



Meeting of the South Bank Academies Board

3.00 - 5.00 pm on Thursday, 8 December 2016
in South Bank Engineering UTC, 56 Brixton Hill SW2 1QS

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
11.	Audit Findings	3 - 28	DS
13.	South Bank Academies' Annual Report & Accounts (approve)	29 - 70	DS

Date of next meeting
4.00 pm on Thursday, 30 March 2017

Members: David Phoenix (Chair), Rao Bhamidimarri, Adam Crossley, Douglas Denham St Pinnock, Richard Flatman, Tony Giddings, Steve McGuire, Richard Parrish and James Stevenson

Apologies:

In attendance: Michael Broadway, Dan Smith, Pervena Singh and Shivani Kothari

This page is intentionally left blank

South Bank Academies

	CONFIDENTIAL
Paper title:	External Audit Findings
Board/Committee:	South Bank Academies Board Meeting
Date of meeting:	8 December 2016
Sponsor:	CEO
Author:	Dan Smith
Purpose:	Review
Recommendation:	To review the findings of the external auditor during their annual audit

Executive Summary

The purpose of this report is to provide information and feedback to the South Bank Academies Board from the external auditors Kingston Smith LLP after their annual audit of the South Bank Academies accounts.

The report includes the following;

- Audit Approach
- Significant Findings
- Accounting and Internal Control Systems
- Sector Update
- Corrected Material Misstatements and Reclassifications
- Other matters

The work on the audit was completed on-site during the w/c 17th October by two members of Kingston Smith LLP audit team.

This page is intentionally left blank

South Bank Academies

Post Audit Management Report

Year Ended 31 August 2016

DRAFT

Post Audit Management Report – South Bank Academies

We have completed the audit of the South Bank Academies Trust and the South Bank Engineering UTC Trust for the year ended 31 August 2016 and we expect to issue an unqualified audit opinion.

This report covers the findings from our audit, the scope of which was communicated to you prior to commencing the work. It includes some recommendations for improving the accounting and internal control systems as well as highlighting some future developments that may be of interest to the board.

We hope that the recommendations are practical and are able to be implemented. We would be grateful if you could discuss the points as a board and will welcome a written response. Please extend our thanks to Daniel Smith for all of his help with the audit.

If you have any concerns or questions arising from this report, please contact Anjali Kothari.

Yours faithfully

DRAFT

Contents

Page 1	Audit Approach
Page 2	Significant findings from the Audit
Page 3	Operation of the Accounting and Internal Control Systems
Page 8	Sector update
Appendix 1	Corrected Material Misstatements and Reclassifications
Appendix 2	Other matters

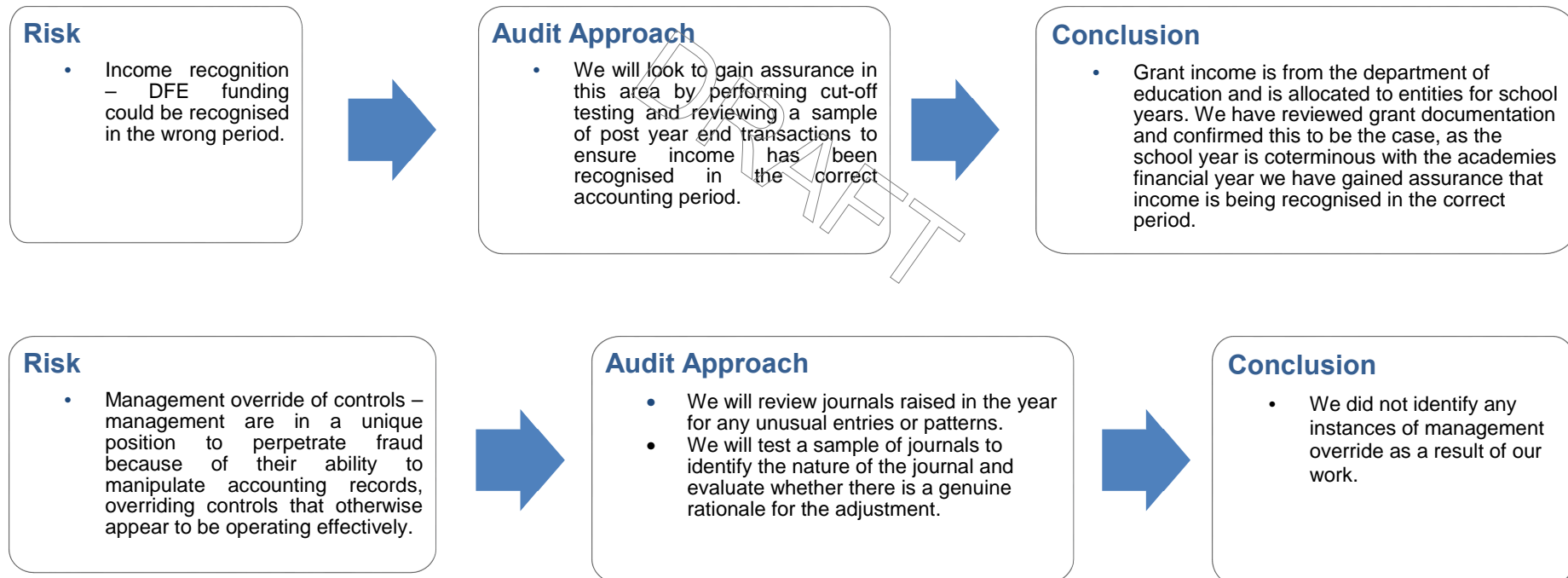
DRAFT

Section 1: Audit Approach

As outlined in our pre-audit letter dated 5 September 2016 our audit approach is based on an assessment of the audit risk relevant to the individual financial statement areas. Areas of risk are categorised according to their susceptibility to material misstatement, whether through complexity of transactions or accounting treatment. For each area we calculated a level of testing and review sufficient to give comfort that the financial statements are free from material misstatement.

The following table lists any risks identified at the planning stage and during the course of the audit, our approach to mitigate the risk and our conclusions from completing this work

Page 8



Section 2: Significant Findings From The Audit

We are required under International Standards on Auditing to request you to correct all misstatements identified during our audit, with the exception of those that are clearly trivial.

Corrected material misstatements and reclassifications

Included as Appendix 1 are the corrected, material misstatements identified during the course of our audit work which have been discussed and agreed with you.

Observations concerning the operation of the accounting and control systems

We detail in section 3 other matters concerning the operation of the accounting and control systems that we consider should be brought to your attention. The observations have been ranked in order of potential risk to the business. Significant internal control issues; which we believe need immediate attention; are denoted using a red flag. We have also included an assessment of the extent to which our previous recommendations have been implemented.

We look forward to receiving your responses on the points raised. Due to the nature of an audit we may not have identified all weaknesses within the accounting and internal control systems which may exist and the contents of this section of our letter and any items disclosed in this report should not therefore be taken as a comprehensive list of such weaknesses.

Management Representation Letter

A draft of our proposed management representation letter has been sent to you under separate cover. All of the matters included in this letter on which we seek the Trustee's formal confirmation are in respect of routine matters.

DRAFT

Section 3: Operation of the Accounting and Internal Control Systems

South Bank Academies Trust – Current year

	<u>MATTER ARISING</u>		<u>IMPLICATION</u>	<u>RECOMMENDATION</u>	<u>RESPONSE</u>
	Accruals We note an accrual for £34k has been made for Southwark heating and an accrual of £44k for IT services from RM. We have noted the calculations to support these, but understand 3 rd party evidence (an invoice, for example) is not available.	MED	Accruals may be overstated.	To ensure that all accruals are supported by evidence of invoices where possible.	The Academy is aware that there are costs involved with the heating supplied by Southwark Heating and also the IT services supplied by RM Education. Despite requests we have not received any invoices. It is however prudent to accrue for these costs.
	Bank reconciliations Bank reconciliations are not being signed off as reviewed.	LOW	There is a risk that reconciliations are not being performed adequately and/or in good time.	Sign off bank reconciliations once reviewed; consider the possibility of a dual review or a separate reviewer to the person posting income and expenditure.	Bank Reconciliations will now be prepared by the Finance Officer in each school and signed by the Trust Business Manager.

Section 3: Operation of the Accounting and Internal Control Systems

South Bank Academies Trust – Prior Year

	<u>MATTER ARISING</u>		<u>RECOMMENDATION</u>	<u>IMPLEMENTATION PROGRESS</u>
	Salary Overpayment We noted that there was an employee who was over paid in September and October 2014 and this balance remained outstanding at the year end.	MED	To review the payroll controls to ensure that staff are not paid in error. Monies may not be recoverable if staff leave.	There were no salary creditors at the year end.
	Debtors We note that there is an outstanding debtor balance of £18,250 from Southwark Council. This debt is over 5 months old. We understand that efforts are being made to recover this debt.	MED	To ensure that this debt is recovered, or to consider making a provision against this debt.	This balance has since been recovered.
	Accruals We note an accrual for £34k has been made for Southwark heating. We have noted the calculations to support this, but understand 3 rd party evidence (an invoice, for example) is not available.	MED	To ensure that all accruals are supported by evidence of invoices where possible.	This issue is still outstanding and has been included in the letter of representation again.
	Supplier set up No dual authorisation is required to set up suppliers or amend their details on the accounting system.	LOW	The system should be altered to prevent suppliers being set up or amended without dual authorisation.	New Supplier Form introduced that requires two signatures including that of the Principal and requests reasons for opening a new account and bank details on the suppliers headed paper. Existing supplier list readily available for all staff.

Section 3: Operation of the Accounting and Internal Control Systems

	<u>MATTER ARISING</u>		<u>RECOMMENDATION</u>	<u>IMPLEMENTATION PROGRESS</u>
	Bank reconciliations Bank reconciliations are not being signed off as reviewed.	LOW	Sign off bank reconciliations once reviewed, consider the possibility of a dual review or a separate reviewer to the person posting income and expenditure.	Bank reconciliations are now being performed but are not signed off.
	Professional Fees We noted that there are some teaching costs being included in professional fees.	LOW	Ensure that any teaching costs are included within supply teaching costs and not professional fees.	This miscoding error has now been rectified.
	Tenancy Agreement We note the tenancy agreement is still not signed.	LOW	To ensure that this is signed.	This issue is still outstanding.
	Register of Interests We note that there is a register of interest, but we could not view this.	LOW	To ensure that this is readily available and updated on an annual basis and as and when required.	The school now holds a register of interests.
	Aged Creditor Listing We note from our review that there are a number of balances which have not been cleared off accounts. This can lead to supplier payment confusion and errors. This can also suggest the purchase supplier payment process is not robust enough.	LOW	We recommend that all supplier balances are reviewed and cleared down. Where items are in dispute there should be attempt to resolve these.	This issue has been resolved.

Section 3: Operation of the Accounting and Internal Control Systems

South Bank Engineering UTC Trust – Prior Year

	<u>MATTER ARISING</u>		<u>IMPLICATION</u>	<u>RECOMMENDATION</u>	<u>RESPONSE</u>
1.	Insurance The Trustees do not have any insurance in place	HIGH	The trustees may be liable if any accidents happens during the course of academy business	Take out trustee insurance at the earliest opportunity.	This is under review.
2.	Register of interest Trustees have not signed declarations as part of their register of interests.	HIGH	Related parties transactions could go unnoticed and not carried out on a not-for-profit basis.	Related party interests should be kept up to date to ensure the good practice is captured regularly.	The process is on-going. Declarations have been circulated to the trustees for their signature.

Section 3: Operation of the Accounting and Internal Control Systems

We have given each of our observations a risk rating as explained in the key below:-

RISK RATING FOR MANAGEMENT REPORT POINTS		
	Risk rating	Explanation
	Low	Issues that would, if corrected, improve the internal controls or accounting practices in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.
	Medium	Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
	High	Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

Section 4: Sector Update

Academies Useful Links

There are a number of links which the Governors and senior leadership might find useful and these are listed below:

Gov.uk:

<https://www.gov.uk/government/collections/schools-financial-health-and-efficiency>

<https://www.gov.uk/guidance/schools-financial-efficiency-top-10-planning-checks-for-governors>

<https://www.gov.uk/academies-fianncial-assurance>

<https://www.gov.uk/academies-severance-payments>

<https://www.gov.uk/government/collections/academies-investigation-reports>

NABSM good practice Library:

<http://nasbm.co.uk/Home/Efa-Academies-Library.aspx>

FD Forum:

www.thefdforum.co.uk

ICAEW:

www.icaewvolunteers.com

DRAFT

Section 4: Sector Update

1. Apprenticeship Levy

Starting on 1 April 2017, the apprenticeship levy will force all charities with payrolls of £3m and over to pay a levy of 0.5 per cent to the government. Each charity employer will receive £15,000 to offset the cost of implementing this. However, it remains the case that charities that have a high proportion of volunteers in relation to paid staff often have very few roles that could be filled by apprentices, even though they might well breach the £3m payroll threshold – in which case, they might find themselves obliged to pay the levy and receive little in return. We have called upon government to consider whether volunteers could be deemed to be “employees” for the purpose of deciding who can qualify for an apprenticeship. The Department for Education has published the Government’s initial Proposals for apprenticeship funding in England from May 2017, along with an Apprenticeship funding bands tool and a spreadsheet of Apprenticeships approved for delivery.

In brief:

- Charity employers that are too small to contribute to the apprenticeship levy would have 90% of the cost of their apprenticeship training paid by the Government as a “co-investment”.
- The Government will pay an additional £2,000 in respect of 16- to 18-year-olds, young care leavers and young people with an education, health and care (EHC) plan, with £1,000 going to the employer and an additional £1,000 to the training providers.
- Waive the “co-investment requirement” for small employers (i.e. those with fewer than 50 employees) where they are training a 16- to 18-year-old apprentice, young care leaver or young person with an EHC plan – which means that they would not have to pay anything towards the training;

- Charities will be able to use levy funds to retrain workers in a new skill where they have prior qualifications – so long as the new skill is significantly different from their previous qualifications.
- Pay training providers £471 for training to gain the minimum standard of Level 2 in English and maths, payable directly from the Government instead of being deducted from the employer’s digital account.
- From 2018 allow levy-paying employers to be able to transfer up to 10% of the annual value of funds entering their digital accounts to other employers on the digital system.

The levy will be paid to HMRC through the PAYE process currently in place. The amount payable will be 0.5 per cent of the total amount of earnings subject to Class 1 secondary National Insurance Contributions. This includes earnings below the secondary threshold, which are usually excluded for the calculation of employers NICs.

A £1,250pm (£15,000 annually) levy allowance will be provided by the government to offset against this. The allowance can be carried forward if unused and can be used as a credit against PAYE liabilities.

For example, if Employer A’s pay bill is £3.2m, the cost of the levy will be £16,000. Employer A will receive £15,000 to offset this cost and so the net payable is £1,000.

This net amount payable will be put into a digital account and made available for employers to buy training, from an approved trainer, for apprenticeship schemes. HMRC have confirmed that all digital account payments made to an approved Apprenticeship Levy provider will be exempt from VAT.

Apprenticeships will not be limited to young people, but the levy will be restricted to training apprenticeships, excluding additional costs such as recruitment and salaries.

Section 4: Sector Update

No special considerations are expected to be granted to charities and we understand that any unspent levy money could be used by private business.

Further details on how the apprenticeship levy will work can be found via this link: <https://www.gov.uk/government/publications/apprenticeship-levy-how-it-will-work/apprenticeship-levy-how-it-will-work>

If you have any queries on this matter, in the meantime, please ask Anjali Kothari.

2. Current HR and Employment Related Issues

A number of changes and updates to employment legislation have been introduced in recent months, as follows:

- The National Minimum Wage rates have increased from 1 October 2016 for all age groups. For workers aged 21 years to 24, the rate is now £6.95 per hour, a rise of 25p from the previous year. The National Living Wage was also introduced in April for workers aged 25 and over and is currently £7.20 per hour.
- The Apprenticeship Levy will be introduced in April 2017; all employers with a wage bill of more than £3 million will have to contribute 0.5% of the bill to the levy. All employers will be able to access funding for apprenticeships through the digital apprenticeship portal.
- There have been further rulings on the inclusion of commission and overtime in holiday pay. The Court of Appeal has upheld the decision to include commission in holiday pay and it is widely accepted that regular overtime should also be included. There are still questions to be clarified on the reference period to use and no definitive answer on annual bonuses.
- The Employment Tribunal has granted permission for shop workers at ASDA to compare themselves to warehouse staff in an

equal pay claim that could result in claims for £100 million. The final outcome of the case could have far reaching consequences across the retail sector.

- The outcome of the Uber Employment Tribunal claim to determine if its drivers are self employed or employees is awaited. If it is decided that they are in fact employees this will impact on the rise of the 'gig' economy and infer employment rights such as sick pay, holiday pay, entitlement to minimum wage and protection from unfair dismissal.
- The Government is currently consulting on the use of non-compete clauses and if these should be banned, the view being that they can stifle potential entrepreneurs and fair competition.
- Immigration rules for non-EU migrants have changed from April 2016. Non-EU nationals must also earn a minimum of £35,000 per annum in addition to meeting the residency requirements of 5 years to apply to permanently remain in the UK.
- Tougher sanctions have been introduced for employers who knowingly employ illegal workers. Individuals can be held criminally responsible and receive a fine of £20,000 and the company can be closed while investigation take place.

Please speak to Anjali Kothari for further information.

3. Fundraising & Trustee Duties

Following the copious amounts written in the Press in regard to fundraising since May 2015, the Charity Commission issued its revised guidance 'CC20 Charity fundraising: a guide to trustee duties' on 7 June 2016.

The revision emphasises that trustees are responsible for public fundraising undertaken by their charity. They should involve themselves in the planning and monitoring of their charity's fundraising systems and processes, without taking on an overly operational approach. As always, proportionality is key and planning and monitoring will depend on the charity's size, structure and complexity. It will also depend on whether

Section 4: Sector Update

fundraising is undertaken by trustees, paid staff, outsourced organisations or volunteers.

The consultation highlights six principles to consider:

- fundraising strategy and planning
- supervising fundraisers (including third parties)
- protecting the charity's reputation and assets
- complying with laws and regulations
- living up to relevant standards
- being open and accountable.

The guidance states that the Charity's plan should not be lengthy or complex but should include issues such as:

- The fundraising methods that are to be used
- The resources that will be used and the costs that will be incurred, and their proportionality with income raised
- The financial / reputation and other risks that the Charity will face and how these will be mitigated
- How the fundraising will reflect upon the Charity's values
- Regularly monitoring progress against fundraising plans, looking carefully and critically at the areas of highest risk.

The guidance does not aim to describe all legal requirements for fundraising, as these aren't regulated by the Commission, instead it signposts readers to other bodies that provide that guidance, such as the Fundraising Regulator, Information Commissioner's Office, Gambling Commission, etc.

The Commission aims to work closely with the new Fundraising Regulator (due to take over from the Fundraising Standards Board (FRSB) and Public Fundraising Regulatory Authority (PFRA) on 5 July) and the

Information Commissioners Office (ICO). The guidance highlights where the Commission has jurisdiction over fundraising matters.

Trustees and charity executives need to balance risk aversion and compliance to regulations with the need to integrate their charity's values into its fundraising practice, and to innovate in order to find funding to meet beneficiary needs.

Should you have any queries about your fundraising, either about the current processes and procedures or additional requirements, please email James Newell at jnewell@ks.co.uk – Director of Fundraising and Management.

4. Register of People with Significant Control

From 6 April 2016 the majority of UK companies will be required to keep (and make available for public inspection) a new statutory Register of People with Significant Control (also known as the PSC Register).

All charitable companies limited by guarantee and all wholly-owned trading subsidiaries of charities will be subject to the regime.

From 30 June 2016 you will also need to include the information contained in this Register in a Confirmation Statement, to be filed with Companies House. This statement replaces the Annual Return. The new rules are among a number of changes to the Companies Act 2006 brought in as part of the Government's drive to increase transparency in ownership and control of UK corporations, help combat tax evasion and money laundering, and increase trust in UK businesses.

What is a 'Person with Significant Control'? A Person of Significant Control is an individual who:

- holds, directly or indirectly, more than 25% of a company's shares; or

Section 4: Sector Update

- ii. holds, directly or indirectly, more than 25% of the voting rights in a company; or
- iii. holds the right, directly or indirectly, to appoint or remove a majority of a company's directors; or
- iv. has the right to exercise, or actually exercises, significant influence or control over a company; or
- v. exercises, or has the right to exercise, significant influence or control over a trust or firm which meets any of the above conditions.

Charitable Companies are, for the most part, unlikely to be caught by the first two points. However consideration should be given to the remaining points. Where a company's shares are owned by another legal entity, this other entity is a Relevant Legal Entity (RLE) and, generally, if it would meet any of the above conditions if it were an individual, it also needs to be listed on the PSC Register. For the majority of cases, this is likely to apply to those charitable companies that have wholly owned trading subsidiaries.

One of the criteria under this legislation is holding, either directly or indirectly, more than 25% of the voting rights. For a charitable company limited by guarantee this will apply to the guarantee members. What information will need to be shown in the PSC Register? An entry in the PSC Register will need to contain the same information as a company is currently required to keep relating to its directors, as well as:

- the date of becoming a PSC;
- details of the PSC conditions which apply (points 'i' to 'v', above); and
- a note of any restrictions on disclosing the PSC's information which may be in place.

The PSC Register must be updated whenever the position changes.

What information will need to be sent to Companies House, and when? All the information in the PSC Register will need to be sent to Companies House annually, in the Confirmation Statement, except that, as with directors/trustees, the residential address and day element of the date of birth will be redacted.

Any charitable company will need to list its guarantee members as PSCs if the number of members is three or less. If there are four or more members, which will usually be the case, each individual will control no more than 25%, and hence there will be no PSC. However, the PSC register must never be blank, and so where there is no PSC, charities will need to keep a PSC register containing specific wording stating that there is no registrable person. Typical wording could be: "The company knows or has reasonable cause to believe that there is no registrable relevant legal entity or PSC in relation to the company".

What are the penalties for non-compliance? The legislation imposes obligations on the company and its trustees/directors to discover and disclose the required information and to give notice to any person they consider may be a PSC. The directors/trustees may be liable to fines and imprisonment, and the charitable company may be fined, for failing to comply. There are similar obligations on PSCs to comply with requests for information.

If you would like any further information, please get in touch with Anjali Kothari.

Appendix 1: Corrected Material Misstatements and Reclassifications

No other matters have come to our attention during the audit which we are required to communicate to you and the safeguards adopted were as described in our pre-audit letter.

South Bank Academies Trust

	Balance Sheet		SOFA		Effect on Net Surplus
	Dr	Cr	Dr	Cr	Dr/(Cr)
Draft Net Income					(71,615)
Post Trial Balance journals provided by the Client and processed by Kingston Smith:					
Fixed assets at cost	6,223				
Fixed assets accumulated depreciation		9,525			
Depreciation expense			3,302		3,302
Being the opening balance adjustment for fixed assets					
Pension contributions				1,500	(1,500)
Pension contributions				1,500	(1,500)
Pension asset	3,000				
Being the opening balance adjustment to pension liabilities					

Appendix 1: Corrected Material Misstatements and Reclassifications

	Balance Sheet		SOFA		Effect on Net Surplus
	Dr	Cr	Dr	Cr	Dr/(Cr)
Repairs & Maintenance			5,098		5,098
Repairs & Maintenance				7,504	(7,504)
Repairs & Maintenance				1,010	(1,010)
Rates				372	(372)
Educational Supplies				1,479	(1,479)
Stationary			911		911
IT Consumables – Non-Educational				320	(320)
Professional Services			11,235		11,235
CRB Checks				5,553	(5,553)
IT Licensing				1,442	(1,442)
Uniforms Expenditure			1,311		1,311
Prepayments		875			
Being the reversal of last years prepayments and the inclusion of this year's prepayments					
Accruals		50,112			
Agency Supply Cover - Teaching				5,500	(5,500)
Agency Supply Cover - Support				1,710	(1,710)

Appendix 1: Corrected Material Misstatements and Reclassifications

	Balance Sheet	SOFA	Effect on Net Surplus
Course Fees		1,500	(1,500)
Repairs & maintenance		14,095	14,095
Equipment (Not IT)		81	(81)
Catering Food/Drink		4,628	(4,628)
Electricity		5,000	(5,000)
Security Alarm		773	(773)
Computer support		22,000	22,000
Recruitment expenses		32,493	32,493
Accountancy		300	300
Southwark district heating		414	414
GAG Clawback Expense		402,511	(402,511)
GAG Clawback Accrual	402,511		
Being the reversal of last years accruals and the inclusion of this years			
Teachers - Salaries/Allowances		84,300	84,300
Accruals	84,300		
Being compensation payment accrual			
Updated net income before audit adjustments			(338,537)

Appendix 1: Corrected Material Misstatements and Reclassifications

	Balance Sheet	SOFA	Effect on Net Surplus
Adjustment journals proposed by Kingston Smith:			
Fixed assets accumulated depreciation	4,224		
Depreciation expense		4,224	4,224
Being the current year depreciation charge			
PAYE/NI Creditor	3,000		
Employers NI		3,000	(3,000)
Being the annual employment allowance not yet recognised			
Rates Relief		34,210	34,210
Accruals and deferred income	34,210		
Being deferred income			
Pension Liability	31,000		
Pension contributions		5,000	(5,000)
Actuarial losses		36,000	
Being the current year movement on pensions			

Appendix 1: Corrected Material Misstatements and Reclassifications

	Balance Sheet	SOFA	Effect on Net Surplus
Reanalysis journals proposed by Kingston Smith:			
Intercompany debtors	5,040		
Trade debtors		5,040	
Being the reclassification of intercompany debtors			
Trade debtors	1,898		
Trade creditors		1,898	
Being credit balances in trade debtors			
Final net (income)/expenditure for South Bank Academy			(308,103)

Appendix 1: Corrected Material Misstatements and Reclassifications

South Bank Engineering UTC Trust

	Balance Sheet		SOFA		Effect on Net Surplus
	Dr	Cr	Dr	Cr	Dr/(Cr)
Draft Net Income					44,081
Fixed asset additions	98,027				
Repairs and maintenance				98,027	(98,027)
Depreciation charge			4,799		4,799
Accumulated depreciation		4,799			
<i>Being the reclassification of fixed assets charged to P&L</i>					
Equipment			14,729		14,729
Marketing				360	(360)
IT consultancy				4,550	(4,550)
Audit			750		750
Printing, postage and stationary			2,208		2,208
Teaching supplies			9,279		9,279
Accruals		22,056			
<i>Being movement in accruals</i>					

Appendix 1: Corrected Material Misstatements and Reclassifications

	Balance Sheet		SOFA		Effect on Net Surplus
	Dr	Cr	Dr	Cr	Dr/(Cr)
UAESB funding income			61,000		61,000
Staff salaries			20,421		20,421
Other support costs			10,854		10,854
Related party creditors		92,275			
Being movement in creditors					
Equipment				11,127	(11,127)
Marketing				470	(470)
Other support costs				24	(24)
VAT debtor	11,621				
Being adjustment to VAT					
Final net (income)/expenditure for South Bank Engineering UTC Trust before transfer to South Bank Academies					53,563
Transfer of opening reserves of South Bank Engineering UTC Trust					(51,135)
Final net income for the Multi Academy Trust					(305,675)

Appendix 2: Other Matters

Engagement & Independence

Our engagement objective was the audit of the South Bank Academies.

We have implemented policies and procedures to meet the requirements of the Financial Reporting Council's (FRC) Ethical Standards. To this end we considered our independence and objectivity in respect of the audit for the period under review before commencing planning our audit and communicated with you on these matters in our pre-audit letter dated 5 September 2016.

No other matters have come to our attention during the audit which we are required to communicate to you and the safeguards adopted were as described in our pre-audit letter.

Qualitative aspects of accounting practices, accounting policies and financial reporting

Based on our audit work performed, we believe that the Strategic Report, Trustee's Report and financial statements for the period under review comply with United Kingdom Accounting Standards and the Companies Act 2006.

During the course of our audit of the financial statements for the period under review we did not identify any inappropriate accounting policies or practices.

Matters specifically required by other Auditing Standards to be communicated to those charged with governance

Other than as already explained in our Engagement Letter, Pre-Audit Letter and this Post-Audit Management Report, there are no other specific matters to communicate as a result of our audit of the financial statements under review.

DRAFT

This page is intentionally left blank

South Bank Academies

	CONFIDENTIAL
Paper title:	Annual Report and Accounts
Board/Committee:	South Bank Academies Board Meeting
Date of meeting:	8 December 2016
Sponsor:	CEO
Author:	Dan Smith
Purpose:	Approve
Recommendation:	To approve the Annual Audit and Report 2015/16

Executive Summary

The Board of Directors are asked to approve the Annual Report and Accounts provided by the external auditors Kingston Smith LLP.

The Annual Report shows the financial performance of the Trust during the past year (12 months to 31/08/16) and also provides information on;

- Statement from the Chief Executive Officer
- Structure, Governance and Management
- Objectives and Aims
- Plans for Future Periods

The Annual report needs to be submitted to the Department for Education and shown on the Trust website by the 31st December 2016. Further submissions to Companies House are required.

This page is intentionally left blank

South Bank Academies

Annual Report and Financial Statements
For the year ended 31 August 2016

DRAFT

South Bank Academies

Contents

Item	Page
Reference and Administrative Details	1
Trust's Chief Executives Statement	2
Trustees' Report	3 - 9
Governance Statement	10 - 12
Statement on Regularity, Propriety and Compliance	13
Statement of Trustees' Responsibilities	14
Independent Auditor's Report on the Financial Statements	15 - 16
Independent Reporting Accountant's Report on Regularity	17 - 18
Statement of Financial Activities Incorporating Income & Expenditure Account	19
Balance Sheet	20
Cash Flow Statement	21
Notes to the Financial Statements, incorporating:	21 - 38

DRAFT

South Bank Academies

Reference and Administrative Details

Members	Anil Puri (resigned 21/12/2015) David Phoenix (appointed 18/08/2014) London South Bank University (appointed 21/12/2015) Richard Flatman (appointed 21/12/2015) Srinivasa Mallikharjuna Rao Bhamidimarri (resigned 11/01/2016)
Director	Adam Crossley (appointed 01/07/2016) Anil Puri (resigned 01/08/2015) Anthony Giddings (appointed 01/07/2016) Douglas Denham-St-Pinnock (appointed 12/07/2016) Irene Bishop (resigned 25/02/2016) James Stevenson (appointed 21/12/2015) Karen Fowler (resigned 07/01/2016) Richard Parrish (appointed 22/03/2016) Steve McGuire (appointed 11/01/2016) Srinivasa Mallikharjuna Rao Bhamidimarri
Company Secretary	Michael Broadway (appointed 22/03/2016)
Key Management Personnel	
Interim Principal of University Academy of Engineering	Gary Nelson (appointed 05/10/2016)
Principal of University Academy of Engineering	Jane Rowlands (resigned 31/08/16)
Principal of South Bank Engineering UTC	Dan Cundy
Chief Executive Officer	Professor Rao Bhamidimarri
Business manager	Dan Smith
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

South Bank Academies

Trust Chief Executive's Statement

During the year the University Academy of Engineering South Bank became the South Bank Academies, which is a Multi-Academy Trust. In addition to the existing secondary Academy, South Bank Academies developed a new University Technical College, South Bank Engineering UTC opening in September 2016. The Trust's vision for both schools is to design, develop and implement curricula in partnership with London South Bank University and employer partners not only to ensure outstanding achievement in employment focused education by all students, but also to foster creativity and innovation.

Operationally, we strengthened the governance and financial systems. We attracted experienced directors with complementary expertise to support the Trust. The Directors appointed the Chief Executive and a Business Manager, who is also the Chief Financial Officer of the Trust, to take responsibility for financial management across the Trust.

The Academy continued to grow with the addition of another cohort of Year 7 students, helping us create improved learning environment. The Academy continued to procure more specialist equipment to support the learning and teaching in STEM and engineering. We also invested in enhancing the premises and learning resources. The Principal of the Academy, Jane Rowlands, left in August 2016. The Trust initiated a search for a replacement Principal and installed an interim Principal in October. This ensured business continuity, with the objectives for the year being met.

During the year student attendance at the Academy was above the national average, as is the student attainment with 85% of the students achieving one full level progress. The Academy also completed preparations for opening the Post 16 in September 2016. We recruited experienced teachers in STEM subjects and the Academy is fully staffed for the next school year when we will have 400 students across Years 7, 8 and 9, and post 16.

The UTC project team made significant progress during the year to meet all the requirements specified by the Department for Education in order to open in September 2016. Student recruitment targets agreed in the Funding Agreement were met. We established strong employer links, leading to the UTC curriculum being closely linked to employer driven projects for the project based learning curriculum. The employer partners also committed themselves to taking on the UTC students as interns and apprentices once the students complete their study at the UTC.

The premises posed numerous challenges, but working with the Education Funding Authority and their Technical Consultants, we secured the temporary accommodation to ensure opening of the UTC as planned.

We initiated a range of collaborative activities between the London South Bank University and the Trust schools. These included coding workshops for the Academy students; University student interns at the Academy; technical, administrative and marketing support for the UTC.

The successful development of the Academy and the UTC during the year would not have been possible without the support from the University and the employer partners. I must also recognise the commitment and hard work of the staff of both schools and the UTC project team to ensure that we continue to have a transformational impact on the young people in South London.

Professor Rao Bhamidimarri
Chief Executive, South Bank Academies

Date.....

South Bank Academies

Trustees' Report

The trustees who are the directors of the company present their annual report together with the financial statements and auditors' report of South Bank Academies (SBA) for the period ended 31 August 2016. The annual report serves the purpose of both a trustees' report and a directors' report under company law.

The company operates two education establishments in London, the University Academy of Engineering South Bank in the London borough of Southwark which was operational during 2015/16 and the South Bank Engineering UTC in the London borough of Lambeth which opened in September 2016. The schools have a combined pupil capacity of 1500 and the Academy had pupil numbers of 234 in 2015/16.

Structure, Governance and Management

Constitution

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

SBA's directors are also charitable trustees in relation to the exempt 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 Academy 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, London South Bank University (LSBU)
- The CEO
- The Chairs of the local governing bodies
- 4 co-opted trustees from external sponsors

The Board has established a nomination committee to recruit new directors to the Board. New directors will be recruited through an open recruitment process.

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.

South Bank Academies

Organisational Structure

During the year the company converted from a single academy trust to a multi academy trust in order to take over the responsibility of running 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 both academy schools 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 all academies. The Board with its oversight of all the academies will ensure sharing of best practice, professional development and effective resource management delivering best value for money.

Arrangements for setting pay and remuneration of key management personnel

The company follows its Pay Policy which includes agreed Pay Scales for key management personnel.

Connected Organisations, including Related Party Relationships

London South Bank University sponsors the South Bank Academies and offers assistance with expertise and resources, students have been able to visit University facilities such as the Virtual Engineering Suite and university lecturers have visited the academy to offer advice and expertise to students and staff. These additions to the students learning experience offer huge benefits.

Academies and academy proprietors (otherwise known as Academy Trusts or academy companies) are exempt charities, which means they are exempt from day to day Charity Commission supervision (The Charities Act 1993). These charities cannot register with the Charity Commission and are outside their monitoring and investigative power, but they have the same status and tax benefits as other charities in England and Wales and must comply with general charity law. They are subject to the jurisdiction of the courts and can ask the Charity Commission to exercise their support powers when necessary.

The principal regulator for every Academy Trust is the Secretary of State for Education through the Department for Education (DfE), with financial and governance overseen by the Education Funding Agency.

The Charity Commission and DfE entered into a memorandum of understanding in July 2012 to formalise the details of the relationship as principal regulators. It was designed to ensure that academies are regulated appropriately and effectively as charities but through oversight mechanisms to ensure that regulation is proportionate and avoids duplication.

Objectives and Activities

Objects and Aims

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.

South Bank Academies

The 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 Trust opened the University Academy of Engineering (UAE) South Bank in 2014 and has 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.

The UAE South Bank is a 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 engineering industry generally.

Objectives, Strategies and Activities

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

- To open the South Bank Engineering UTC in September and be fully operational for a September 2016 start.
- To open the Post 16 area of the University Academy of Engineering South Bank and to be fully operational with enough students
- Further develop business links such as the those at the UTC with Skanska, Guy's & St Thomas' and King's College NHS Foundation Trusts
- Develop the Governance structure appropriate to an expanding Trust allowing clear lines of communication, information, challenge and responsibility
- Develop the staffing structure appropriate to an expanding Trust allowing clear lines of communication, information and responsibility

Vision and Values

The South Bank Academies aspires to create Outstanding 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 Trust will set ambitious but realistic objectives through a five year strategic plans 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 academies to deliver agreed targets on both achievement and progress. Outstanding success of the UTC and academies 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.

South Bank Academies

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.

Public Benefit

South Bank Academies Trust receives the 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 directors of the South Bank Academies are satisfied that they meet the public benefit criteria as required by the section 17 of the Charities Act 2011.

DRAFT

South Bank Academies

Strategic Report

Achievements and Performance

The company's main objectives during the period were to continue to set up the new UTC in Brixton and open the Post 16 area at the University Academy of Engineering South Bank.

These were both achieved with sufficient numbers to make an exciting curriculum available and to be financially viable. Both entities are now fully operational, with the UTC commencing its activities on 1st September 2016.

Key Financial Performance Indicators

The South Bank Academies has a list of key performance indicators both financial and non-financial.

The main KPI's that were set in 2015/16 were:

- Finance – Surplus of over 1% in Trust accounts
- Infrastructure – All compliance documentation was complete

All were achieved during the year.

Each school is given targets throughout the year. University Academy of Engineering South Bank was the only school operational in the period but attendance and attainment figures were met, these were both above the national average with attendance figures above 97%.

Going Concern

After making appropriate enquiries, the board of directors of South Bank Academies has a reasonable expectation that South Bank Academies 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 directors of South Bank Academies have made it a priority to ensure high standards are maintained in the student's attainments and the environment they are taught in but at the same time as ensuring within the budget and any proposals for additional expenditure is rigorously evaluated.

During the period under review the main source of income was from Education Funding Agency in the form of recurrent grants. This funding is recognised as restricted due to its specific purpose. Any funding received for capital or fixed asset expenditure is shown as restricted income in the fixed asset fund.

In the year to 31st August 2016 the company received £2,560,267 of restricted general funds. The funding from the DfE/EFA includes £2,171,359 of General annual Grant. There was an expenditure of £2,118,138 against this income leaving a carried forward in general restricted funds of £501,398 including pension reserve deficit of £28,000. Unrestricted funds had an income of £17,907 and no expenditure. In addition, the net deficit of £2,428 was transferred from South Bank Engineering UTC. Year end reserves, including the transfer, amounted to £867,159.

South Bank Academies

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 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 £62,019 this is to be used to increase the capacity for learning and teaching at the academy. Restricted funds carry forward balance is £519,199 this is the equivalent of two month's income and is to be used as a contingency for unforeseen operational disruption.

There is £288,369 of restricted fixed assets carry forward which has been set aside for specialist equipment.

Investment Policy

Directors of the 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 do not consider the investment of surplus funds as a primary activity, but rather a requirement for the effective management of the various funds.

Directors' management of cash flow should ensure that there are always sufficient funds in the main bank account to cover operational costs. Banks must be selected from the FSA Approved List included in the Financial Services Compensation Scheme (FSCS).

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.

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 audit.

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.

South Bank Academies

- 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.

Plans for Future Periods

The South Bank Academies has opened the South Bank Engineering UTC in September 2016 but has no current plans to increase the number of schools beyond this.

The operational target for 2016/17 is to get both current schools performing at a level where they will be awarded an Ofsted rating of good or better.

Auditor

In so far as the Trustees are aware:

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

South Bank Academies has appointed Kingston Smith LLP as auditors.

Approved by board of directors on 8th December 2016 and signed on its behalf by:

Signed

.....

Chief Executive Officer

South Bank Academies

Governance Statement

Scope of Responsibility

As directors, we acknowledge we have overall responsibility for ensuring South Bank Academies has effective and appropriate systems 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 directors have delegated the day-to-day responsibility to the Chief Executive Officer and the Chief Financial Officer, for ensuring financial controls conform to 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 any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report. The Board of Directors has formally met three times up to 31st August 2016. Attendance during the year at meetings of the Board of Directors was as follows:

Directors	Meeting Attended	Out of a Possible
Adam Crossley	0	1
Anil Puri	0	1
Anthony Giddings	1	1
David Phoenix	3	3
Irene Bishop	1	1
James Stevenson	3	3
Karen Fowler	1	1
Rao Bhamidmarri	3	3
Richard Flatman	2	3
Richard Parrish	0	1
Steve McGuire	1	2

The board will meet four times during 2016/17.

Following the change to a multi academy trust membership of the Board of Directors has been substantially altered during the year. The Board has noted its current diversity and will take steps to address the current gender and ethnicity imbalance of its membership during the year.

During the year the Board established:

- An Audit Committee whose purpose is to oversee the internal and external audit functions, internal control and risk management, and financial reporting;
- A Nomination Committee whose purpose is to recruit new directors to the Board; and
- A Remuneration Committees whose purpose is to set the objectives and pay of the Principals, and to approve HR policy for the company.

Review of Value for Money

As accounting officer the Chief Executive Officer has responsibility for ensuring that that the Trust delivers good value in the use of public resources. The accounting officer understands that value for

South Bank Academies

money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

Annual benchmarking is done and reported to the board and the Local Governing bodies in relation to expenditure including staffing.

The company has delivered value for money in the past 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 – As the academy student numbers have been smaller during the academy's growth phase there has been vacant areas of the building that have been let to local community groups to generate additional income and help the local area.

The company has added the South Bank Engineering UTC to its existing academy and will take advantage of increased economies of scale by entering into joint contracts for services such as catering and cleaning and by sharing resources including equipment and staff.

The Purpose of the System of Internal Control

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

Capacity to Handle Risk

The directors have reviewed the key risks to which South Bank Academies is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board is of the view that there is a formal on-going process for identifying, evaluating and managing South Bank Academies significant risks that has been in place for the period ending 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board.

The Risk and Control Framework

South Bank Academies 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;
- Regular reviews of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- Setting targets to measure financial and other performance;
- Clearly defined purchasing (asset purchase or capital investment) guidelines.

South Bank Academies

- Delegation of authority and segregation of duties;
- Identification and management of risks.

The board has considered the need for a specific internal audit function and the Chief Financial Officer provides assurance to the Trust on financial matters by performing monthly reconciliations and processing checks using the School's Financial Management System (PS Financials). In 2016/17 the Chief Financial Officer will visit each school once a term to complete the checks and provide a report to the Trust on the operation of the systems of control and on the discharge of the company's financial responsibilities.

Review of Effectiveness -

As accounting officer, the Chief Executive Officer has responsibility for reviewing the effectiveness of the system of internal control. During the period in question the review has been informed by:

- The financial management and governance self-assessment process;
- The work of the executive managers within South Bank Academies who have responsibility for the development and maintenance of the internal control framework;
- The work of the external auditor

The accounting officer has been advised of the system of internal control in place during the period and a plan to address any weakness and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of directors on 8 December 2016 and signed on its behalf by:

Signed

.....

Chair

Signed

.....

Accounting Officer

DRAFT

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 Funding Agency of material irregularity, impropriety and noncompliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

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

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

.....

Accounting Officer

Date:

DRAFT

South Bank Academies

Statement of Trustees' Responsibilities

The Trustees (who act as Governors of South Bank Academies and are also the Directors of the charitable Company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction published by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

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

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

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

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

Approved by order of the members of the board of Trustees on and signed on its behalf by:

.....
Chair

Southbank Academies

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

We have audited the financial statements of South Bank Academies for the year ended 31 August 2016 which comprise the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters which 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.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Directors' Responsibilities, the Governors (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.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2015 to 2016 issued by the EFA.

Opinion on other matter prescribed by the Companies Act 2006

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

Southbank Academies

Independent Auditor's Report on the Financial Statements to the Board of Trustees South Bank Academies (continued)

Matters on which we are required to report by exception

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

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

Date:

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

Devonshire House
60 Goswell Road
St Albans
EC1M 7AD

DRAFT

Southbank Academies

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

In accordance with the terms of our engagement letter dated 22 July 2016 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by South Bank Academies 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 EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to South Bank Academies and EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than South Bank Academies and the EFA, 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, Southbank Academies and the Academies Financial Handbook, extant from 1 September 2014, 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 2015 to 2016. 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 01 September 2015 to 31 August 2016 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 2015 to 2016 issued by EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw to our conclusion includes:

- Enquiry
- Inspection and review
- Observation and reperformance

Southbank Academies

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

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 2014 to 31 August 2015 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

DRAFT

South Bank Academies

Statement of Financial Activities for the year ended 31 August 2016
(including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

	Note	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total 2016 £	Total 2015 £ as restated
Income and endowments from:						
Donations and capital grants	2	-	92,444	-	92,444	-
Charitable activities:						
Funding for the academy trust's educational operations	3	4,800	2,467,823	-	2,472,623	1,183,492
Other trading activities	4	11,512	-	-	11,512	20,222
Investments	5	1,595	-	-	1,595	939
Total		<u>17,907</u>	<u>2,560,267</u>	<u>-</u>	<u>2,578,174</u>	<u>1,204,653</u>
Expenditure on:						
Charitable activities:						
Academy trust educational operations	6	-	2,118,138	151,933	2,270,071	1,355,199
Net liabilities transfer loss	6	(156)	17,801	(15,217)	2,428	-
Total		<u>(156)</u>	<u>2,135,939</u>	<u>136,716</u>	<u>2,272,499</u>	<u>1,355,199</u>
Net income / (expenditure)		18,063	424,328	(136,716)	305,675	(150,546)
Transfers between funds	14	-	-	-	-	-
Other recognised gains and losses						
Actuarial (losses) / gains on defined benefit pension schemes	14,20	-	(36,000)	-	(36,000)	-
Net movement in funds		18,063	388,328	(136,716)	269,675	(150,546)
Reconciliation of funds						
Total funds brought forward	14	44,112	113,070	440,302	597,484	748,030
Total funds carried forward	14	<u>62,175</u>	<u>501,398</u>	<u>303,586</u>	<u>867,159</u>	<u>597,484</u>

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 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible assets	11		99,449		10,445
Current assets					
Debtors	12	124,665		119,190	
Cash at bank and in hand		1,187,996		1,238,125	
		<u>1,312,661</u>		<u>1,357,315</u>	
Liabilities					
Creditors : Amounts falling due within one year	13	<u>(516,951)</u>		<u>(773,276)</u>	
Net current assets/(liabilities)			<u>795,710</u>		<u>584,039</u>
Total assets less current liabilities			895,159		594,484
Defined benefit pension scheme (liability)/asset	20		(28,000)		3,000
Total net assets			<u>867,159</u>		<u>597,484</u>
Funds of the academy trust:					
Restricted funds					
Fixed asset fund	14	303,586		440,302	
General fund	14	529,398		110,070	
Pension reserve	14	<u>(28,000)</u>		<u>3,000</u>	
Total restricted funds			804,984		553,372
Unrestricted income funds	14		62,175		44,112
Total funds			<u>867,159</u>		<u>597,484</u>

The financial statements on pages 21 to 38 were approved by the trustees, and authorised for issue on 2016 and are signed on their behalf by:

[Signed]

[Name to be typed]

Trustee

South Bank Academies

Cash Flow Statement for the year ended 31 August 2016

	Notes	2016 £	2015 £
Cash flows from operating activities			
Net cash provided by (used in) operating activities	16	(83,389)	550,945
Cash flows from investing activities	17	1,595	(5,736)
Change in cash and cash equivalents in the reporting period		<u>(81,794)</u>	<u>545,209</u>
Cash and cash equivalents at 1 September 2015		1,238,125	692,916
Transfer from South Bank Engineering UTC		31,665	-
Cash and cash equivalents at 31 August 2016		<u>1,187,996</u>	<u>1,238,125</u>

DRAFT

South Bank Academies

Notes to the Financial Statements for the year ended 31 August 2016

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 FRS102, 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 2015 to 2016 issued by the EFA, the Charities Act 2011 and the Companies Act 2006.

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.

First time adoption of FRS 102

These financial statements are the first financial statements of South Bank Academies prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities SORP 2015 (SORP 2015). The financial statements for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

No adjustments were required on the adoption of FRS 102.

Going Concern

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. 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 (continued) for the year ended 31 August 2016

1 Statement of Accounting Policies (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 sheet in the restricted fixed asset fund.

Sponsorship Income

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions)

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.

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.

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.

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.

All resources expended are inclusive of irrecoverable VAT.

South Bank Academies

Notes to the Financial Statements (continued) for the year ended 31 August 2016

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:

Furniture and equipment	5 years straight line
Computer equipment	3 years 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.

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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Statement of Accounting Policies (continued)

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its 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 assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1 Statement of Accounting Policies (continued)

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

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

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.

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 Funding Agency and Department for Education.

South Bank Academies

Notes to the Financial Statements (continued) for the year ended 31 August 2016

1 Statement of Accounting Policies (continued)

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.

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 20, 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 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. 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.

2 Donations and capital grants

	Unrestricted Funds £	Restricted Funds £	Total 2016 £	Total 2015 £
Donated salaries	-	92,444	92,444	-
	-	92,444	92,444	-

3 Funding for the Academy Trust's Educational Operations

	Unrestricted Funds £	Restricted Funds £	Total 2016 £	Total 2015 £ as restated
DfE / EFA revenue grants				
General Annual Grant (GAG)	-	2,171,359	2,171,359	964,738
Other DfE/EFA grants	-	146,681	146,681	193,923
	-	2,318,040	2,318,040	1,158,661
Other Government grants				
Local authority grants	-	96,370	96,370	-
	-	96,370	96,370	-
Other Income from the academy trust's educational	4,800	53,413	58,213	24,831
	4,800	2,467,823	2,472,623	1,183,492

The Funding for the Academy Trust's Educational Operations totalled £2,472,623 (2015: £1,183,492) of which £4,800 (2015: £24,831) was unrestricted and £2,467,823 (2015: £1,158,661) was restricted.

South Bank Academies

Notes to the Financial Statements (continued) for the year ended 31 August 2016

4 Other trading activities	Unrestricted Funds £	Restricted Funds £	Total 2016 £	Total 2015 £
Hire of facilities	11,512	-	11,512	20,222
	<u>11,512</u>	<u>-</u>	<u>11,512</u>	<u>20,222</u>

The income from other trading activities totalled £11,512 (2015: £20,222) of which £11,512 (2015: £20,222) was unrestricted.

5 Investment income	Unrestricted Funds £	Restricted Funds £	Total 2016 £	Total 2015 £
Short term deposits	1,595	-	1,595	939
	<u>1,595</u>	<u>-</u>	<u>1,595</u>	<u>939</u>

Investment income totalled £1,595 (2015: £939) of which £1,595 (2015: £939) was unrestricted.

6 Expenditure	Non Pay Expenditure			Total 2016 £	Total 2015 £
	Staff Costs £	Premises £	Other £		
Academy's educational operations:					
Direct costs	1,102,932	47,822	17,687	1,168,441	561,278
Allocated support costs	372,998	356,744	371,888	1,101,630	793,921
	<u>1,475,930</u>	<u>404,566</u>	<u>389,575</u>	<u>2,270,071</u>	<u>1,355,199</u>

Expenditure totalled £2,270,071 (2015: £1,355,199) of which £2,118,138 was restricted (2015: £1,087,190) and £151,933 (2015: £268,009) restricted fixed assets.

Included in Charitable Activities expenditure is £2,428 relating to the loss on transfer of net liabilities from South Bank Engineering UTC Trust.

Net income / (expenditure) for the period includes:

	2016 £	2015 £
Depreciation	4,224	4,224
Fees payable to auditor for:		
Audit	5,400	5,100
Other services	4,110	1,500
	<u>9,510</u>	<u>6,600</u>

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2016

7 Charitable Activities

	Total 2016 £	Total 2015 £
Direct costs - educational operations	1,168,441	561,278
Support costs - educational operations	1,101,630	793,921
Loss on transfer of liabilities from South Bank Engineering UTC	2,428	-
	<u>2,272,499</u>	<u>1,355,199</u>

Support costs - educational operations

	Total 2016 £	Total 2015 £
Support staff costs	372,998	116,580
Depreciation	4,224	4,224
Technology costs	66,852	-
Premise costs	356,744	618,801
Other support costs	291,302	36,710
Governance costs	9,510	17,606
Total direct and support costs	<u>1,101,630</u>	<u>793,921</u>

Direct costs totalled £1,168,141 (2015: £561,278) of which £1,168,141 was restricted (2015: £561,278). Support costs totalled £1,101,630 (2015: £793,921) of which £744,474 was restricted (2015: £525,912) and £151,933 (2015: £268,009) was restricted fixed assets.

8 Staff

a. Staff costs

	2016 £	2015 £
Staff costs during the period were:		
Wages and salaries	1,058,334	414,145
Social security costs	90,424	37,043
Operating costs of defined benefit pension scheme	118,247	39,983
	<u>1,267,005</u>	<u>491,171</u>
Supply staff costs	124,625	159,002
Staff restructuring costs	84,300	11,644
	<u>1,475,930</u>	<u>661,817</u>
Staff restructuring costs comprise:		
Other restructuring costs and compromise settlement costs	84,300	11,644
	<u>84,300</u>	<u>11,644</u>

South Bank Academies

Notes to the Financial Statements (continued) for the year ended 31 August 2016

8 Staff (Continued)

b. Staff numbers

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

	2016 No.	2015 No.
Teachers	26	6
Administration and support	5	3
Management	1	1
	<u>32</u>	<u>10</u>

c. Higher paid staff

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

	2016 No.	2015 No.
£90,001 - £100,000	-	1
£100,001 - £110,000	1	-

d. Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £299,650 (2015: £200,734).

9 Related Party Transactions - Trustees' Remuneration and Expenses

No trustees have been paid remuneration or have received other benefits from an employment with the academy trust. The principal and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment.

During the year ended 31 August 2016, no travel or subsistence expenses were reimbursed or paid directly to any trustees (2015: £Nil).

South Bank Academies

Notes to the Financial Statements (continued) for the year ended 31 August 2016

10 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.

11 Tangible fixed assets

	Furniture and Equipment £	Computer Equipment £	Total £
Cost			
At 1 September 2015	9,993	6,675	16,668
Transfer from South Bank Engineering UTC		98,027	98,027
Disposals	-	-	-
At 31 August 2016	<u>9,993</u>	<u>104,702</u>	<u>114,695</u>
Depreciation			
At 1 September 2015	3,998	2,225	6,223
Charged in year	1,999	2,225	4,224
Transfer from South Bank Engineering UTC	-	4,799	4,799
At 31 August 2016	<u>5,997</u>	<u>9,249</u>	<u>15,246</u>
Net book values			
At 31 August 2016	<u><u>3,996</u></u>	<u><u>95,453</u></u>	<u><u>99,449</u></u>
At 31 August 2015	<u><u>5,995</u></u>	<u><u>4,450</u></u>	<u><u>10,445</u></u>

12 Debtors

	South Bank Academies £	Transfer from South Bank Engineering UTC £	Total 2016 £	Total 2015 £
Trade debtors	4,148	-	4,148	22,325
VAT recoverable	21,151	27,242	48,393	28,287
Prepayments and accrued income	67,084	-	67,084	68,578
Amounts due from sponsoring organisation	5,040	-	5,040	-
			-	
	<u><u>97,423</u></u>	<u><u>27,242</u></u>	<u><u>124,665</u></u>	<u><u>119,190</u></u>

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2016

13 Creditors: Amounts falling due within one year

	South Bank Academies £	Transfer from South Bank Engineering UTC £	Total 2016 £	Total 2015 £
Trade creditors	61,674	-	61,674	195,599
Taxation and social security	28,361	-	28,361	10,435
EFA creditor: abatement of GAG	82,940	-	82,940	485,451
Accruals and deferred income	250,413	53,966	304,379	81,791
Other creditors	-	39,597	39,597	-
	423,388	93,563	516,951	773,276

Deferred income

	2016	2015
Deferred Income at 1 September 2015	-	-
Resources deferred in the year	34,210	-
Deferred Income at 31 August 2016	34,210	-

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

14 Funds

	Balance at 1 September 2015 £ as restated	Incoming Resources £	Resources Expended £	Gains, Transfers £	Balance at 31 August 2016 £
Restricted general funds					
General Annual Grant (GAG)	(149,853)	2,171,359	(1,563,577)	-	457,929
Other DfE grants	259,923	200,094	(460,017)	-	-
Local authority grants	-	96,370	(7,100)	-	89,270
Pension reserve	3,000	-	5,000	(36,000)	(28,000)
Transfer from South Bank Engineering UTC	-	-	-	(17,801)	(17,801)
Donated salaries	-	92,444	(92,444)	-	-
	113,070	2,560,267	(2,118,138)	(53,801)	501,398
Restricted fixed asset funds					
Local authority capital grant	440,302	-	(151,933)	-	288,369
Transfer from South Bank Engineering UTC	-	-	-	15,217	15,217
	440,302	-	(151,933)	15,217	303,586
Total restricted funds	553,372	2,560,267	(2,270,071)	(38,584)	804,984
Unrestricted funds	44,112	17,907	-	-	62,019
Transfer from South Bank Engineering UTC	-	-	-	156	156
Total unrestricted funds	44,112	17,907	-	156	62,175
Total funds	597,484	2,578,174	(2,270,071)	(38,428)	867,159

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2016

14 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.

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 academy which can be used for any purposes the trustees deem appropriate.

Under the funding agreement with the Secretary of State, the academy was not subject to limits on the amount of GAG that it could carry forward at 31 August 2016.

Total funds analysis by academy

Fund balances at 31 August 2016 were allocated as follows:

	Total 2016	Total 2015
South Bank Academies Trust	609,218	154,182
South Bank Engineering UTC Trust	(17,645)	-
Total before fixed assets and pension reserve	<u>591,573</u>	<u>154,182</u>
Restricted fixed asset fund	303,586	440,302
Pension reserve	(28,000)	3,000
Total	<u>867,159</u>	<u>597,484</u>

South Bank Engineering UTC Trust is carrying a net deficit due to initial expenditure. The Trust believes that the Academy will show a surplus in the next academic year.

Total cost analysis by academy

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

	Teaching and Educational Support Staff Costs	Other Support Staff Costs	Educatio nal Supplies	Other Costs (excluding Depreciati on)	Total 2016	Total 2015
South Bank Academies Trust	1,102,932	372,998	-	789,917	2,265,847	1,350,975
South Bank Engineering UTC Trust	-	-	-	(2,428)	(2,428)	-
	<u>1,102,932</u>	<u>372,998</u>	<u>-</u>	<u>787,489</u>	<u>2,263,419</u>	<u>1,350,975</u>

South Bank Engineering UTC Trust expenditure represents net liabilities of the School transferred to the Trust.

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2016

15 Analysis of net assets between Funds

Fund balances at 31 August 2016 are represented by:

	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total Funds £
Tangible fixed assets	-	-	99,449	99,449
Current assets	62,175	1,046,349	204,137	1,312,661
Current liabilities	-	(516,951)	-	(516,951)
Pension scheme liability	-	(28,000)	-	(28,000)
Total net assets	<u>62,175</u>	<u>469,733</u>	<u>303,586</u>	<u>867,159</u>

16 Reconciliation of Net Income/(expenditure) to Net Cash Inflow from Operating Activities

	2016 £	2015 £
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	272,103	(150,546)
Adjusted for:		
Depreciation [note 11]	4,224	4,224
Interest receivable [note 5]	(1,595)	(939)
Defined benefit pension scheme finance cost/income	31,000	(3,000)
(Increase)/decrease in debtors	(39,233)	(67,417)
Increase/(decrease) in creditors	(349,888)	768,623
Net Cash provided by / (used in) Operating Activities	<u>(83,389)</u>	<u>550,945</u>

17 Cash flows from investing activities

	2016 £	2015 £
Interest received	1,595	939
Purchase of fixed assets	-	(6,675)
Net Cash provided by / (used in) investing Activities	<u>1,595</u>	<u>(5,736)</u>

18 Analysis of cash and cash equivalents

	At 31 August 2016 £	At 31 August 2015 £
Cash in hand and at bank	1,156,331	1,238,125
Total cash and cash equivalents	<u>1,156,331</u>	<u>1,238,125</u>

19 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.

20 Pension and Similar Obligations

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

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

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

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.

Valuation of the Teachers' Pension Scheme

Not less than every four years 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 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%))
- 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 of 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 (continued) for the year ended 31 August 2016

20 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 will be as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

Teachers' Pension Scheme Changes

The employer's pension costs paid to TPS in the period amounted to £91,247 (2015: £28,983).

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

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 2016 was £35,000 (2015: £13,000), of which employer's contributions totalled £27,000 (2015: £10,000) and employees' contributions totalled £8,000 (2015: £3,000). 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

	At 31 August 2016	At 31 August 2015
Rate of increase in salaries	3.40%	3.60%
Rate of increase for pensions in payment/inflation	1.90%	2.10%
Discount rate for scheme liabilities	2.00%	3.80%
Inflation assumption (CPI)	1.90%	2.10%
Commutation of pensions to lump sums	1.90%	2.10%
The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement	At 31 August 2016	At 31 August 2015
<i>Retiring today</i>		
Males	21.9	21.9
Females	26.5	26.4
<i>Retiring in 20 years</i>		
Males	24.1	24.0
Females	28.8	28.7

South Bank Academies

Notes to the Financial Statements (continued) for the year ended 31 August 2016

20 Pension and Similar Obligations (Continued)

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

	Fair value at 31 August 2016 £000	Fair value at 31 August 2015 £000
Equity instruments	28	8
Debt instruments	14	3
Property	9	2
Cash	1	-
Total market value of assets	52	13
Amounts recognised in the statement of financial activities	2016 £000	2015 £000
Current service cost (net of employee contributions)	22	8
Actuarial loss	36	-
Changes in the fair value of defined benefit obligations were as follows:	2016 £000	2015 £000
At 1 September	10	-
Current service cost	22	8
Interest cost	1	-
Employee contributions	8	3
Actuarial (gain)/loss	40	(1)
Benefits paid	(1)	-
Plan introductions, benefit changes, curtailments and settlements	-	-
At 31 August	80	10
Changes in the fair value of Academy's share of scheme assets:	2016 £000	2015 £000
At 1 September	13	-
Interest income	1	-
Employee contributions	8	3
Employer contributions	27	10
Actuarial gain/(loss)	4	-
Benefits paid	(1)	-
At 31 August	52	13
Net pension (liability)/asset	(28)	3

South Bank Academies

Notes to the Financial Statements (continued)
for the year ended 31 August 2016

21 Related Party Transactions

Owing to the nature of the academy 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 in the period of account.

The following related party transactions took place in the period of account:

An amount of £197,896 was paid to London South Bank University (LSBU) in respect of trust's expenses incurred by the University. At the year end LSBU owed South Bank Academies £5,040.

The academy occupies premises owned by the London Borough of Southwark Council, upon which it is not charged any rent.

22 Merger with UTC

On 1st July 2016 the assets and liabilities of South Bank Engineering UTC Trust were transferred to South Bank Academies.

DRAFT