

Lordswood Academies Trust

**Annual Report and Financial
Statements**

Year ended 31 August 2016

(A Company Limited by Guarantee)
Company Registration Number: 07567230 (England and Wales)

Lordswood Academies Trust

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Lordswood Academies Trust

Reference and Administrative Details

Members / Trustees	Mr P Brownsword (Chair) Mr R Minott (Vice-chair) Mrs J Götschel (Executive Headteacher and Accounting Officer) Mr G Darbyshire Mr T Davis Mr D Inman Mrs D Sharples Mr P Spofforth (resigned 20.01.16) Mrs L Wheatly (appointed 10.02.16) Mr S Aykroyd (appointed 14.09.16)
Company Secretary	Mrs C van Zeller
Senior Management Team	
<ul style="list-style-type: none">• Executive Headteacher and Accounting Officer• Associate Headteacher• Academies Finance Director• Academies HR Director• Academies Estates Director	Mrs J Götschel Miss K Sheward Mrs L Latham Mrs D Dodd Mrs T Rolf
Company Name	Lordswood Academies Trust
Principal and Registered Office	Lordswood Girls' School and Sixth Form Centre Knightlow Road Harborne Birmingham B17 8QB
Company Registration Number	07567230
Independent Auditor	PKF Cooper Parry Group Ltd 8 Calthorpe Road Edgbaston Birmingham B15 1QT
Bankers	Lloyds Bank Plc 25 Gresham Road London EC2V 7HN
Solicitors	Stone King LLP 16 St John's Lane London EC1M 4BS

Directory of Academies

Lordswood Girls' School

Address
Knightlow Road
Harborne
Birmingham
B17 8QB

Senior Leadership Team:

- Associate Headteacher Mr M Pearce
- Assistant Headteacher Mrs K Adamson
- Assistant Headteacher Ms J Millward
- Assistant Headteacher Mrs L Verma

Lordswood Boys' School

Address
Hagley Road
Birmingham
B17 8BJ

Senior Leadership Team:

- Headteacher Dr G Koutsou
- Deputy Headteacher Mr L Williams
- Assistant Headteacher Mrs K O'Shaughnessy

Lordswood Academies Trust

Trustees' Report

The trustees present their annual report together with the financial statements and auditors' report of Lordswood Academies Trust (the Academies Trust) for the period 1 September 2015 to 31 August 2016. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The Academies Trust operates two secondary academies in South West Birmingham. Its academies have a combined pupil capacity of 1890 and had a roll of 1282 in the school census on January 2016.

Organisation Overview and Current Position

The Trust's request to the DfE to find a sponsor for Lordswood Boys' School with the capacity to support a school with a falling roll and deficit budget has now been actioned with Central Academies Trust being agreed as sponsor. It is anticipated that the new sponsor will be in place by September 2017.

Structure, Governance and Management

Constitution

The Academies Trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Academies Trust. The trustees of Lordswood Academies Trust are also the directors of the charitable company for the purposes of company law. The charitable company is known as Lordswood Academies Trust.

Details of trustees who served throughout the year are included in the Reference and Administrative Details on page 1.

Members' Liability

Each member of the Academies Trust undertakes to contribute to the assets of the Academies Trust 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.

Trustees' Indemnities

In accordance with the normal commercial practice the Academies Trust provides indemnity insurance to protect its members, directors, academy representatives and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academies Trust business. This insurance does not extend to any claim arising from any act or omission which trustees knew to be a breach of trust or breach of duty or which was committed by the trustees in reckless disregard of whether it was a breach of trust or breach of duty or to the costs of any unsuccessful defence to a criminal prosecution brought against the trustees in their capacity as trustees. The Trust is covered through the Risk Protection Arrangement up to £10 million in aggregate claims.

Method of Recruitment and Appointment or Election of Trustees

Trustees are appointed by virtue of their position on the Local Governing Body as Chair and Vice-chair, by nomination by the Local Governing Body, by nomination and election by current board members or by virtue of their position as employees of the trust.

Policies and Procedures Adopted for the Induction and Training of Trustees

Trustees bring a variety of experience from a number of different backgrounds in both education and industry and commerce. Those coming via a role with a Local Governing Body will have received governor training. Where necessary additional training will be provided on charity, educational, legal and financial matters. All trustees are routinely involved with meetings, accounts, reports, budgets, plans and other information necessary to enable them to carry out their roles. Assistance and advice is always available from trust staff or professional advisors.

Lordswood Academies Trust

Trustees' Report (continued)

Organisational Structure

This consists of three levels: the Trust Board, the Local Governing Bodies, and the Leadership Teams. The aim of the management structure is to devolve responsibility and encourage decision making at all levels.

The Trustees are responsible for setting policy, adopting an annual plan, monitoring the Trust's use of budgets, and making decisions about the direction of the Trust, capital expenditure and senior staff appointments.

The Local Governing Bodies are responsible for monitoring the day to day management and operations of the academy and ensuring that high standards of teaching and learning are maintained. The Governing Bodies act as the link between the individual academy and the Trust.

Other sub-committees are: Staffing, Pay, Finance and Premises, Risk and Audit, and Sixth Form. All decisions are taken at Trust level.

The Leadership Teams across both sites ensure that policies laid down by the Trustees are implemented and work closely with the Local Governing Body in developing improvement plans, monitoring expenditure and making reports for the Trustees.

The Executive Headteacher is the Accounting Officer.

Arrangements for setting pay and remuneration of key management personnel

The staffing structure is under constant review to ensure structure and gradings reflect curriculum need and student numbers. The Pay Committee agrees pay across the Trust schools based on the outcomes of performance management. Benchmarking of salaries was carried out by an external consultant to ensure pay ranges were in line with similar Multi Academy Trusts.

Related Parties and other Connected Charities and Organisations

The Academies Trust was established as a standalone company and does not have any external sponsors, neither is it related to any other charitable trust or party.

Lordswood Academies Trust

Trustees' Report (continued)

Objectives and Activities

Objects and Aims

The Academies Trust's objects are generally to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum.

The Academies Trust assumed responsibility for the operation of Lordswood Boys' School in addition to Lordswood Girls' School on the conversion to a Multi Academy Trust on 1 January 2013. The Academies Trust's principal objective is to advance public benefit through education and by managing and developing both schools and the sixth form centre providing education to pupils between the ages of 11 and 19.

The main objectives of the Academy Trust during the period are summarised below:

- To ensure that every child enjoys the same high quality education in terms of resourcing, tuition and care;
- To continue to raise the standard of educational achievement of all pupils and thereby grow and develop the Academies Trust's local and national reputation;
- To improve the effectiveness of both academies by keeping the curriculum and organisational structure under review;
- To provide value for money for the expenditure incurred;
- To comply with appropriate statutory and national curriculum requirements; and
- To conduct the Academies Trust's business in accordance with the highest standards of integrity, probity and openness.

Objectives, Strategies and Activities

The main strategies for the Academies Trust are set out in each Academy's School Improvement Plan; to achieve this the key activities are:

- Tuition and learning opportunities for all students to attain appropriate academic qualifications and develop their fullest potential;
- Training opportunities for all staff and especially teaching staff;
- A programme of sporting and after school leisure activities open to all students, and,
- Provision of careers information, advice and guidance to support students' progression post-16 and post-18 and maintain the Trust's 0% NEET record.

The main objectives of the Academies Trust during the year are summarised below:

Main priorities from 2015/16 School Improvement Plan for Lordswood Boys' School

1. To ensure that all teaching is good or better and promotes accelerated progress for all groups of students
 - To review the curriculum so that provision is appropriate and promotes progress
 - To maximise all opportunities within the curriculum & individual lesson to promote SMSC education so that students are well prepared for life within multi-cultural/multi-ethnic Britain
 - To improve the quality of lesson planning & delivery
2. To ensure that assessment is accurate & rigorous so that it better informs teaching & targeted intervention
3. To develop students' levels of literacy through promoting a consistent whole-school approach
4. To improve students' attitudes to learning by building their resilience and ability to take responsibility for their own learning

Lordswood Academies Trust

Trustees' Report (continued)

5. To strengthen leadership & management by a relentless focus on building a culture of high aspirations & expectations

- Through systematic & rigorous quality assurance to ensure that teaching & assessment promote excellent progress for all students
- To develop & sustain the capacity of the governing body

Main priorities from 2015/16 School Improvement Plan for Lordswood Girls' School

1. To raise levels of achievement for students at all key stages
 - To ensure high quality teaching at all key stages
 - To develop literacy across all curriculum areas
 - To improve the quality of assessment
 - To improve provision for & tracking of pupil premium & high potential students
 - To review & revise systems & activities to promote student well-being (ACSEED)
2. To continue to review & develop the curriculum to reflect changes to qualifications and accountability measures
 - To review curriculum to increase % students able to achieve Progress 8
 - To introduce citizenship at KS3
 - To revise & develop tutorial programme & SRE/CEIAG provision at all key stages
 - To improve quality of provision post-16
3. To develop leadership & management
4. To continue to develop the use of ICT to support teaching & learning and working practices
 - To continue to improve network infrastructure
 - To improve IT facilities for staff and students
 - To improve print management
 - To continue to develop e-learning facilities
 - To promote the safe use of IT facilities
5. To develop an outward facing school
 - To implement activities with link primary schools
 - To strengthen the school's work with parents/carers (Parent partnership award) & the local community

These priorities were achieved through the implementation of the school improvement cycle:

Review -> Plan/CPD -> Implement -> Review.

Public Benefit

In setting the objectives and planning activities the trustees have given careful consideration to ensuring compliance with the Charity Commissions general guidance on public benefit.

Lordswood Academies Trust

Trustees' Report (continued)

Strategic Report

Achievements and Performance

There were a number of notable successes this year. Lordswood Girls' School became one of the few schools in the country to gain the AcSEED award in recognition of its work in promoting student mental health. The school also achieved the Sustainable Schools award and the bronze level Modeshift Stars. All these awards were outcomes from the Policy & Practice groups which operate as part of the school's CPD programme.

The sports academies at Lordswood Girls' School have had another successful year. The Basketball Academy finished the season in the West Midlands Basketball League with a 10 win – 8 defeat record and were the only team to beat every team in the division making it to the Rosebowl semi-final. The year 10 girls team made it to the Birmingham Schools Final which bodes well for future seasons. The Cricket Academy continues to flourish. With training taking place at both the school and Edgbaston cricket ground, students' skills have developed and a number of fixtures have been played, both indoor and outdoor. Students qualified as "Table Cricket" coaches and umpires, helping out at the regional event and helping to facilitate a tournament of over 200 young students and young adults. 2016-17 sees the launch of the Football Academy in conjunction with Romulus football team.

Lordswood Girls' School's support for the Underprivileged Children's Centre in Ghana has continued. All year groups sponsor a child to attend the school and once again sixth form students and staff volunteered at the Centre in the summer teaching students and helping to run football and other activities. The Centre has outgrown its current premises and has bought a plot of land to build a new school. Raising money to help build this new school is a key focus for the school's fundraising this year.

Key Performance Indicators

A new Headteacher took up post at **Lordswood Boys' School** in April 2016. He has been successful in developing a cohesive staff team with a keen focus on school improvement. A strong partnership between the Headteacher and Senior Leadership Team and the Trust leadership has led to positive outcomes in HMI S8 monitoring. Summer 2016 results, whilst showing improvements, were disappointing and it is clear that the subject teachers, the majority of whom took up post at the start of the year, had not been able to have the necessary impact. There is, however, increased confidence around reliability of data and the school is therefore confident that 2017 results will show the improvements currently seen at KS3. Progress measures for high band students show that Lordswood students were above national figures but priorities for the Boys' School remain improving outcomes for all groups of students across all years and at GCSE in particular.

The falling roll at Lordswood Boys' School continues to be a major concern although there has been an increase in year 7 admissions in September 2016. The school, however, has to manage a large number of in-year admissions, the majority of whom are EAL pupils and this is proving a challenge due to limited staffing resources.

Lordswood Girls' School continues to be oversubscribed. Summer 2016 results were above national figures with an increase in the number of students exceeding expected progress, a priority in the previous year's improvement plan. The Progress 8 score of 0.56 was pleasing. Post-16, the increase in the percentage of A*/A (& equivalent) grades showed a further increase. Recruitment to the Sixth Form remains good in spite of increased competition.

Both schools were pleased to maintain their 0% NEETS record.

The focus on developing the capacity of leadership and management at Lordswood Girls' School continues in order to support succession planning and the school is maintaining its focus on developing innovative and best practice through action research, increasing the number of SLEs and collaboration with and support for other schools.

Work is expected to start on the PSB2 and CIF projects for Lordswood Girls' School in 2016-17 and discussions have also taken place with the EFA with regard to the PSB2 project for the Boys' School. It has been confirmed that this will comprise a complete rebuild of the school.

Lordswood Academies Trust

Trustees' Report (continued)

Going Concern

Although the Trust is currently showing a deficit in the budget for the next few years, the EFA are fully aware of the situation and the school is working closely with them to ensure the financial stability of the school going forward. The Trustees are confident of receiving financial support from the EFA. This gives the Trustees the confidence to deem the Trust as a Going Concern for the foreseeable future. The Trust is working hard to reduce the expenditure and increase the income to the school and eventually increase our reserves in order to maintain the standards of the schools for the future.

Financial Review

Financial Performance

The Trust began the financial year forecasting a deficit budget of £585k. The Trust has worked tirelessly to reduce this budget through a severe cost saving plan. Contracts have been renegotiated and spending has been controlled in order to make significant reductions throughout the year. Plans are in place for a significant staff restructure which will take place in September 2017. The school is also looking at ways in which to generate further income and have set up a working group to investigate opportunities.

Most of the Academy's income is obtained from the Education Funding Agency (EFA) in the form of the General Annual Grant (GAG) the use of which is restricted to particular purposes i.e. the objects of the Academy. The GAG received during the period of this report and the associated expenditure is shown as restricted funds in the Statement of Financial Activities.

The Girls' School is due to commence the construction of a new gymnasium, sixth form centre and all weather pitch and it is anticipated that all of these will bring new opportunities for income generation in the coming years.

The Trust is looking at ways in which to generate further income and have set up a working group to investigate opportunities. Which includes the introduction the potential of a Trading Company within the Trust. An analysis of the skills within the Trust will be carried out and how they can be utilised to offer services to other establishments.

Lordswood Girls' School are increasing the PAN from 2017 by 22 pupils per year resulting in a further 110 pupils from 2021 onwards. This will result in an additional funding of over £400k by 2022/23. In addition, we are also working hard to increase the number of 6th form pupils and are anticipating another 70 pupils by 2020 resulting in a potential additional funding of £280k.

The Financial Performance has improved significantly in the year 2015/2016. Despite the reduction in GAG funding of £485k (when compared with 2014/15), the Trust has reduced its deficit by £153k. This has been achieved by a series of significant reductions in expenditure (£685k) and an increase in trading activity (£79k). This has been achieved by the following:

- Renegotiation of contracts
- Reduction in Capitation
- Change to RPA
- Introduction of software to reduce unnecessary printing
- Printers default to B&W
- Restructure of Finance Department
- Pension Calculations brought in house
- Bulk orders of stationery
- Reduction of post charges by using more email communication
- Restructure of Catering: the Girls' School now supply provision to the Boys' School
- Discounts negotiated with suppliers
- Restructure of staff within Lordswood Boys' School
- A number of teaching staff at the Girls' School were not replaced when they left
- Online payments introduced, to increase use of catering facilities
- Reduction in the use of external advice for Finance and HR
- Cheaper sources of supplier always investigated
- All orders checked and signed by Finance Director
- All orders signed by lead member of SLT for curriculum supplies

Lordswood Academies Trust Trustees' Report (continued)

- Strict controls on Agency teaching staff
- Reduction of absences through proactive monitoring of staff attendance
- Successful case against leasing company (£60k)
- Negotiation with annual contracts to all the cost to be spread throughout the year to assist with cashflow

The Girls' School are planning a significant restructure of the Leadership team, and to review support and teaching staff structures and gradings; this will take effect from September 2017. This together with the

increase in student numbers will reduce our percentage of GAG income spent on staffing to 85% by 2021. It will also result in a healthy ratio of teachers to pupils for the future.

There are some concerns regarding the ability of the Trust to continue as a going concern in the short term. This relates mainly to continuing falling rolls at Lordswood Boys School and the associated reduction in funding. The result of this is that the revenue received from the Boys' School is significantly less than that needed to manage the school successfully.

The consequence is that the Girls' School reserves have been exhausted and a deficit budget is currently forecast. However, a recovery plan and a suggested payback plan have been submitted to the EFA and the Finance Director is working closely with the EFA advisors.

Reserves Policy

The Trustees of the Academies Trust review the reserve levels on an annual basis. The Trust Finance and Premises Committee believe that reserves should provide sufficient working capital to cover delays between spending and receipt of grants and also allow for unexpected situations such as urgent maintenance work. During the last few years the reserves held by Lordswood Girls' School have been consumed in the support of falling rolls in the Boys' School. The Trust is currently in discussion with the EFA for repayment of loans (including meeting the rebasing costs and the staff recharges) should the rebrokering go ahead.

The reserves total at 31 August 2016 was £3,830,036 including the fixed asset reserve of £7,064,301, pension reserve of £(3,201,000), restricted reserves £(557,673), and unrestricted reserves had a balance of £524,408. The Trust are working with the EFA on a recovery plan to rectify the negative reserve position.

Investment Policy

There are no material investments. Cash is managed using the Lloyds current account and the management of these funds is constantly under review. Bank advice at present is that there is a reasonable return in the form of interest payments on this account and in the context of other rates currently on offer. This continues to be reviewed.

Principal Risks and Uncertainties

The Risk and Audit committee on behalf of the board of trustees has reviewed the key risks to which the Academies Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. This is the form of a risk register. This lists the hazards identified, the inherent risks and the likelihood of these and a description of the control measures set up to mitigate the risks. This is reviewed by the trust board. A list of the top ten risks has also been identified, with the main uncertainty being the future of the Boys' School, with the implications, financial and otherwise, of this.

Plans for Future Periods

The School Improvement Plan for 2016/17 is a document available on the school websites. Future plans for the Trust are closely aligned with the outcome of the Lordswood Boys' School possible rebrokering.

Funds Held as Custodian Trustee on Behalf of Others

The Trust does not hold such funds and does not act as the custodian trustees of any other charity.

Lordswood Academies Trust

Trustees' Report (continued)

Auditor

In so far as the trustees are aware:

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

The reappointment of the auditors will be subject to a review of suppliers as an ongoing strategy of getting value for money.

This report incorporating a strategic report was approved by order of the board of trustees on 7 December 2016 and signed on their behalf by:

Paul Brownsword
Chair of Board of Trustees
7 December 2016

Lordswood Academies Trust

Governance Statement

Scope of Responsibility

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

The board of trustees has delegated the day-to-day responsibility to the Executive Headteacher, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Lordswood Academies Trust and the Secretary of State for Education. She is also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The board of trustees has formally met 10 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Director	Meetings attended	Eligible Meetings
Mr P Brownsword (Chair)	8	10
Mr R Minott (Vice-chair)	7	10
Mrs J Götschel (Executive Headteacher)	9	10
Mr G Darbyshire	9	10
Mr T Davis	10	10
Mr D Inman	9	10
Mrs D Sharples	9	10
Mr P Spofforth (resigned 20.01.16)	2	2
Mrs L Wheatly (appointed 10.02.16)	3	6

The Board has largely remained the same in composition with only one resignation and replacement. During the year a skills audit was undertaken to check the current strengths and areas of expertise of the Trust Board. The main challenges have been around the slow progress with regard to the re-brokering of LBS and also keeping a positive cash flow whilst, at the same time, committing fully to running that school. The Trust's finances are stretched in the extreme and we have been disappointed by the lack of support offered to the Trust by the DofE/EFA, particularly given the concerns raised by the Trust since 2012. We are, however, encouraged by comments made during the recent inspection of the school that the team were satisfied that the school had the capacity for sustained improvement, even without a new sponsor. In addition, the rebuilding of the school through the Trust's successful bid to the Priority Schools Building programme is now moving forward which leaves the school in a stronger position for the new sponsor. Throughout this process, there has been extensive support from the Girls' School, which received positive recognition during HMI monitoring visits at the Boys' School; it is of great credit to the staff and leadership of the Girls' School that the high standards have been able to be maintained during this time.

The **Finance and Premises Committee** is a sub-committee of the main board of trustees. Its purpose is to hold the board of trustees to account for their financial statements, budgeting and value for money and to monitor, review and evaluate financial propriety. It also reviews estates and health and safety matters. Attendance during the year at meetings was as follows:

Committee members	Meetings Attended	Out of a Possible
Mr R. Minott	5	5
Mr I. Hutchins	5	5
Mr T. Davis	5	5
Mrs J. Gotschel	5	5
Mr P. Spofforth	1	1

Lordswood Academies Trust

Governance Statement (continued)

The **Risk and Audit Committee** is also a sub-committee of the main board of trustees. Its purpose is to review

the financial reporting, accounting systems and internal controls within the Academies Trust, and to look at risk management and the external audit. It makes appropriate comments and recommendations to the Trust on such matters on a regular basis. It also ensures that the annual accounts are produced in accordance with the legal requirements.

Attendance during the year at meetings was as follows:

Committee members	Meetings Attended	Out of a Possible
Mr T Davis	7	7
Mr G Darbyshire	7	7
Mr T Coppins	4	5
Mr A Moreton (non-governor)	2	3
Mr P Spofforth	2	3

Review of Value for Money

As accounting officer the Executive Headteacher has responsibility for ensuring that the Lordswood Academies Trust delivers good value in the use of public resources. The accounting officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The accounting officer considers how the trust's use of its resources has provided good value for money during each academic year, and reports to the board of trustees where value for money can be improved, including the use of benchmarking data where available. The accounting officer for the Academies Trust has delivered value for money during the year by:

- a review of the following contracts resulting in cost saving:
 - Security
 - Catering
 - Grounds Maintenance
 - Reprographics
 - Cleaning
- negotiation with suppliers
- a moratorium on all non-essential spending
- economies of scale through purchasing for both schools together
- membership of RPA (Risk Protection Agreement)
- seeking best price from suppliers
- further restructure of staffing at Lordswood Boys' School
- non-replacement of teaching staff leaving from Lordswood Girls' School

The Trust has significantly reduced its cost with regard to reprographics with the renegotiation of the contract for both leasing and service of the equipment. This contract will save the Trust approximately £15k per year on the cost per click copying.

The Finance Director is ensuring that all contracts are renegotiated to the advantage of the school when they are due for renewal.

Lordswood Academies Trust Governance Statement (continued)

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 Academies 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 Lordswood Academies Trust for the period 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Risk and Audit committee on behalf of the board of trustees has reviewed the key risks to which the Academies Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the Academies Trust's significant risks that has been in place for the period 1 September 2015 to 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 of trustees.

The Risk and Control Framework

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

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

The board of trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However the trustees have delegated to the Risk and Audit committee the responsibility to carry out a programme of internal checks. This committee reports each meeting to the trust board.

Review of Effectiveness

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

- the work of the internal reviewer
- work of external auditors
- the financial management and governance self-assessment process
- the work of the executive managers within the Academies Trust who have responsibility for the development and maintenance of the internal control framework

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the Finance and Premises Committee and Risk and Audit Committee and plan to address weaknesses and ensure continuous improvement of the systems is being put in place.

Approved by order of the members of the board of trustees on 7th December 2016 and signed on its behalf by:

Paul Brownsword
Chair of Board of Trustees

Jane Götschel
Accounting Officer

Lordswood Academies Trust

Statement on Regularity, Propriety and Compliance

As accounting officer of Lordswood Academies Trust, I have considered my responsibility to notify the Academies Trust board of trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Academies Trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

I confirm that I and the Academies Trust board of trustees are able to identify any material irregular or improper

use of funds by the Academies Trust, or material non-compliance with the terms and conditions of funding under the Academies Trust's funding agreement and the Academies Financial Handbook 2015.

I confirm that no instances of material irregular, 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.

Jane Götschel
Accounting Officer
7 December 2016

Lordswood Academies Trust

Statement of Trustees' Responsibilities

The Trustees (who act as governors of Lordswood Academies Trust and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction issued by the Education 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 Academies Trust and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the trustees are required to:

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

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Academies Trust's transactions and disclose with reasonable accuracy at any time the financial position of the Academies Trust 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 Academies Trust 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 Academies Trust applies financial and other controls, which conform to 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 Academies Trust'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 7th December 2016 and signed on its behalf by:

Paul Brownsword
Chair of Board of Trustees

Lordswood Academies Trust

Independent Auditor's Report on the Financial Statements to the Members of Lordswood Academies Trust

We have audited the financial statements of Lordswood Academies Trust for the year ended 31 August 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

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

Respective Responsibilities of Trustees and Auditors

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the Trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 Trust'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 Trustees' 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 Financial Statements

In our opinion the financial statements:

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

Lordswood Academies Trust

Independent Auditor's Report on the Financial Statements to the Members of The Lordswood Academies Trust (continued)

Opinion On Other Matter Prescribed by The Companies Act 2006

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

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the charitable company's ability to continue as a going concern. As explained in the Trustees' report and note 1 to the financial statements, the trustees are forecasting deficits for the academy for the foreseeable future, indicating the existence of a material uncertainty which casts doubt about the charitable company's ability to continue as a going concern. The financial statements do not include adjustments that would result if the charitable company was unable to continue as a going concern

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:

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

Simon Atkins FCA (Senior statutory auditor)

for and on behalf of

PKF Cooper Parry Group Limited

Chartered Accountants
Statutory Auditors
8 Calthorpe Road
Edgbaston
Birmingham
B15 1QT

Date:

Lordswood Academies Trust Independent Reporting Accountant's Assurance Report on Regularity to The Lordswood Academies Trust and the Education Funding Agency

In accordance with the terms of our engagement letter dated 31 October 2015 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 Lordswood Academies Trust during the period 1 September 2015 to 31 August 2016 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 Lordswood Academies Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Lordswood Academies Trust and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Lordswood Academies Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Lordswood Academies Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Lordswood Academies Trust's funding agreement with the Secretary of State for Education dated 31 December 2012 and the Academies Financial Handbook extant from 1 September 2015, 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 1 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 the EFA. We performed a limited assurance engagement as defined in our engagement letter.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity. A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

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

Lordswood Academies Trust

Independent Reporting Accountant's Assurance Report on Regularity to The Lordswood Academies Trust 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 2015 to 31 August 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Simon Atkins FCA (Senior statutory auditor)
for and on behalf of

PKF Cooper Parry Group Limited

Chartered Accountants
Statutory Auditors
8 Calthorpe Road
Edgbaston
Birmingham
B15 1QT

Date:

Lordswood Academies Trust
Statement of Financial Activities for the Year Ended 31 August 2016
(including Income and Expenditure Account)

	Note	Un- restricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total 2016 £	Total 2015 £
Income and endowments from:						
Donations and capital grants	2	5,123	-	133,486	138,609	266,325
<i>Charitable Activities:</i>						
• Funding for the Academy's educational operations	3	-	8,482,341	-	8,482,341	8,967,307
Other trading activity	4	451,100	-	-	451,100	371,898
Investment income	5	2,770	-	-	2,770	1,694
Total incoming resources		458,992	8,482,341	133,486	9,074,820	9,607,224
Expenditure on:						
Raising Funds	6	254,234	-	-	254,234	291,310
<i>Charitable activities:</i>						
• Academy's educational operations	7	-	8,788,572	216,308	9,004,880	9,652,741
Total resources expended	6	254,234	8,788,572	216,308	9,259,114	9,944,051
Net incoming/ (expenditure) before transfers		204,759	(306,232)	(82,822)	(184,295)	(336,827)
Gross transfers between funds	16	-	(82,139)	82,139	-	-
Net income/ (expenditure) for the year		204,759	(388,371)	(682)	(184,295)	(336,827)
Other recognised gains and losses						
Actuarial (losses)/gains on defined benefit pension schemes	16,24	-	(1,367,000)	-	(1,367,000)	(173,000)
Net movement in funds		204,759	(1,755,371)	(682)	(1,551,295)	(509,827)

Reconciliation of fundsFunds brought forward at 1
September 2015319,650 (2,003,302) 7,064,983 **5,381,331** 5,891,158**Funds carried forward at
31 August 2016****524,409 (3,758,673) 7,064,301 3,830,036 5,381,331**

Lordswood Academies Trust

Balance Sheet as at 31 August 2016

Company Number 07567230

	Notes	2016	2015
		£	£
Fixed assets			
Tangible assets	12	6,887,301	6,887,983
Current assets			
Debtors	13	114,504	199,909
Cash at bank and in hand		400,862	296,463
		515,366	496,372
Liabilities			
Creditors: Amounts falling due within one year	14	(371,631)	(326,024)
Net current assets		143,735	170,348
Net assets excluding pension liability		7,031,036	7,058,331
Defined benefit pension scheme liability	24	(3,201,000)	(1,677,000)
Total net assets including pension liability		3,830,036	5,381,331
Funds of the Academy:			
Restricted income funds			
• Fixed asset fund	16	7,064,301	7,064,983
• Restricted Income fund	16	(557,673)	(326,302)
• Pension reserve	16	(3,201,000)	(1,677,000)
Total restricted funds		3,305,628	5,061,681
Unrestricted income funds	16	524,408	319,650
Total funds		3,830,036	5,381,331

The financial statements on pages 19 to 38 were approved by the trustees, and authorised for issue on 7 December 2016 and are signed on their behalf by:

Paul Brownsword
Chair of Trustees

Lordswood Academies Trust

Statement of Cash Flows for the Year Ended 31 August 2016

	Note s	2016 £	2015 £
Cash flows from operating activities:			
· Net cash provided by (used in) operating activities	20	183,767	(295,741)
Cash flows from investing activities			
	21	(79,369)	125,824
Change in cash and cash equivalents in the reporting period		104,398	(169,917)
		296,463	466,380
Cash and cash equivalents 1 September 2015			
Cash and cash equivalents 31 August 2016	22	400,862	296,463

Lordswood Academies Trust

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.

Basis of Preparation

The financial statements of the Academies Trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with FRS 102 (Charities SORP (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency, the Charities Act 2011 and the Companies Act 2006.

Lordswood Academies Trust meets the definition of a public benefit entity under FRS 102.

■ **First time adoption of FRS 102**

These financial statements are the first financial statements of Lordswood Academies Trust 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 of Lordswood Academies Trust for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the trustees have amended certain accounting policies to comply with FRS 102 and SORP 2015.

■ **Explanation of transition to FRS 102**

It is the first year that the Academies Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

Comparative figures have been restated to reflect the adjustments made.

Reconciliations and descriptions of the effect of the transition to FRS 102 and SORP 2015 on total funds and net income/ (expenditure) for the comparative period reported under previous UK GAAP and SORP 2005 are given below:

Reconciliation of net income/(expenditure)	Notes	31 August 2015 £
Net income/(expenditure) previously reported under UK GAAP		(299,827)
Change in recognition of LGPS interest cost	A	(37,000)
Net movement in funds reported under FRS 102		(336,827)

A – Change in recognition of LGPS interest cost

Under previous UK GAAP the trust recognised an expected return on defined benefit plan assets in income/expense. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in income/expense. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to reduce the credit to expense by £37,000 and increase the credit in other recognised gains and losses in the SoFA by an equivalent amount.

Lordswood Academies Trust

Notes to the Financial Statements for the Year Ended 31 August 2016

(continued)

1. Statement of Accounting Policies (continued)

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 one year from the date of approval of the financial statements. Lordswood Academies Trust has made a deficit during the year ended 31 August 2016, and is projecting costs in excess of income during the next financial period. There are significant risks surrounding the on-going financial situation and long-term sustainability. The Trustees are continuing to review the situation, and are in communication with the EFA to discuss a plan to ensure long term sustainability of the Trust. Given the ongoing work to secure the future viability of the Trust, the trustees believe it is appropriate to prepare these accounts on a going concern basis.

Income

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

■ **Grants**

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

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

Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

■ **Sponsorship Income**

Sponsorship income provided to the Academies 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 it can be measured reliably.

■ **Donations**

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

■ **Other Income**

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

■ **Donated goods, facilities and services**

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

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

Lordswood Academies Trust

Notes to the Financial Statements for the Year Ended 31 August 2016

(continued)

1. Statement of Accounting Policies (continued)

Expenditure

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

■ **Expenditure on Raising Funds**

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

■ **Charitable Activities**

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

All resources expended are inclusive of irrecoverable VAT.

Tangible Fixed Assets

Assets costing £1,000 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 such 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 lives, as follows:

Long Leasehold buildings	2% (50 years)
Fixtures and Fittings	10% (10 years)
Computer equipment	33% (3 years)

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

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

Liabilities

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

Lordswood Academies Trust

Notes to the Financial Statements for the Year Ended 31 August 2016

(continued)

1. Statement of Accounting Policies (continued)

Provisions

Provisions are recognised when the Academies 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 the 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 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.

Leased Assets

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

Stock

Stationery and book stocks are valued at the lower of cost or net realisable value.

Taxation

The Academies 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 Academies Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by chapter 3 part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Pensions Benefits

Retirement benefits to employees of the Academies 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 Academies 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 quinquennial valuations using a prospective unit credit method. As stated in Note 24, 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 Academies Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and 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.

Lordswood Academies Trust

Notes to the Financial Statements for the Year Ended 31 August 2016

(continued)

1. Statement of Accounting Policies (continued)

Fund Accounting

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

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

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

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

The Academies 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 24, 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 2015. 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.

Lordswood Academies Trust
Notes to the Financial Statements for the Year Ended 31 August 2016
(continued)

2. Donations and Capital Grants

	Unrestricted Funds £	Restricted Funds £	Total 2016 £	Total 2015 £
Capital Grants	-	133,486	133,486	266,325
Other donations	5,123	-	5,123	-
	5,123	133,486	138,609	266,325
Total 2015	-	266,325	266,325	

3. Funding for the Academies Trust's Educational Operations

	Unrestricted Funds £	Restricted Funds £	Total 2016 £	Total 2015 £
DfE/EFA revenue grant				
• General Annual Grant (GAG)	-	8,017,051	8,017,051	8,370,751
• Other DfE/EFA grants	-	457,961	457,961	583,719
	-	8,475,012	8,475,012	8,954,470
Other Government grants				
• Local Authority grants	-	4,850	4,850	12,837
				13
Other Income from the Academies Trust's educational operations	-	2,479	2,479	-
	-	8,482,341	8,482,341	8,967,307
Total 2015	-	8,967,307	8,967,307	

4. Other Trading Activities

	Unrestricted Funds £	Restricted Funds £	Total 2016 £	Total 2015 £
School trips	56,737	-	56,737	68,357

Hire of facilities	55,463	-	55,463	26,219
Catering Income	190,296	-	190,296	173,591
Other Income	148,604	-	148,604	103,731
	451,100	-	451,100	371,898
Total 2015	371,898	-	371,898	

5. Investment Income

	Unrestrict ed Funds £	Restrict ed Funds £	Total 2016 £	Total 2015 £
Short term deposits	2,770	-	2,770	1,694
	2,770	-	2,770	1,694
Total 2015	1,694	-	1,694	

Lordswood Academies Trust

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

6. Expenditure

	Staff Costs £	Non Pay Expenditure		Total 2016 £	Total 2015 £
		Premise s £	Other Costs £		
Expenditure on raising funds	-	-	254,234	254,234	291,310
Academy's educational operations					
• Direct costs	5,272,772	-	383,922	5,656,694	6,548,339
• Allocated support costs	1,795,632	558,324	994,231	3,348,186	3,104,402
	7,068,403	558,324	1,632,387	9,259,114	9,944,051
Total 2015	7,539,116	581,652	1,823,283	9,944,051	

Net income/(expenditure) for the period include:

2016
£

2015
£

Operating lease rentals	74,442	81,055
Depreciation	216,308	236,309
<i>Fees payable to the auditor for</i>		
• Audit – current year	17,000	-
• Audit – prior year under accrual	15,745	-
• Other services	-	-
		<hr/>

7. Charitable Activities - Academy's educational operations

	Total 2016	Total 2015
	£	£
Direct costs – educational operations	5,656,694	6,548,339
Support costs – educational operations	3,348,186	3,104,402
Total direct and support costs	9,004,880	9,652,741

	Total 2016	Total 2015
	£	£
Analysis of support costs		
Support staff costs	1,795,631	1,767,096
Depreciation	216,307	236,309
Technology costs	173,001	110,139
Recruitment and support	24,142	23,360
Premises costs	558,324	449,902
Other support costs	520,316	502,596
Governance costs	60,465	15,000
Total Support Costs	3,348,186	3,104,402

Lordswood Academies Trust
Notes to the Financial Statements for the Year Ended 31 August 2016
(continued)

8. Staff

a. Staff costs

	2016	2015
	£	£
Wages and salaries	5,527,689	6,019,601
Social security costs	412,905	454,422
Operating costs of defined benefit pension schemes	970,370	868,958
	6,910,964	7,342,981
Supply staff costs	126,939	113,310
Staff restructuring costs	30,500	82,825
	7,068,403	7,539,116

Staff restructuring costs comprise:

Redundancy payments	-	82,825
Severance payments	30,500	-
Other restructuring costs	-	-
	30,500	82,825

b. Non statutory / non contractual staff severance payments

Included in staff restructuring costs are non-statutory / non-contractual severance payments totaling £30,500 (2015 £nil). Individually, the payments were: £25,600 and £4,900.

c. Staff numbers

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

	2016	2015
	Number	Number
Teachers	95	110
Administration and support	80	83
Management	17	16
	192	209

d. Higher paid staff

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

	2016 Number	2015 Number
£60,001-£70,000	1	2
£70,001-£80,000	2	1
£100,001-£110,000	1	1

Lordswood Academies Trust

Notes to the Financial Statements for the Year Ended 31 August 2016

(continued)

8. Staff (continued)

e. Key management personnel

The key management personnel of the Academies 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 Academies Trust was £356,019 (2015: £305,449).

9. Central Services

No central services were provided by the trust to its academies during the period and no central charges arose.

10. Related Party Transactions - Trustees' Remuneration & Expenses

One or more trustees have been paid remuneration or have received other benefits from an employment with the Academies Trust. The principal and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff under their contracts of employment, and not in respect of their role as Trustees. Other Trustees did not receive any payments, other than expenses, from the Academies Trust in respect of their role as Trustees. The value of the trustees' remuneration was as follows:

Mrs J Götschel (principal and trustee)

Remuneration £100,000 - £110,000 (2015: £100,000 - £110,000)

Employer's pension contributions £10,000 - £15,000 (2015: £10,000 - £15,000)

During the period ended 31 August 2016, travel and subsistence expenses totaling £nil (2015: £50) were reimbursed or paid directly to 1 trustees.

Other related party transactions involving the trustees are set out in note 25.

11. Trustees' and Officers' Insurance

In accordance with normal commercial practice the academy has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £20,000,000. The cost of this insurance is included in the total insurance cost.

Lordswood Academies Trust
Notes to the Financial Statements for the Year Ended 31 August 2016
(continued)

12. Tangible Fixed Assets

	Leasehold Land and Buildings	Furniture and Equipment	Computer Hardware	Assets Under Construction	Total
	£	£	£	£	£
Cost					
At 1 September 2015	7,126,961	249,766	235,167	-	7,611,894
Additions	-	943	-	214,682	215,625
At 31 August 2016	7,126,961	250,709	235,167	214,682	7,827,519
Depreciation					
At 1 September 2015	467,120	90,051	166,740	-	723,911
Charged in year	145,924	24,977	45,407	-	216,308
At 31 August 2016	613,044	115,028	212,147	-	940,219
Net book values					
At 31 August 2015	6,659,841	159,715	68,427	-	6,887,983
At 31 August 2016	6,513,917	135,681	23,020	214,682	6,887,301

The Trust's transactions relating to Fixed Assets included in Land and Buildings is Freehold Land at valuation of £1,290,000 which is not depreciated.

13. Debtors

	2016 £	2015 £
Trade debtors	18,546	7,184
VAT Recoverable	16,555	11,443
Prepayments and accrued income	79,403	181,281
	114,504	199,908

14. Creditors: Amounts Falling Due within one Year

	2016 £	2015 £
Trade Creditors	46,389	295
Other taxation and social security	146,396	129,637
Accruals and deferred income	178,846	196,092
	371,631	326,024

Deferred income	2016	2015
	£	£
As at 1 September 2015	-	-
Released from previous years	22,353	-
Deferred income at 31 August 2016	22,353	-

At the balance sheet date the academy trust was holding funds received in relation to advanced rates relief funding and school fund income for the 2016/17 academic year.

Lordswood Academies Trust

Notes to the Financial Statements for the Year Ended 31 August 2016

(continued)

15. Creditors: Amounts Falling Due after one Year

	2016	2015
	£	£
Other creditors	-	-
	-	-

16. Funds

	Balance at 1 September 2015	Income	Expenditure	Gains, Losses and Transfers	Balance at 31 August 2016
	£	£	£	£	£
Restricted general funds					
General Annual Grant (GAG)	(326,302)	8,017,051	(8,166,283)	(82,139)	(557,673)
Start Up Grant	-	-	-	-	-
Pupil Premium	-	368,136	(368,136)	-	-
Other Grants	-	97,153	(97,153)	-	-
Pension Reserve	(1,677,000)	-	(157,000)	(1,367,000)	(3,201,000)
	(2,003,302)	8,482,341	(8,788,572)	(1,449,139)	(3,758,673)
Restricted fixed asset funds					
Transfer on conversion	4,425,928	-	-	-	4,425,928
DfE/EFA capital grants	2,254,520	133,486	(216,308)	-	2,171,698
Capital expenditure from GAG	384,535	-	-	82,139	466,674
Private sector capital sponsorship	-	-	-	-	-
	7,064,983	133,486	(216,308)	82,139	7,064,301
Total restricted funds	5,061,681	8,615,827	(9,004,880)	(1,367,000)	3,305,628

Total unrestricted funds	319,650	458,992	(254,234)	-	524,408
Total funds	5,381,331	9,074,819	(9,259,114)	(1,367,000)	3,830,036

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

Restricted general funds

The balance of £(558)k on the restricted general funds is currently being reviewed by the Trust and action is being taken to bring back to a surplus position.

The Pension reserve of £3,201k (overdrawn) represents the Academy Trust's share of the deficit in the West Midlands Pension Fund.

Restricted fixed asset funds

The restricted fixed assets funds relate predominantly to the assets acquired on conversion to an Academy Trust, being the properties.

Unrestricted funds

The unrestricted funds represent the surplus generated by the trust on activities for generating funds.

Lordswood Academies Trust

Notes to the Financial Statements for the Year Ended 31 August 2016

(continued)

16. Funds (continued)

Analysis of Academies by Fund balance

Funds at 31 August 2016 were allocated as follows:

	Balance at 31 August 2016
	£
Lordswood Girls' School and Sixth Form Centre	393,569
Lordswood Boys' School	(426,833)
Total before fixed assets and pension reserve	(33,264)
Restricted fixed asset fund	7,064,301
Pension reserve	(3,201,000)
Total	3,830,036

The Trust is currently considering a number of options that would bring the Boys' school back to a position of not making an annual deficit.

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	Educational supplies	Other costs (exc. Dep)	Total
	£	£	£	£	£
Lordswood Girls' School and Sixth Form Centre	3,405,487	1,047,328	263,989	996,392	5,713,196
Lordswood Boys' School	1,867,284	748,304	119,933	594,090	3,329,611
Academies Trust	5,272,772	1,795,632	383,922	1,590,481	9,042,806

17. 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
	£	£	£	£
Intangible fixed assets	-	-	-	-
Tangible fixed assets	-	-	6,887,301	6,887,301
Current assets	524,408	(171,973)	177,000	529,435
Current liabilities	-	(385,700)	-	(385,700)
Non-current liabilities	-	-	-	-
Pension scheme liability	-	(3,201,000)	-	(3,201,000)
Total net assets	524,408	(3,758,673)	7,064,301	3,830,036

Lordswood Academies Trust

Notes to the Financial Statements for the Year Ended 31 August 2016

(continued)

18. Capital Commitments

	2016 £	2015 £
Contracted for, but not provided in the financial statements	-	-

19. Commitments under operating leases

At 31 August 2015 the total of the Academies Trust's future minimum lease payments under non-cancellable operating leases was:

	2016 £	2015 £
Amounts due within one year	79,639	132,494
Amounts due between one and five years	84,740	817
	164,379	133,311

20. Reconciliation of Net Income to Net Cash Inflow from Operating Activities

	2016 £	2015 £
Net income/(expenditure) for year (as per SoFA)		
Adjusted for:	(184,295)	(336,827)
Depreciation charges (note 13)	216,308	236,309
Capital grants from DfE and other capital income	(133,486)	(266,325)
Interest receivable (note 4)	(2,770)	(1,694)
Defined benefit pension scheme less contributions payable (note 25)	94,000	40,000
Defined benefit pension scheme finance cost (note 25)	63,000	56,000
(Increase)/decrease in debtors	85,404	(83,766)
Increase/(decrease) in creditors	45,607	60,562
Net cash provided by/(used in) operating activities	183,767	(295,741)

21. Cash flows from investing activities

	2016 £	2015 £
Dividends, interest and rents from investments	2,770	1,694
Purchase of tangible fixed assets	(215,625)	(142,195)
Capital grants from DfE/EFA	133,486	266,325
Net cash provided by/(used in) investing activities	79,369	125,824

22. Analysis of cash and cash equivalents

At 1

At 31

	September		August
	2015	Cash flows	2016
	£	£	£
Cash in hand and at bank	296,463	104,399	400,862
Total cash and cash equivalents	296,463	104,399	400,862

23. Members' Liability

Each member of the Academies Trust 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.

Lordswood Academies Trust

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

24. Pension and Similar Obligations

The Academies 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 the West Midlands Pension Fund. Both are defined-benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

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

Teachers' Pension Scheme

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

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

Valuation of the Teachers' Pension Scheme

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 at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%))
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations

- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

During the year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015, which will be payable during the implementation period until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

Lordswood Academies Trust

Notes to the Financial Statements for the Year Ended 31 August 2016

(continued)

24. Pension and Similar Obligations (continued)

The pension costs paid to TPS in the period amounted to £606,689 (2015 £585,915).

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 multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds.

The total contribution made for the year ended 31 August 2016 was £296,000 (2015: £343,000), of which employer's contributions totalled £220,000 (2015: £252,000) and employees' contributions totalled £76,000 (2015: £91,000). The agreed contribution rates for future years are 18.7% (Lordswood Girls' School) and 19.5% (Lordswood Boys' School) for employers and for employees:

Up to £13,600	5.5%
£13,601 and up to £21,200	5.8%
£21,201 and up to £34,400	6.5%
£34,401 and up to £43,500	6.8%
£43,501 and up to £60,700	8.5%
£60,701 and up to £86,000	9.9%
£86,001 and up to £101,200	10.5%
£101,200 and up to £151,800	11.4%

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

Principal actuarial assumptions	At 31 August 2016	At 31 August 2015
Rate of increase for pensions in payment / inflation	2.0	2.2
Rate of increase in salaries	3.75	4.2
Inflation assumption (CPI)	2.4	2.4
Discount rate for scheme liabilities	2.2	4.0
Commutation of pensions to lump sums		

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

	At 31 August 2016	At 31 August 2015
<i>Retiring today</i>		
+Males	23.1	23.0
Females	26.8	25.2
<i>Retiring in 20 years</i>		
Males	25.3	25.6
Females	28.1	28.0

Lordswood Academies Trust

Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

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

	Fair value at 31 August 2016	Fair value at 31 August 2015
	£'000	£'000
Equities	1,732	1,330
Bonds	453	390
Property	232	190
Cash	187	112
Other	315	205
Total market value of assets	2,919	2,227

The actual return on scheme assets was £453,000 (2015: £90,000).

24. Pension and Similar Obligations (continued)

Amounts recognised in the statement of financial activities

	2016 £000	2015 £000
Current service cost (net of employee contributions)	314	292
Net interest cost	-	-
Benefit changes, gain/(loss) on curtailment and gain/(loss) on settlement	-	-
Total operating charge	314	292

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

	2016 £000	2015 £000
As at 1 September	3,904	3,254
Current service cost	314	292
Interest cost	157	136
Employee contributions	76	91
Actuarial (gain)/loss	1,725	183
Benefits paid	(56)	(52)
Plan introductions, benefit changes, curtailments and settlements	-	-
At 31 August	6,120	3,904

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

	2016 £000	2015 £000
As at 1 September	2,227	1,846

Interest income	94	-
Return on plan assets (excluding net interest on the net defined pension liability)	359	117
Actuarial gain/(loss)	-	(27)
Employer contributions	220	252
Member contributions	76	91
Benefits paid	(56)	(52)
Plan introductions, benefit changes, curtailments and settlements	(1)	-
At 31 August	2,919	2,227

25. Related Party Transactions

Owing to the nature of the Academies Trust's operations and the composition of the board of trustees being drawn from the 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. There were no related party transactions in the period.