who continues to be positive about the way the UTC is developing.

Each school is given targets throughout the year and these were monitored through Company Management Meetings, Local Governing Bodies, and the Company Board. Neither of the schools had cohorts of students that had national examinations.

Going Concern

After making appropriate enquiries, the Board of Directors has a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt 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 Company's financial performance is healthy, with reserves of £24.2m and cash of £2.24m. We have a small pension deficit, but this has no material impact on the financial position of the Company. Funds were received primarily from Education and Skills Funding

Agency (ESFA) and these were used in accordance with the objectives of the Company. Policies and procedures are in place to ensure best value for money.

Reserves Policy

South Bank Academies aims to carry forward some resources from the central services charge against its General Annual Grant (restricted fund).

The Company also expects its schools to carry forward some resources from the General Annual Grant (restricted fund) and the School fund (unrestricted fund) to cover the medium and long term needs for renewal and replacement of major capital projects and unforeseen contingencies.

Currently the balance of Unrestricted Funds is £86k this is to be used to increase the capacity for learning and teaching at the Academy. Restricted funds carry forward balance is £1,142k; this covers two month's income and is to be used as a contingency for unforeseen operational disruption.

Total reserves are £24.2m, which also includes £23.0m Restricted fixed assets carried forward and a £48k Restricted pension deficit.

Investment Policy

Directors of South Bank Academies are firmly committed to ensuring that all funds under their control are administered in such a way as to maximise return while minimising risk. Directors do not consider the investment of surplus funds as a primary activity, but rather a requirement for the effective management of the various funds.

Principal Risks and Uncertainties

Directors have identified the principal risks and uncertainties affecting the Company. A risk register agreed by the Board is the subject of careful and frequent monitoring and is reviewed at each board meeting. The principal risks are as follows:

Risk and Impact:

Inappropriate governance structure and organisation allowing poor information flow and inadequate level of challenge at board and local governing body level.

Mitigation Strategy:

- Qualified and experienced governance support
- Representation of the board at local governing body level
- Annual review of local governing bodies

Risk and Impact:

Changes to funding via government policy which could lead to a loss of income.

Mitigation Strategy:

- Monitoring of government policy including fair funding formula

- Long term forecast
- Financial expertise at Board and operational level

Risk and Impact:

Failure to recruit sufficient student numbers in schools leading to a decrease in pupil led income and cash flow or long term financial problems.

Mitigation Strategy:

- Designated positions for marketing and admissions at school and multi academy trust level
- Monthly reports on current and prospective student numbers
- Student number led sensitivity analysis on forecasts to allow for reasonable reduction in numbers

Risk and Impact:

Failure of internal controls leading to lack of financial scrutiny and budget management

Mitigation Strategy:

- Adequate staff capability and capacity supported by appropriate training
- Periodic independent internal audit
- Robust finance policies and procedures
- Ensuring management oversight of operational finance

Plans for Future Periods

South Bank Academies currently operates two schools. It is proposed that the Company would open 2-3 more schools in South London specialising in STEM to enhance educational and career opportunities for young people. We will do this in partnership with employers and London South Bank University.

It is the directors' aspiration that the Academy will be a model school for a distinctive model for learning in which the students take more responsibility for their learning with mentoring support of the teachers. The UTC will develop to be an industry-led and employment focused high technology learning environment.

We are continuing to build on our employer links with some world leading employers supporting our students. A member of the University's Executive Board is leading a comprehensive programme of collaborative activities between the schools and the University to offer a range of support to students of the schools. These include career guidance, master classes, access to University's high technology laboratories and workshops, and guidance on preparation of UCAS applications.

Auditor

Insofar as the directors are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware;
- the directors have taken all steps that they ought to have taken as to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The members of South Bank Academies will be asked to re-appoint Kingston Smith LLP as its auditors by written resolution.

The Directors' Report, incorporating a strategic report, was approved by the Board of Directors on 16 January 2018 and signed on the Board's behalf by:

David Phoenix
Director

Date:

Governance Statement

Scope of Responsibility

As directors, we acknowledge we have overall responsibility for ensuring that South Bank Academies 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 Directors has delegated the day-to-day responsibility to the Chief Executive Officer and the Chief Financial Officer, for ensuring 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 South Bank Academies and the Secretary of State for Education. They are also responsible for reporting to the Board of Directors any material weaknesses or breakdowns in internal control.

Governance

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

Director	Meetings attended	Out of a possible
David Phoenix (Chair)	2	4
Adam Crossley	2	4
Douglas Denham St Pinnock	4	4
James Stevenson	4	4
Rao Bhamidimarri (CEO)	4	4
Richard Flatman	4	4
Richard Parrish	1	4
Steve McGuire	1	4
Tony Giddings	2	4

The Board and local governing bodies completed internal light-touch effectiveness reviews in July 2017. The outcomes of these effectiveness reviews will feed into a wider review of governance structures by the Company's member and sponsor, London South Bank University. Any recommended changes to the governance of the Company will be implemented during the academic year 2017/18.

The Board noted its current composition and has taken steps to address the gender and ethnicity imbalance, and a new director has been appointed in 2017/18.

The Board is supported by three committees: an Audit Committee, a Remuneration Committee, and a Nomination Committee. In addition, each school has a LGB to maintain oversight of the learning environment and student achievement, which report into the Board.

Audit Committee

The Audit Committee's purpose is to monitor the internal and external audit functions, risk management and internal financial control at the Company.

Attendance at meetings in the year was as follows:

Directors	Meetings attended	Out of a possible
Richard Flatman (Chair)	3	3
Adam Crossley	2	3
Tony Giddings	3	3

Remuneration Committee

The Remuneration Committee's purpose is to set the objectives and review the Principals' performance; to set the pay of the Key Management Personnel; and to approve the HR policy for the Company.

Attendance at meetings in the year was as follows:

Directors	Meetings attended	Out of a possible
Douglas Denham St Pinnock (Chair)	1	1
Richard Parrish	1	1
David Phoenix	1	1

Nomination Committee

The purpose of the Nomination Committee is to consider succession planning for the Board and to appoint new directors to the Board. The Committee did not meet during the year.

Arrangements for setting pay and remuneration of key management personnel

As listed on page 1, the Remuneration Committee has defined the key management personnel as the CEO, Chief Financial Officer, the Principals of the two schools and the Trust Business Manager. The Committee reviews benchmark data and performance of the key management personnel when setting pay. The CEO is seconded from London South Bank University who pay his salary.

Review of Value for Money

As Accounting Officer, the Chief Executive Officer has responsibility for ensuring that the Company delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the Company's use of its resources has provided good value for money during each academic year, and reports to the Board of Directors where value for money can be improved, including the use of benchmarking data where

appropriate. The Accounting Officer for the Company has delivered improved value for money during the year by:

- **Effective purchasing** - reviewing contracts on an annual basis to make sure they are fit for purpose and still offer value for money, exploring various purchasing options to gain best value and always following a tender process on major purchases.
- **Income generation** – the Academy’s facilities continue to be let to local community groups to generate additional income and maintain relationships with the local community.
- **Economies of Scale** – cleaning and catering contracts have been entered into for services across the Company schools. This includes the sharing of larger cleaning equipment between the sites.

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 ongoing process designed to identify and prioritise the risks to the achievement of Company 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 South Bank Academies for the period covered by the accounts (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 Directors has reviewed the key risks to which the Company is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Directors is of the view that there is a formal ongoing process for identifying, evaluating and managing the Company’s significant risks that has been in place for the period covered by the accounts (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 Directors.

The Risk and Control Framework

The Company’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 of performance against budget which are reviewed and agreed by the Board of Directors
- setting targets to measure financial and other performance
- finance control policy guidelines
- delegation of authority and segregation of duties
- identification and management of risks

In May 2017, the previous CFO submitted his resignation and left the Company before the Summer break. A smooth transition to the new CFO was not possible. This, and a combination of other factors, has contributed to a breakdown in controls with significant gaps in the oversight of routine financial operations and data quality towards the end of the financial year. The Board has responded in a timely manner to rectify this position, although inadequate bank and control account reconciliations and incomplete posting of payroll transactions has created delay and significant audit issues at year end resulting in the failure to meet the 31 December filing deadline for accounts submission. An action plan has been developed to ensure that the position is rectified, effective controls implemented and the finance system brought up to date. An independent internal audit function is also being established to provide assurance to the Audit Committee and Board regarding the future maintenance and effective operation of control systems.

Review of Effectiveness

As Accounting Officer the Chief Executive Officer has responsibility for reviewing the effectiveness of the system of internal control. During the year the review has been informed by:

- the work of the Chief Financial Officer as part of the internal audit programme
- the work of the external auditor
- the work of the Chief Financial Officer who has responsibility for the development and maintenance of the internal control framework

A plan to address any weakness and to ensure continuous improvement of the system is in place.

Approved by the Board of Directors on 16 January 2018 and signed on its behalf by:

David Phoenix
Chair of the Board

Rao Bhamidimarri
Chief Executive Officer

Statement on Regularity, Propriety and Compliance

As accounting officer of South Bank Academies I have considered my responsibility to notify the Academy Trust Board of Directors 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 Directors 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's funding agreement and the Academies Financial Handbook 2016.

I confirm that the following instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Board of Directors and the ESFA. If any instances are identified after the date of this statement, these will be notified to the Board of Directors and the ESFA:

- Breakdown in controls which has resulted in delays at year end. An action plan has been developed to ensure that the position is rectified. Further information is provided on page 15.
- Late filing of accounts with the ESFA.

Rao Bhamidimarri
Accounting Officer

Date: 16 January 2018

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' 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 directors to prepare financial statements for each financial year. Under company law the directors 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 the incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards [FRS 102] 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 directors 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 directors 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 directors 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 the Board of Directors on 16 January 2018 and signed on its behalf by:

David Phoenix
Director

South Bank Academies

Independent Auditor's Report on the Financial Statements to the Members of South Bank Academies

Opinion

We have audited the financial statements of South Bank Academies ('the Academy Trust'), for the year ended 31 August 2017 which comprise the Statement of Financial Activities, the Balance Sheet, Statement of Cash Flows and the related 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, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company'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;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2016 to 2017 issued by the ESFA.

This report is made solely to the 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 Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRS'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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report on the Financial Statements to the Members of South Bank Academies

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

Opinion on other matter 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 strategic report and the directors' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the strategic report and the directors' annual report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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:

- 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 directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 17, the directors (who are also the trustees of the charitable company for the purposes of charity 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 directors 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 directors are responsible for assessing the Company'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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report on the Financial Statements to the Members of South Bank Academies

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 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 judgement 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 purposes of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 charitable company'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 Company 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.

Date:

Shivani Kothari (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

South Bank Academies

Independent Reporting Accountant's Report on Regularity to South Bank Academies and the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 22 July 2016 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 South Bank Academies 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 South Bank Academies and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to South Bank Academies and the ESFA 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 South Bank Academies and the ESFA, for our work, or for the conclusion we have formed.

Respective responsibilities of South Bank Academies' accounting officer and the reporting auditor

The accounting officer is responsible, under the requirements of South Bank Academies' funding agreement with the Secretary of State for Education dated 8 April 2014 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 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 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.

The work undertaken to draw to our conclusion includes:

- Enquiry
- Inspection and review
- Observation and reperformance

South Bank Academies

Independent Reporting Accountant's Report on Regularity to South Bank Academies and the Education and Skills Funding Agency (continued)

Conclusion

In the course of our audit work we have identified instances where the Academy Trust has not complied with the guidance and the internal control framework as set out in the Academies Accounts Direction 2016 to 2017 and the Academies Financial Handbook, extant from 1 September 2016. These matters have been reported by the Directors in the Governance Statement on pages 14 to 15, as referred to in the Accounting Officer's Statement on Regularity, Propriety and Compliance on page 16.

In the course of our work, no other matters have come to our attention which suggest 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.

Date:

Shivani Kothari (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

South Bank Academies

Statement of Financial Activities for the year ended 31 August 2017
(including Income and Expenditure Account)

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2017 £000	Restated Total 2016 £000
Income and endowments from:						
Donations and capital grants	2	3	92	-	95	23,092
Transfer on conversion		28	-	-	28	-
Charitable activities:						
Funding for the academy trust's educational operations	3	-	4,811	-	4,811	2,472
Other trading activities	4	1	-	-	1	12
Investments	5	2	-	-	2	2
Total		34	4,903	-	4,937	25,578
Expenditure on:						
Raising funds	6	10	-	-	10	-
Charitable activities:						
Academy trust educational operations	7	-	4,275	388	4,663	2,454
Other		-	-	-	-	2
Net liabilities transfer loss		-	-	-	-	2
Total		10	4,275	388	4,673	2,456
Net income / (expenditure)		24	628	(388)	264	23,122
Transfers between funds	15	-	(13)	13	-	-
		<u>24</u>	<u>615</u>	<u>(375)</u>	<u>264</u>	<u>23,122</u>
Other recognised gains/(losses)						
Actuarial gains / (losses) on defined benefit pension schemes	15, 22	-	44	-	44	(36)
Net movement in funds		24	659	(375)	308	23,086
Reconciliation of funds						
Total funds brought forward		62	501	23,304	23,867	597
Total funds carried forward		86	1,094	22,995	24,175	23,867

All of the Company's activities derive from continuing operations during the above two financial periods.

South Bank Academies

Balance Sheet
as at 31 August 2017

Company number 08589525

	Notes	2017 £000	2017 £000	Restated 2016 £000	Restated 2016 £000
Fixed assets					
Tangible assets	11		22,995		23,100
Current assets					
Debtors	13	217		124	
Cash at bank and in hand		<u>2,240</u>		<u>1,188</u>	
		2,457		1,312	
Liabilities					
Creditors : Amounts falling due within one year	14	<u>(1,229)</u>		<u>(517)</u>	
Net current assets			<u>1,228</u>		<u>795</u>
Total assets less current liabilities			24,223		23,895
Net assets excluding pension liability					
Defined benefit pension scheme liability	22		(48)		(28)
Total net assets			<u>24,175</u>		<u>23,867</u>
Funds of the academy trust:					
Restricted funds					
Fixed asset fund	15	22,995		23,304	
General fund	15	1,142		529	
Pension reserve	15	<u>(48)</u>		<u>(28)</u>	
Total restricted funds			24,089		23,805
Unrestricted income funds	15		86		62
Total funds			<u>24,175</u>		<u>23,867</u>

The financial statements on pages 23 to 39 were approved by the trustees, and authorised for issue on 16 January 2018 and are signed on their behalf by:

David Phoenix

Director

South Bank Academies

Statement of Cash Flows for the year ended 31 August 2017

		2017	Restated
	Notes	£000	2016 £000
Cash flows from operating activities			
Net cash provided by/(used in) operating activities	17	1,208	(84)
Cash flows from investing activities	19	(156)	2
Cash flows from financing activities	18	-	-
Change in cash and cash equivalents in the reporting period		<u>1,052</u>	<u>(82)</u>
Cash and cash equivalents at 1 September 2016		1,188	1,238
Transfer from South Bank Engineering UTC		-	32
Cash and cash equivalents at 31 August 2017	20	<u>2,240</u>	<u>1,188</u>

South Bank Academies

Notes to the Financial Statements for the year ended 31 August 2017

1 Statement of Accounting Policies

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

Company information

South Bank Academies is a limited company domiciled and incorporated in England and Wales. The registered office is 103 Borough Road, London, SE1 0AA.

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 the ESFA, the Charities Act 2011 and the Companies Act 2006.

South Bank Academies meets the definition of a public benefit entity under FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest thousand pound.

Going Concern

The directors 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. The directors 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 and there are no material uncertainties about the Academy Trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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.

General Annual Grant is recognised in full in the statement of Financial Activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised when there is entitlement 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 in the restricted fixed asset fund.

• Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable 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.

• 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 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".

South Bank Academies

Notes to the Financial Statements (continued) for the year ended 31 August 2017

1 Statement of Accounting Policies (continued)

• Donated Fixed Assets - Prior Year Restatement

The University Academy of Engineering South Bank was gifted its land and buildings on a 125 year lease as at 3 August 2016 from the local authority, the London Borough of Southwark. For the purposes of these financial statements a prior year adjustment has been made to show these assets being gifted to the Trust in the prior year. The buildings have been recognised at their estimated cost for rebuild as given by the local authority of £23m. The restated fixed asset fund as at 1 September 2016 is therefore £23m higher than previously reported, with net income for the year to 31 August 2016 also being £23m higher than previously reported. A professional valuation will be obtained so the asset can be recognised being gifted to the trust at fair value.

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 a 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 the support costs involved in undertaking each activity. Direct costs attributable to a single activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with 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.

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 life, as follows:

Long leasehold buildings	125 year straight line
Leasehold improvements	15 year straight line
Fixtures, fittings and equipment	5 year straight line
Computer hardware	3 year straight line

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.

Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in the settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the Academy Trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods and services it must provide.

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

1 Statement of Accounting Policies (continued)

Provisions

Provisions can be recognised when the Academy Trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle an obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the last pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

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:

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term liquid investments with original maturities of three months or less.

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

Financial instruments are recognised in the Company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 17 and 18. 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 part 11, chapter 3 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.

Employee benefits

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

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 29, 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.

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

1 Statement of Accounting Policies (continued)

Pensions Benefits (continued)

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 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 directors.

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 and Department for Education.

Critical accounting estimates and areas of judgment

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:

- *Long Leasehold Land and Buildings*

The University Academy of Engineering South Bank was gifted its land and buildings on a 125 year lease as at 3 August 2016 from the local authority, the London Borough of Southwark. For the purposes of these financial statements a prior year adjustment has been made to show these assets being gifted to the Trust in the prior year. The buildings have been recognised at their estimated cost for rebuild as given by the local authority of £23m. The restated fixed asset fund as at 1 September 2016 is therefore £23m higher than previously reported, with net income for the year to 31 August 2016 also being £23m higher than previously reported. A professional valuation will be obtained so the asset can be recognised being gifted to the trust at fair value.

- *Local Government Pension Scheme*

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 29, 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.

- *Provisions*

Provisions have been made for various expenses for which the full year's expense has not been invoiced. The difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

- *Key Management Remuneration*

Key management includes the CEO who is employed by a member, LSBU. His costs relating to the Company are recognised as donated income and salary costs within the Company and has been recognised based on estimated time spent.

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

1 Statement of Accounting Policies (continued)

Critical accounting estimates and areas of judgment (continued)

- *Salaries and Wages*

The split of payroll expenditure between direct costs and support costs has been made on an estimated basis, using the prior year split.

2 Donations and capital grants

	Unrestricted General Funds £000	Restricted General Funds £000	Total 2017 £000	Restated Total 2016 £000
Donated fixed assets	-	-	-	23,000
Donations	3	-	3	-
Donated salaries	-	92	92	92
	<u>3</u>	<u>92</u>	<u>95</u>	<u>23,092</u>

3 Funding for the Academy Trust's Educational Operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2017 £000	Total 2016 £000
DfE / ESFA revenue grants				
General Annual Grant (GAG)	-	3,787	3,787	2,171
Start Up Grants	-	612	612	-
Other DfE/ESFA grants	-	275	275	147
	<u>-</u>	<u>4,674</u>	<u>4,674</u>	<u>2,318</u>
Other Government grants				
Local authority grants	-	54	54	96
	<u>-</u>	<u>54</u>	<u>54</u>	<u>96</u>
Other Income from the Academy Trust's educational operations	-	83	83	58
	<u>-</u>	<u>4,811</u>	<u>4,811</u>	<u>2,472</u>

4 Other trading activities

	Unrestricted Funds £000	Restricted Funds £000	Total 2017 £000	Total 2016 £000
Hire of facilities	1	-	1	12
	<u>1</u>	<u>-</u>	<u>1</u>	<u>12</u>

5 Investment income

	Unrestricted Funds £000	Restricted Funds £000	Total 2017 £000	Total 2016 £000
Short term deposits	2	-	2	2
	<u>2</u>	<u>-</u>	<u>2</u>	<u>2</u>

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

6 Expenditure

	Staff Costs £000	Non Pay Expenditure		Total 2017 £000	Restated Total 2016 £000
		Premises £000	Other £000		
Expenditure on raising funds	-	-	10	10	-
Academy's educational operations:					
Direct costs	2,081	-	118	2,199	1,168
Allocated support costs	1,012	830	622	2,464	1,286
	3,093	830	750	4,673	2,454

Net income / (expenditure) for the period includes:

	2017 £000	Restated 2016 £000
Depreciation	263	188
Fees payable to auditor for:		
Audit	7	5
Other services	34	4
	304	197

7 Charitable Activities

	Total 2017 £000	Restated Total 2016 £000
Direct costs - educational operations	2,199	1,168
Support costs - educational operations	2,464	1,286
Loss on transfer of liabilities from South Bank Engineering UTC	-	2
	4,663	2,456

Analysis of support costs

	Educational operations £000	Total 2017 £000	Restated Total 2016 £000
Support staff costs	1,012	1,012	373
Depreciation	263	263	188
Technology costs	87	87	67
Premise costs	567	567	357
Other support costs	299	299	291
Catering	217	217	-
Governance costs	19	19	10
Total support costs	2,464	2,464	1,286

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

8 Staff

a. Staff costs

	2017 £000	2016 £000
Staff costs during the period were:		
Wages and salaries	1,760	1,058
Social security costs	246	90
Operating costs of defined benefit pension scheme	408	118
	<u>2,414</u>	<u>1,266</u>
Supply staff costs	587	125
Donated staff costs	92	-
Staff restructuring costs	-	84
	<u>3,093</u>	<u>1,475</u>
Staff restructuring costs comprise:		
Other restructuring and settlement costs	-	84
	<u>-</u>	<u>84</u>

b. Staff numbers

The average number of persons employed by the Academy Trust during the period was as follows:

	2017 No.	2016 No.
Teachers	47	26
Administration and support	32	5
Management	8	1
	<u>87</u>	<u>32</u>

c. Higher paid staff

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

	2017 No.	2016 No.
£60,001 - £70,000	4	-
£70,001 - £80,000	2	-
£90,001 - £110,000	1	1

d. Key management personnel

The key management personnel of the Academy Trust comprise the directors 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 £380,473 (2016: £299,650).

Key management also includes the CEO who is employed by LSBU and whose remuneration is donated to the trust. This has been recognised in the accounts based on estimated time spent and amounts of £92k (2016: £92k).

Key management also includes the interim principal of the University Academy of Engineering South Bank who was not employed by the trust. His remuneration of £80k was invoiced to the trust and is included within agency staff costs.

10 Disclosure of central services

The Academy Trust has provided the following central services to its academies during the year: human resources; financial services; educational support services; marketing; recruitment

The Company charges for these services on the following basis:

3.5% of GAG income received for each school is taken as a fee for central services

The actual amounts charged during the year were as follows:

	2017	2016
University Academy of Engineering South Bank	147,512	-
South Bank Engineering UTC	41,665	-
	<u>189,177</u>	<u>-</u>

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

9 Related Party Transactions - Directors' Remuneration and Expenses

None of the directors have been paid remuneration or have received other benefits from an employment with the Academy Trust.

During the year ended 31 August 2017, no travel and subsistence expenses were reimbursed or paid directly to any trustees (2016: £nil).

10 Directors 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 directors 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 directors and officers indemnity element from the overall cost of the RPA scheme.

11 Tangible fixed assets

	Leasehold Land and Buildings £000	Leasehold Improvements £000	Furniture and Equipment £000	Computer Hardware £000	Total £000
Cost					
At 1 September 2016 (restated)	23,000	-	10	105	23,115
Additions	-	17	49	92	158
Disposals	-	-	-	-	-
At 31 August 2017	23,000	17	59	197	23,273
Depreciation					
At 1 September 2016	-	-	6	9	15
Charged in year	184	1	12	66	263
Disposals	-	-	-	-	-
At 31 August 2017	184	1	18	75	278
Net book values					
At 31 August 2017	22,816	16	41	122	22,995
At 31 August 2016	23,000	-	4	96	23,100

The valuation for long leasehold land and buildings shown is the insurance valuation. The directors are in the process of commissioning a surveyor to value to Academy Trust's land and buildings for educational purposes.

12 Financial instruments

	2017 £000	2016 £000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	2	9
Carrying amount of financial liabilities		
Measured at amortised cost	1,174	455

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

13 Debtors

	2017 £000	2016 £000
Trade debtors	-	4
VAT recoverable	129	48
Other debtors	2	-
Prepayments and accrued income	86	67
Amounts due from sponsoring organisation	-	5
	<u>217</u>	<u>124</u>

14 Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	95	62
Taxation and social security	55	28
ESFA creditor: abatement of GAG	769	83
Other creditors	22	40
Accruals and deferred income	288	304
	<u>1,229</u>	<u>517</u>

Deferred income

	2017 £000	2016 £000
Deferred Income at 1 September 2016	34	-
Resources deferred in the year	-	34
Amounts released from previous years	(34)	-
Deferred Income at 31 August 2017	<u>-</u>	<u>34</u>

At the 2016 year end, deferred income related to rates relief income.

15 Funds

	Restated Balance at 1 September 2016 £000	Incoming Resources £000	Resources Expended £000	Gains, Losses and Transfers £000	Balance at 31 August 2017 £000
Restricted general funds					
General Annual Grant (GAG)	458	3,787	(2,943)	(160)	1,142
Start Up Grant	-	612	(612)	-	-
Other DfE grants	-	275	(275)	-	-
Other sources	89	229	(318)	-	-
Transfer from South Bank Engineering UTC	(18)	-	-	18	-
Pension reserve	(28)	-	(127)	107	(48)
	<u>501</u>	<u>4,903</u>	<u>(4,275)</u>	<u>(35)</u>	<u>1,094</u>
Restricted fixed asset funds					
Local authority capital grants	289	-	(171)	-	118
Transfer from local authority	23,000	-	(184)	-	22,816
Transfer from South Bank Engineering UTC	15	-	(33)	79	61
	<u>23,304</u>	<u>-</u>	<u>(388)</u>	<u>79</u>	<u>22,995</u>
Total restricted funds	<u>23,805</u>	<u>4,903</u>	<u>(4,663)</u>	<u>44</u>	<u>24,089</u>
Total unrestricted funds	<u>62</u>	<u>34</u>	<u>(10)</u>	<u>-</u>	<u>86</u>
Total funds	<u>23,867</u>	<u>4,937</u>	<u>(4,673)</u>	<u>44</u>	<u>24,175</u>

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

15 Funds (continued)

The specific purposes for which the funds are to be applied are as follows:

Restricted general funds

All restricted funds are grants received from the Department for Education and the Local Authority for the purpose of running the Academy Trust. This also includes catering income received from pupils.

Restricted fixed asset funds

All capital grants received from the Department for Education and the Local Authority are to be used on capital expenditure.

Unrestricted funds

All unrestricted funds are amounts raised by the Company which can be used for any purposes the directors deem appropriate.

Total funds analysis by academy

Fund balances at 31 August 2017 were

	Total 2017 £000	Restated Total 2016 £000
University Academy of Engineering South	1,065	609
South Bank Engineering UTC	162	(18)
Central services	1	-
Total before fixed assets and pension reserve	1,228	591
Restricted fixed asset fund	22,995	23,304
Pension reserve	(48)	(28)
Total	<u>24,175</u>	<u>23,867</u>

Total cost analysis by academy

Expenditure incurred by each academy during the year was as follows:

	Teaching and Educational Support Staff Costs £000	Other Support Staff Costs £000	Educational Supplies £000	Other Costs (excluding depreciation) £000	Restated Total £000
University Academy of Engineering South Bank	1,498	683	78	739	2,998
South Bank Engineering UTC	611	185	36	387	1,219
Central services	-	116	4	73	193
Academy Trust	<u>2,109</u>	<u>984</u>	<u>118</u>	<u>1,199</u>	<u>4,410</u>

16 Analysis of net assets between Funds

Fund balances at 31 August 2017 are represented by:

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets	-	-	22,995	22,995
Current assets	-	2,457	-	2,457
Current liabilities	-	(1,229)	-	(1,229)
Pension scheme liability	-	(48)	-	(48)
Total net assets	<u>-</u>	<u>1,180</u>	<u>22,995</u>	<u>24,175</u>

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

17 Reconciliation of Net Income/(expenditure) to Net Cash Inflow from Operating Activities	2017 £000	Restated 2016 £000
Net income/(expenditure) for the reporting period	264	23,122
Adjusted for:		
Depreciation	263	188
Interest receivable	(2)	(2)
Defined benefit pension scheme cost less contributions payable	64	(5)
Donated fixed assets	-	(23,000)
(Increase)/decrease in debtors	(93)	(38)
Increase/(decrease) in creditors	712	(349)
Net Cash provided by / (used in) Operating Activities	1,208	(84)
18 Cash flows from financing activities	2017 £000	2016 £000
Repayments of borrowing	-	-
Cash inflows from new borrowing	-	-
Net cash provided by / (used in) financing activities	-	-
19 Cash flows from investing activities	2017 £000	2016 £000
Dividends, interest and rents from investments	2	2
Purchase of tangible fixed assets	(158)	-
Net Cash provided by / (used in) Operating Activities	(156)	2
20 Analysis of cash and cash equivalents	At 31 August 2017 £000	At 31 August 2016 £000
Cash in hand and at bank	2,240	1,188
Total cash and cash equivalents	2,240	1,188
21 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.

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

22 Pension and Similar Obligations

The Company's employees belong to three principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the two Local Government Pension Schemes (LGPS) for non-teaching staff, one managed by Southwark Council and one by Lambeth Council. All are multi-employer defined-benefit schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPSs 31 March 2016.

Contributions amounting to £21,608 were payable to the schemes at 31 August 2017 (2016: £nil) and are included within creditors.

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

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effect 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 of 3.0% in excess of prices and 2% in excess of earnings. The rate or real earnings growth is assumed to be 2.75%. The assumed normal 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 16.4%, 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 employer's pension costs paid to TPS in the period amounted to £183,791 (2016: £91,247).

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 Company has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Company has set out above the information available on the scheme.

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

22 Pension and Similar Obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2017 was £75,000 (2016: £35,000), of which employer's contributions totalled £57,000 (2016: £27,000) and employees' contributions totalled £18,000 (2016: £8,000). The agreed contribution rates for future years are 14.5 per cent for employers and between 5.5 per cent and 7.5 per cent for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of an academy closure, outstanding Local Government Pension Scheme Liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

Principal Actuarial Assumptions	Lambeth At 31 August 2017	Southwark At 31 August 2017	Southwark At 31 August 2016
Rate of increase in salaries	2.8%	3.4%	3.4%
Rate of increase for pensions in payment/inflation	2.4%	1.9%	1.9%
Discount rate for scheme liabilities	2.5%	2.5%	2.0%
Inflation assumption (CPI)	2.4%	1.9%	1.9%

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

	Lambeth At 31 August 2017 years	Southwark At 31 August 2017 years	Southwark At 31 August 2016 years
<i>Retiring today</i>			
Males	21.6	22.5	21.9
Females	23.9	26.1	26.5
<i>Retiring in 20 years</i>			
Males	23.8	24.1	24.1
Females	26.0	27.9	28.8

Sensitivity analysis

Approximate monetary increase to the obligation as a result of the following changes in assumptions at 31 August 2017:

	At 31 August 2017 £000	At 31 August 2016 £000
Southwark		
0.1% increase in the salary increase rate	2	-
0.1% increase in the pension increase rate	4	-
0.1% decrease in real discount rate	6	-
Lambeth		
0.5% increase in the salary increase rate	-	N/A
0.5% increase in the pension increase rate	9	N/A
0.5% decrease in real discount rate	9	N/A

The Company'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	77	28
Debt instruments	38	14
Property	20	9
Cash and other liquid assets	1	1
Total market value of assets	136	52

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2017

22 Pension and Similar Obligations (continued)

Local Government Pension Scheme (continued)

	2017 £000	2016 £000
Amounts recognised in the statement of financial activities		
Current service cost	127	22
Interest income	(2)	(1)
Interest cost	2	1
Total amount recognised in the SOFA	127	22

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

	2017 £000	2016 £000
At 1 September	80	10
Current service cost	127	22
Interest cost	2	1
Employee contributions	20	8
Actuarial (gain)/loss	(35)	40
Benefits paid	(2)	(1)
At 31 August	192	80

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

	2017 £000	2016 £000
At 1 September	52	13
Interest income	2	1
Actuarial gain/(loss)	9	4
Employer contributions	63	27
Employee contributions	20	8
Benefits paid	(2)	(1)
At 31 August	144	52

	2017 £000	2016 £000
Net movements in the defined benefit liability:		
At 1 September	(28)	3
Current service cost	(127)	(22)
Finance cost	-	-
Employer contributions	63	27
Net actuarial gain/(loss)	44	(36)
Net pension liability	(48)	(28)

23 Related Party Transactions

Owing to the nature of the Academy Trust and the composition of the Board of Directors being drawn from local public and private sector organisations, transactions may take place with organisations in which the Company has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Company's financial regulations and normal procurement procedures. The following related party transactions took place in the period of account.

- four directors are full time salaried employees of LSBU;
- one director is a non-remunerated governor of LSBU;
- the CEO is seconded from LSBU and his salary is paid by LSBU;
- there is an agreement with LSBU to receive governance services for £15k per annum. No payment was made during the year and the services for 2016/17 will be invoiced during 2017/18.

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