

Meeting of the South Bank Academies Audit Committee

12.30 - 2.30 pm on Tuesday, 27 November 2018

in South Bank Engineering UTC - South Bank Engineering UTC, 56 Brixton Hill SW2 1QS

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
12.	SBA Annual Report and Accounts (to recommend to the Board)	135 - 172	NL

Date of next meeting
2.00 pm on Tuesday, 5 March 2019

Members: Douglas Denham St Pinnock (Chair), Richard Flatman and Tony Giddings

In attendance: Nicole Louis, Michael Broadway, Clym Cunnington, Natalie Ferer, Anjali Kothari, Danna Lukic and Alexander Enibe

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Paper title:	Annual Report and Accounts for the year ending 31 st August 2018
Board/Committee	Audit Committee
Date of meeting:	27 th November 2018
Author:	Natalie Ferer, Financial Controller
Purpose:	For review
Recommendation:	Audit Committee is requested to review and recommend the attached Report and Accounts to the Board.

Summary

The audit for the year ending 31st August 2018 is almost complete and the report and accounts are presented here. Kingston Smith presents their Audit Management Letter to this committee as a separate item.

Outstanding steps to completion

- Confirmation from Kingston Smith that they have completed their audit work and review of the accounts
- Issuing of Letter of Representation by South Bank Academies to Kingston Smith.
- Approval by Board and signing of accounts.

As result of delays during the audit process, final accounts are not yet available to circulate. It is expected that they will be ready by Monday 26th November and in a meantime a draft is attached for the Committee's review.

Recommendation

The Committee is requested to recommend that the Board approve the attached accounts.

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South Bank Academies

Annual Report and Financial Statements

For the year ended 31 August 2018

Company Registration Number: 08589525

South Bank Academies Contents

Directors' Report	2
Governance Statement	6
Statement on Regularity, Propriety and Compliance	9
Statement of Directors' Responsibilities	10
Independent Auditor's Report on the Financial Statements	11
Independent Reporting Accountant's Report on Regularity	12
Statement of Financial Activities Incorporating Income & Expenditure Account	1
Balance Sheet	1
Cash Flow Statement	1
Notes to the Financial Statements	1

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South Bank Academies Directors' Report

The directors of the Company present their Annual Report together with the Financial Statement and Auditors' report of South Bank Academies (The Trust) for the period ended 31 August 2018. The annual report serves the purpose of both a Trustee's' report and a Directors' report under Company Law.

The Company operates two education establishments, the University Academy of Engineering South Bank (UAE) in the London Borough of Southwark which opened in September 2014, and South Bank Engineering (UTC) in the London Borough of Lambeth which opened in September 2016. It is registered at Companies House under number 08589525 (England and Wales) and its registered office is 103 Borough Road, London SE1 0AA.

Auditor

Kingston Smith LLP
Devonshire House
60 Goswell Road
London

Internal Auditor

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers

Lloyds Bank Plc
Threadneedle
Street London

Members

London South Bank University (LSBU)
Richard Flatman
David Phoenix

Directors

David Phoenix	Chair of the Board until 22/03/2018
Rao Bhamidimarri	Resigned 16/04/2018
Nicole Louis	From 15/03/2018
Douglas Denham-St-Pinnock	
Adam Crossley	Resigned 19/07/2018
Richard Flatman	Chair from 22/03/2018
Anthony Giddings	
Lesley Morrison	From 01/09/2017
Richard Parrish	
James Stevenson	Resigned 27/09/2017
Steve McGuire	

Company Secretary

Michael Broadway

Principal Officers

Rao Bhamidimarri	Chief Executive Officer (until 15/03/2018)
Nicole Louis	Chief Executive Officer (from 15/03/2018)
Dan Cundy	Principal of South Bank Engineering UTC
Claire Viner	Business Manager (resigned 31/03/2018)
Clym Cunnington	Business Manager (appointed 30/09/2018)
John Taylor	Principal of University Academy of Engineering South Bank (appointed 01/09/2017)

Chief Executive's Statement

2017/18 has seen both Schools develop in scale and maturity and correspondingly the Trust has enhanced its supporting infrastructure and Governance model to ensure that it is well structured today and in the future to provide excellent support, meeting the schools' needs in the areas of academic oversight, student and staff collaboration and robust financial and operational support.

In April 2018, the Trust appointed a new Chief Executive Officer following the retirement of founding CEO Professor Rao Bhamidimarri. Ms Nicole Louis, who holds the joint posts of CEO for South Bank Academies Trust and Chief Customer Officer for London South Bank University, will steer the Trust through the next phase of its growth and development, leading on translating the Trust strategy and vision into robust School and Trust operational plans, ensuring robust academic oversight and strengthening collaboration between the Trust and its Sponsors to further enhance the offer for learners and the support for staff.

During the year ending August 2018 the Trust has introduced a revised Governance Model taking on board recommendations arising from a DfE sponsored review. Key changes include a revised Scheme of Delegation, the introduction of Independent Chairs for both the Local School Boards and the Trust Board, and the introduction of a new post of Executive Principal to provide academic and operational leadership for the Schools. These positions are anticipated to be filled early in the new Academic Year.

The UTC grew in terms of pupil numbers and associated income despite the ongoing recruitment challenges associated with the UTC model. The School has expanded its campus footprint adding new specialist facilities in both Engineering and Sport, which will make the School more appealing for both current and prospective learners. Pupils at the UTC completed their first set of final outcomes for KS4 and KS5 achieving particularly encouraging results for BTEC and GCSE. For GCSE, in each subject, all key measures of attainment were above or very close to National Averages. For the UTC's specialist subject of BTEC Engineering, it achieved a 100% Pass+ rate with a significant proportion of students achieving top grades. A Level results were below expectations and will need to be an area of intense focus for leadership and staff. All students who applied for a University place or an Apprenticeship were successful.

The Academy also grew in terms of pupil numbers and associated income and further enhanced its campus facilities including dining, computing and outdoor sports space. August 2018 final outcomes were delivered for KS5 including BTEC and A Levels. For BTEC Engineering, all but one student passed with those who passed achieving very strong grades combining distinctions and merits. A Level results were below expectations however all students who applied to University or Apprenticeships were successful.

Collaborative programmes between London South Bank University and the Schools have expanded and broadened in scope and frequency. LSBU Engagement Teams supported by Student Ambassadors have led academic enrichment activities in both Schools, along with skills development, UCAS mentoring, employability workshops and wellbeing support. This has further strengthened the relationship between and the University and the Schools, as well as having a positive impact on students.

In addition to the support received from our Main Sponsor, we are also very grateful to the continued support of Skanska, Guy and St Thomas' Trust, and King's College Hospital, who have worked with us to create real world projects and work experience for our students.

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.

Members

The members are the sponsor and two persons nominated by the sponsor. 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

The Company is a member of the Department for Education's Risk Protection Scheme which gives cover of up to £10 million for Governor's Liability Insurance. This cover has been renewed and is ongoing.

Method of Recruitment and Appointment or Election of Trustees

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
- Co-opted Trustees

During the year the Board appointed Nicole Louis as a Director. The Board has established a Nomination Committee to recruit new Co-opted Trustees to the Board. Co-opted Trustees will be recruited through an open recruitment process. No Co-opted Trustees were appointed during the year.

Policies and Procedures Adopted for the Induction and Training of Trustees

Directors and Local Governors are required to attend training. A training register is maintained by the Clerk.

During the year, Directors and Local Governors received training in Safeguarding, Pupil Premium, Spiritual, Moral, Social and Cultural Development, New Governor Induction, SEN Code of Practice, preparing for GDPR, and the new National Curriculum, among others. These were delivered by the London Boroughs of Southwark and Lambeth.

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 has three sub-committees: Nomination Committee, Remuneration Committee and Audit Committee. Both schools have a Local Governing Body.

The matters reserved to the Board and responsibilities delegated to the Local Governing Bodies is set out in a Scheme of Delegation approved by the Board at its meeting of 7 January 2016.

Following a review of the Governance during the year, the Board has delegated decisions regarding the curriculum, learning and teaching strategy, and school performance management to Local Governing Bodies. Although local control is delegated, the Board remains responsible for ensuring that standards are maintained across all Academies. The Board, with its oversight of all the Schools, will ensure sharing of best practice, professional development and effective resource management delivering value for money. The Scheme of Delegation is being revised accordingly.

Value for Money

The Trust achieves good value in its use of public resources across its two schools by:

Efficient purchasing.

The Trust uses competitive tendering processes for ensuring value for money when it comes to capital expenditure. The UTC has significant start-up funding for its Engineering specialism and this is monitored closely. The process for making claims, monitoring of the remaining funds as well as the relevance of the equipment required is regularly reviewed.

All major projects are subject to the Trust's purchasing procedures and authorisation limits with final contracts being awarded after careful consideration those responsible for purchasing. Consultation takes place with the ESFA representative for Capital Expenditure on engineering equipment for the UTC.

Cleaning and catering contracts are in place across the Trust. There is also a much greater level of cooperation across the schools of sharing knowledge, experience and inter School consultation.

Sponsor links

The London South Bank University sponsors The Trust, benefiting from the expertise and economies of scale. The support offered includes access to Estates Management, Finance, Legal and Professional Services, Human Resources and Health and Safety.

Contracts Review

A regular review of all contracts is held particularly at the time of renewal. Other suppliers are considered to compare costs and the extent of the service offered. Special emphasis is placed on reviewing higher cost contracts such as IT services, Energy costs and capital expenditure contracts.

Membership to the RPA Insurance Scheme

The ESFA believes the government organised scheme for School Insurance is best value. The SBA Trust is a member of the RPA.

Income Generation

The schools in the Trust, in line with its charitable objectives, makes its facilities available to the local community. These include facilities such as its assembly hall, sports facilities and classrooms.

Trade Union Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, we are required to publish certain information on trade union officials and facility time. During the period from 1st April 2017 – 31st March 2018 no union representatives were employed by The Trust and therefore there is no time, pay costs or paid trade union activities to report.

Auditor

Insofar as the trustees are aware:

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

Directors' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on and signed on the board's behalf by:

Richard Flatman

Chair of the Board

Date:

South Bank Academies 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 Business Manager, 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.

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 five 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
Dave Phoenix (Chair until 22/03/2018)	5	5
Richard Flatman (interim Chair from 22/03/2018)	3	5
Douglas Denham St Pinnock	4	5
James Stevenson	3	5
Richard Parrish	3	5
Tony Giddings	1	5
Nicole Louis (CEO and Director) (appointed 15/03/2018)	3	3
Lesley Morrison (appointed 01/09/2017)	2	5
Adam Crossley (resigned 19/09/2018)	2	4
Rao Bhamidimarri (CEO until 15/02/2018) (resigned as director 16/04/2018)	3	3
Steve McGuire (resigned 27/09/2017)	0	1

The Board began a review of Governance during the year taking into account a Self-Assessment Effectiveness Review, recommendations from an external review of Governance at the South Bank Engineering UTC, as well as consultation with School Principals, Local Governing Body representatives, and Directors. The new Governance Structure will be implemented in the new academic year 2018/19. The key changes are as follows:

- The CEO who is also a Director, is responsible to the Board for the Executive Management of the MAT and Schools. The CEO will manage the MAT and line manage a new Executive Principal role, a MAT Business Manager and Administrative Assistant.
- A new Executive Principal role will lead the academic direction of the Schools, apply budgets, ensure compliance, and contribute to strategy and policy. The Executive Principal will line manage the School Principals.
- The Local Governing Bodies will become School Advisory Bodies (SAB) with a focus on Teaching & Learning, Well-being and Safeguarding, and the general development of the local School. The SABs will have no decision-making powers but will focus on adding value at local level through engagement with the School and Community, including Link Governor Roles.

South Bank Academies Governance Statement

The Board has taken steps to address its gender imbalance. Two new female directors were appointed in 2017/18.

Committee Structure

The Board is supported by three committees: Remuneration Committee, Audit Committee and Nomination 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)	2	2
Richard Parrish	1	2
David Phoenix	2	2
Lesley Morrison	2	2

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)	5	5
Adam Crossley	1	4
Tony Giddings	4	5

The purpose of the Nomination Committee is to consider succession planning for the Board and to recruit new Co-opted Trustees to the Board. The committee did not meet during the year. Filling vacancies, including for the Chair of the Board and the Chair of the SABs, and addressing succession planning will take place during the new academic year, 2018/19, following the governance effectiveness review and implementation of the revised governance structure.

Arrangements for Setting Pay and Remuneration of Key Management Personnel

The Remuneration Committee has defined the key management personnel as the CEO, Business Manager and Principals. The Committee reviews performance of the key management personnel, against agreed objectives and relevant benchmarking data when setting pay. The CEO is seconded from London South Bank University, which pays her salary.

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 1 September 2017 to 31 August 2018 and up to the date of approval of the Annual Report and Financial Statements.

South Bank Academies

Governance Statement

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.

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 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

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 £92k this is to be used to increase the capacity for learning and teaching at the Academy. Restricted funds carry forward balance is £1,300k.

Total reserves are £39.5m, which also includes £38.2m Restricted fixed assets carried forward and a £66k 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.

Capacity to Handle Risk

The Board of Directors has reviewed the key risks to which the Trust 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 Trust's significant risks that has been in place for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the Annual Report and Financial Statements. This process is regularly reviewed by the Board of Directors.

South Bank Academies Governance Statement

The Risk and Control Framework

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

- Comprehensive budgeting and monitoring systems with an Annual Budget and periodic financial reports which are reviewed and agreed by the Board of Directors
- Regular reviews by the Board of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programs
- Regular reviews of the risk and control framework by the audit committee
- Setting targets to measure financial and other performance
- Clearly defined purchasing (asset purchase or capital investment) guidelines
- Delegation of authority and segregation of duties
- Identification and management of risks

Given the challenges associated with growth and transition, the Board has reviewed the need for an internal audit function and has appointed an independent internal auditor.

Review of Effectiveness

The Trust Business Manager and the Chief Executive Officer have 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 Executive and Trust Business Manager
- The work of the External Auditor
- The work of the Executive Managers within South Bank Academies who have 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 order of the members of the Board of Directors on 27th November 2018 and signed on its behalf by:

Richard Flatman
Chair of the Board
Date:

Nicole Louis
Chief Executive Officer
Date:

South Bank Academies

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 Trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the Funding Agreement in place between the Academy Trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

I confirm that I and the Academy Trust Board of Trustees are able to identify any material irregular or improper use of funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the academy's funding agreement and the Academies Financial Handbook 2017.

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

Nicole Louis
Accounting officer
Date:

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South Bank Academies

Statement of Trustees' 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 2017 to 2018;
- 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 by order of the members of the Board of Trustees on and signed on its behalf by:

Nicole Louis

Trustee

South Bank Academies

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

In accordance with the terms of our engagement letter dated 22 July 2016 and further to the requirements of the Education Funding and Skills Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018 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 2017 to 31 August 2018 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 South Bank Academies and 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 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 ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of South Bank Academies accounting officer and the reporting accountant

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 2018 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 2017 to 2018. 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 2017 to 31 August 2018 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 2017 to 2018 issued by 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 Assurance Report on Regularity
to South Bank Academies and the Education & Skills Funding Agency

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2017 to 31 August 2018 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

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South Bank Academies
Statement of Financial Activities for the year ended 31 August 2018
(Including income and expenditure account)

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2018 £000	Total 2017 £000
Income and Endowments from:						
Donations and capital grants	2, 16	3	92	15,997	16,092	95
Transfer on conversion		-	-	-	-	28
Charitable activities:						
Funding for the academy trusts'						
Educational operations	3	-	6,832	-	6,832	4,811
Other trading activities	4	2	-	-	2	1
Investments	5	1	-	-	1	2
Total		6	6,924	15,997	22,927	4,937
Expenditure on:						
Raising funds	6	-	-	-	-	10
Charitable activities:						
Academy trust educational operations	7	-	6,908	740	7,648	4,663
Total		-	6,908	740	7,648	4,673
Net income / (expenditure)		6	16	15,257	15,279	264
Transfers between funds	16	-	77	(77)	-	-
		6	93	15,180	15,279	264
Other recognised gains / (losses)						
Actuarial (losses) / gains on defined benefit pension schemes	16,23	-	47	-	47	44
Net movement in funds		6	140	15,180	15,326	308
Reconciliation of funds						
Total funds brought forward		86	1,094	22,995	24,175	23,867
Total funds carried forward		92	1,234	38,175	39,501	24,175

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

South Bank Academies
Balance Sheet
As at 31 August 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Tangible assets	12		38,088		22,995
Current assets					
Debtors	14	648		217	
Cash at bank and in hand	21	1,542		2,240	
		<u>2,190</u>		<u>2,457</u>	
Liabilities					
Creditors: Amounts falling due within one year	15	(711)		(1,229)	
Net current assets / (liabilities)			<u>1,479</u>	<u>1,228</u>	
Total assets less current liabilities			39,567		24,223
Net assets excluding pension liability					
Defined benefit pension scheme liability	23		(66)		(48)
Total net assets			<u>39,501</u>		<u>24,175</u>
Funds of the academy trust:					
Restricted funds					
Fixed asset fund	16	38,175		22,995	
General fund	16	1,300		1,142	
Pension reserve	16	(66)		(48)	
Total restricted funds			39,409		24,089
Unrestricted income funds	15		92		86
Total Funds			<u>39,501</u>		<u>24,175</u>

The Financial Statements on pages 14 to 35 were approved by the Trustees, and authorised for issue on 27th November and are signed on their behalf by:

Nicole Louis

Trustee

South Bank Academies
Statement of Cash Flows
For the year ended 31 August 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities:			
Net cash provided by operating activities	18	15,134	1,208
Cash flows from investing activities	20	(15,832)	(156)
Cash flows from financing activities	19	-	-
Change in cash and cash equivalents in the reporting period		(698)	1,052
Cash and cash equivalents at 1 September 2017		2,240	1,188
Cash and cash equivalents at 31 August 2018	21	1,542	2,240

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South Bank Academies

Notes to the Financial Statements

for the year ended 31 August 2018

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 FRS102.

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 Trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future 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.

South Bank Academies

Notes to the Financial Statements

for the year ended 31 August 2018

1 Statement of Accounting Practices (continued)

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".

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.

South Bank Academies

Notes to the Financial Statements

for the year ended 31 August 2018

1 Statement of Accounting Policies (continued)

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:

Leasehold buildings	period of lease
Fixtures, fittings and equipment	5 years
Computer hardware	3 years

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

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

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.

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.

South Bank Academies

Notes to the Financial Statements

for the year ended 31 August 2018

1 Statement of Accounting Policies (continued)

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

for the year ended 31 August 2018

1 Statement of Accounting Policies (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 Trustees.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Education and Skills Funding Agency 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 Trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, 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 2018. 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.

South Bank Academies
Notes to the Financial Statements
for the year ended 31 August 2018

2 Donations and capital grants

	Unrestricted General Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2018 £000	Total 2017 £000
Capital grants	-	-	15,997	15,997	-
Donations	3	-	-	3	3
Donated salaries	-	92	-	92	92
	3	92	15,997	16,092	95

3 Funding for the Academy Trust's Educational Operations

	Unrestricted Funds £000	Restricted General Funds £000	Total 2018 £000	Total 2017 £000
DfE / ESFA revenue grants				
General Annual Grant (GAG)	-	5,763	5,763	3,787
Start-up grants	-	324	324	612
Other DfE / ESFA grants	-	624	624	275
		6,711	6,711	4,674
Other Government grants				
Local authority grants	-	57	57	54
		57	57	54
Other income from the academy trust's educational operations	-	64	62	83
Total funding for academy trust's educational operations	-	6,832	6,832	4,811

4 Other trading activities

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Total 2017 £000
Hire of facilities	-	2	2	1
	-	2	2	1

5 Investment income

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Total 2017 £000
Short term deposits	1	-	1	2
	1	-	1	2

South Bank Academies
Notes to the Financial Statements
for the year ended 31 August 2018

6 Expenditure

	Staff Costs £000	Non Pay Expenditure		Total 2018 £000	Total 2017 £000
		Premises £000	Other £000		
Expenditure on raising funds	-	-	-	-	10
Academy's educational operations:					
Direct costs	3,414	-	275	3,689	2,199
Allocated support costs	1,254	1,700	1,005	3,959	2,464
	4,668	1,701	1,280	7,648	4,673

Net income / (expenditure) for the period includes:	2018 £000	2017 £000
Depreciation	740	263
Fees payable to auditor for:		
Audit	19	7
Other services	28	34
	1,064	304

7 Charitable Activities

	Total 2018 £000	Total 2017 £000
Direct costs – educational operations	3,689	2,199
Support costs – educational operations	3,959	2,464
	7,648	4,663

	Educational Operations £000	Total 2018 £000	Total 2017 £000
Support staff costs	1,254	1,254	1,012
Depreciation	740	740	263
Technology costs	217	217	87
Premise costs	960	960	567
Catering	299	299	217
Governance costs / other support costs	489	489	318
Total support costs	3,959	3,959	2,464

South Bank Academies
Notes to the Financial Statements
for the year ended 31 August 2018

8 Staff

a. Staff costs

	2018	2017
	£000	£000
Staff costs during the period were:		
Wages and salaries	3,219	1,760
Social security costs	326	246
Operating costs of defined benefit pension scheme	457	408
	4,002	2,414
Supply staff costs	574	587
Donated staff costs	92	92
Staff restructuring costs	-	-
	4,668	3,093
Staff restructuring costs comprise:		
Other restructuring and settlement costs	-	-
	-	-

b. Staff numbers

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

	2018	2017
	No.	No.
Teachers	49	47
Administration and support	43	32
Management	17	8
	110	87

c. Higher paid staff

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

	2018	2017
	No.	No.
£60,001 - £69,999	4	4
£70,001 - £79,999	2	2
£80,000-£89,999	1	-
£90,001 - £99,999	1	1

d. Key management personnel

Key Management Personnel include persons who have authority and responsibility for planning, directing and controlling the activities of the schools and The Trust. This includes salary, employer national insurance contributions, and employer pension contributions. The total amount paid during the year was £371,996 (2017: £365,153).

**South Bank Academies
Notes to the Financial Statements
for the year ended 31 August 2018**

9 Disclosure of central services

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

The Trust 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:

	2018	2017
University Academy of Engineering South Bank	220,953	147,512
South Bank Engineering UTC	68,612	41,665
	289,565	189,177

10 Related party transactions – Trustees’ remuneration and expenses

None of the Trustees have been paid remuneration or have received other benefits from an employment with the Trust (2017: none).

During the year ended 31 August 2018, no travel and subsistence expenses were reimbursed or paid directly to any Trustees (2017: none).

11 Trustees and officers insurance

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

South Bank Academies
Notes to the Financial Statements
for the year ended 31 August 2018

12 Tangible fixed assets

	Leasehold Land and Buildings £000	Leasehold Improvements £000	Furniture and Equipment £000	Computer Hardware £000	Total £000
Cost					
At 1 September 2017	23,000	17	59	197	23,273
Additions	14,288	-	1,141	404	15,833
Disposals	-	-	-	-	-
At 31 August 2018	37,288	17	1,200	601	39,106
Depreciation					
At 1 September 2017	184	1	18	75	278
Charged in year	298	1	241	200	740
Disposals	-	-	-	-	-
At 31 August 2018	482	2	259	275	1,018
Net book values					
At 31 August 2018	38,606	15	941	326	38,088
At 31 August 2017	22,816	16	41	122	22,995

13 Financial instruments

	2018 £000	2017 £000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	170	2
Carrying amount of financial liabilities		
Measured at amortised cost	610	1,174

14 Debtors

	2018 £000	2017 £000
VAT recoverable	368	129
Other debtors	5	2
Prepayments and accrued income	275	86
	648	217

South Bank Academies
Notes to the Financial Statements
for the year ended 31 August 2018

15 Creditors: Amounts falling due within one year

	2018	2017
	£000	£000
Trade creditors	285	95
Taxation and social security	103	55
ESFA creditor: abatement of GAG	20	769
Other creditors	54	22
Accruals and deferred income	249	288
	711	1,229

Deferred income

	2018	2017
	£000	£000
Deferred income at 1 September	-	34
Resources deferred in the year	-	-
Amounts released from previous years	-	(34)
Deferred income at 31 August	-	-

South Bank Academies
Notes to the Financial Statements
for the year ended 31 August 2018

16 Funds

	Balance at 1 September 2017 £000	Incoming Resources £000	Resources Expended £000	Gains, Losses and Transfers £000	Balance at 31 August 2018 £000
Restricted general funds					
General Annual Grant (GAG)	1,142	5,763	(5,682)	77	1,300
Start-up grant	-	324	(324)	-	-
Other DfE grants	-	624	(624)	-	-
Other sources	-	213	(213)	-	-
Pension reserve	(48)	-	(65)	47	(66)
	1,094	6,924	(6,908)	124	1,234
Restricted fixed asset funds					
ESFA capital grants	-	1,337	(273)	(77)	987
Local authority capital grants	118	-	(53)	-	65
Transfer from Local Authority	22,816	-	(184)	-	22,632
Other transfers	61	14,660	(230)	-	14,491
	22,995	15,997	(740)	(77)	38,175
Total restricted funds	24,089	22,921	(7,648)	47	39,334
Total unrestricted funds	86	6	-	-	92
Total funds	24,175	22,927	(7,648)	47	39,501

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. This also includes catering income received from pupils.

South Bank Academies
Notes to the Financial Statements
for the year ended 31 August 2018

Total funds analysis by academy

Fund balances at 31 August 2018 were:

	Total 2018 £000	Total 2017 £000
University Academy of Engineering South Bank	1,218	1,065
South Bank Engineering UTC	442	162
Central services	(268)	1
Total before fixed assets and pension reserve	1,392	1,228
Restricted fixed asset fund	38,175	22,995
Pension reserve	(66)	(48)
Total	39,501	24,175

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	Total £000
University Academy of Engineering South Bank	2,454	726	155	3,281	6,616
South Bank Engineering UTC	960	287	116	382	1,745
Central Services	-	241	4	121	366
Academy Trust	3,414	1,254	275	3,784	8,727

17 Analysis of net assets between Funds

Fund balances at 31 August 2018 are represented by:

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets	-	-	38,088	38,088
Current assets	92	2,013	87	2,190
Current liabilities	-	(711)	-	(711)
Pension scheme liability	-	(66)	-	(66)
Total net assets	92	1,234	38,175	39,501

South Bank Academies
Notes to the Financial Statements
for the year ended 31 August 2018

18 Reconciliation of Net Income to Net Cash Inflow from Operating Activities

	2018	2017
	£000	£000
Net income / (expenditure) for the reporting period	15,279	264
Adjusted for:		
Depreciation	740	263
Interest receivable	(2)	(2)
Defined benefit pension scheme cost less contributions payable	64	64
Defined benefit pension scheme finance cost	1	-
(Increase) / decrease in debtors	(433)	(93)
Increase / (decrease) in creditors	(516)	712
Net cash provided by operating activities	15,134	1,208

19 Cash flows from financing activities

19 Cash flows from financing activities	2018	2017
	£000	£000
Repayments of borrowing	-	-
Cash inflows from new borrowing	-	-
Net cash provided by / (used in) financing activities	-	-

20 Cash flows from investing activities

	2018	2017
	£000	£000
Dividends, interest and rents from investments	1	2
Purchase of tangible fixed assets	(15,833)	(158)
Net cash provided by / (used in) operating activities	(15,834)	(156)

21 Analysis of cash and cash equivalents

	At 31	At 31
	August	August
	2018	2017
	£000	£000
Cash in hand and at bank	1,542	2,240
Total cash and cash equivalents	1,542	2,240

South Bank Academies

Notes to the Financial Statements

for the year ended 31 August 2018

22 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.

23 Pension and Similar Obligations

The trust'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 £16,576 were payable to the schemes at 31 August 2018 (2017: £21,608) 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).
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million.
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations.
- the assumed real rate of return 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%.

South Bank Academies

Notes to the Financial Statements

for the year ended 31 August 2018

23 Pension and Similar Obligations (continued)

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 £265,405 (2017: £183,791).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

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

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 2018 was £146,000 (2017: £75,000), of which employer's contributions totalled £108,000 (2017: £57,000) and employees' contributions totalled £38,000 (2017: £18,000). 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 2018	Southwark At 31 August 2018	Lambeth At 31 August 2017	Southwark At 31 August 2017
Rate of increase in salaries	2.70%	3.50%	2.80%	3.40%
Rate of increase for pensions in payment/inflation	2.30%	2.00%	2.40%	1.90%
Discount rate for scheme liabilities	2.80%	2.80%	2.50%	2.50%
Inflation assumption (CPI)	2.30%	2.00%	2.40%	1.90%

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 2018	Southwark At 31 August 2018	Lambeth At 31 August 2017	Southwark At 31 August 2017
<i>Retiring today</i>				
Males	21.6	22.5	21.6	22.5
Females	23.9	26.2	23.9	26.1
<i>Retiring in 20 years</i>				
Males	23.8	24.2	23.8	24.1
Females	26.0	28.0	26.0	27.9

South Bank Academies
Notes to the Financial Statements
for the year ended 31 August 2018

23 Pension and Similar Obligations (continued)

Sensitivity analysis

Approximate momentary increase to the obligation as a result of following changes in assumptions at 31 August 2018:

	At 31 August 2018	At 31 August 2017
Southwark		
0.1% increase in the salary increase rate	3.5	3.4
0.1% increase in the pension increase rate	2.0	1.9
0.1% decrease in the real discount rate	2.8	2.5
Lambeth		
0.5% increase in the salary increase rate	2.7	2.8
0.5% increase in the pension increase rate	2.3	2.7
0.5% decrease in the real discount rate	2.8	2.5

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

	Fair Value at 31 August 2018 £000	Fair Value at 31 August 2017 £000
Equity instruments	206	81
Debt instruments	62	41
Property	48	21
Cash and other liquid assets	2	1
Total market value of assets	278	144

The actual return on scheme assets was £13,000 (2017: £2,000)

South Bank Academies
Notes to the Financial Statements
for the year ended 31 August 2018

23 Pension and Similar Obligations (continued)

Amounts recognised in the statement of financial activities

	2018	2017
	£000	£000
Current service cost	172	127
Interest income	(13)	(2)
Interest cost	14	2
Total amount recognised in the SOFA	165	127

Changes in the fair value of defined benefit organisations were as follows:	2018	2017
	£000	£000
At 1 September	192	80
Current service cost	172	127
Interest cost	14	2
Employee contributions	38	20
Actuarial (gain) / loss	(30)	(35)
Benefits paid	(2)	(2)
At 31 August	384	192

Changes in the fair value of the Academy's share of scheme assets:	2018	2017
	£000	£000
At 1 September	144	52
Interest income	13	2
Actuarial gain / (loss)	9	9
Employer contributions	108	63
Employee contributions	38	20
Benefits paid	9	(2)
At 31 August	318	144

Net movements in the defined benefit liability:	2018	2017
	£000	£000
At 1 September	(48)	(28)
Current service cost	(172)	(127)
Finance cost	(1)	-
Employer contributions	108	63
Net actuarial gain / (loss)	39	44
Net pension liability	(74)	(48)

South Bank Academies Notes to the Financial Statements for the year ended 31 August 2018

24 Related Party Transactions

Owing to the nature of the Trust and the composition of the board of Trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the trust's financial regulations and normal procurement procedures. The following related party transaction took place during the year ending 31 August 2018.

Five directors are full time salaried employees of LSBU including the current and previous CEO;

One director is a non-remunerated governor of LSBU;

The Trust has utilised the services of 2 employees from LSBU. The value of these services for the year were £91,648 (2017: £91,800)

The Trust received Governance services from LSBU. During the year £22,941 was invoiced, including services relating to the prior year, and £22,941 was owing to LSBU at year end, included in creditors.

A Director, Prof Dave Phoenix, is a member of the Science Museum Group. During the year the Trust paid this organisation £120 for a school trip.

Richard Flatman is a director of South Bank Enterprises Ltd. During the year, the Trust spent £11,662 for the provision of invigilators.