

University of Chester Academies Trust

Company Limited by Guarantee: registration number 06929486 (England and Wales)

University of Chester Academies Trust

(A Company Limited by Guarantee)

Annual Report and Financial Statements

Year ended 31 August 2016

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University of Chester Academies Trust
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

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University of Chester Academies Trust

REFERENCE AND ADMINISTRATIVE DETAILS

University of Chester Academies Trust, known as UCAT is an organisation incorporating the following academies:

University Church of England Academy, Ellesmere Port (UCEA)	
University of Chester Academy Northwich (UCAN)	
University Academy Liverpool (UAL)	(brokered 1 November 2015)
University Academy Warrington (UAW)	
University Academy Kidsgrove (UAK)	
University Church Free School, Chester (UCFS)	
University Primary Academy Kidsgrove (UPAK)	
University Primary Academy Weaverham (UPAW)	

Board of Trustees: The Board comprises the following individuals who served during the year ended 31 August 2016: -

Mr Robert Jones	Chair	
Mrs Linda Rowe	Virtue of Executive Director	Appointed 01/09/2015
Mr Chris Ramsey	Co-optee	Resigned 09/07/2016
Mr Annesley Wright	Co-optee	Resigned 19/07/2016
Mr David Cumberland	Sponsor Appointment	
Mr Robin Gill	Parent Governor	Resigned 15/2/2017
Mr Tim Boulton		Appointed 13/12/2017
Mrs Helen Dearden		Appointed 13/12/2017

Members

Professor Timothy J Wheeler	
Ms Anna Sutton	
Canon Jeffery Turnbull	
Mr Robert Jones	Virtue of Chair of Board Office

Company Secretary	St Paul Secretaries
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Senior Leadership Team – UCAT

Chief Executive Officer	Linda Rowe	Appointed 01/09/15
Chief Operations Officer	Jan McKay	Appointed September 2009
Director of Finance	Edward Austin	Resigned 31/01/2016
Director of Finance	Alan Southward	Appointed 08/02/2016

University of Chester Academies Trust
REFERENCE AND ADMINISTRATIVE DETAILS

Company Registration Number: 06929486 (England and Wales)

Principal and Registered Office: UCAT Academies
UCE Academy
164 Whitby Road
Ellesmere Port
Cheshire
CH65 6EA

Independent Auditor: RSM UK Audit LLP
One City Place
Queens Road
Chester
Cheshire
CH1 3BQ

Internal Auditor: McLintocks Chartered Accountants & Business Advisors
2 Hillards Court
Chester Business Park
Chester
CH4 9PX

Solicitors: Hill Dickinson
No. 1 St Paul's Square
Liverpool
Merseyside
L3 9SJ

Bankers: Barclays Bank plc
30 St Werburgh Street
Chester
Cheshire
CH1 2DY

University of Chester Academies Trust

GOVERNANCE REPORT

The Trustees of the University of Chester Academies Trust, who are also directors of the Trust for the purposes of the Companies Act, present their statutory report and the audited financial statements for the year ended 31 August 2016. The Trust operates 4 secondary academies, 2 primary academies and a free school in the North West of England. Its academies have a combined pupil capacity of 4,465 and had a roll of 2,703 in the October 2015 school census.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution and Principal Activities

The Trust is a company limited by guarantee (Company registration number 06929486) and an exempt charity. The charitable company's Memorandum and Articles of Association are the primary governing documents of the Academy and were set up in November 2011 as amended in September 2014. All of the trustees are also directors of the limited company for the purposes of company law.

The 'funding agreement' was executed and delivered as a deed in November 2011, amended in line with the latest DfE model on 28th October 2014 and signed by the Trust and the Secretary of State for Education. The funding agreement specifies the roles and responsibilities of each of the Trust and the Secretary of State in developing and maintaining academies within the Trust. There are also the Supplementary Funding Agreements in relation to each Academy.

The principal object and activity of the charitable company is more specifically the sponsorship, establishment, maintenance and development of a number of Academies and Free schools to provide education for students of different abilities between the ages of 4 and 18, offering a broad and balanced curriculum.

Trustees are directors of the charitable company for the purposes of the company law and Trustees for the purposes of charity legislation, and are Governors of the Academy Trust. Details of the Trustees and Directors, who served during the year ended 31 August 2016, are included in the Reference and Administration Details on Page 3.

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.

Trustees Indemnities

In accordance with normal commercial practice and the specific enabling provisions within its Articles of Association, the Trust purchases insurance to protect trustees, directors and relevant officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business.

Method of Recruitment and Appointment or Election of Trustees

Members of the Trust are nominated by either the Secretary of State for the Department of Education or the principal sponsor the University of Chester. The company's Articles of Association set out the categories of Director of the Company and the process for their appointment.

All of the Trustees and Directors are appointed in accordance with the process for appointment within the Articles of Association. The Articles of Association of the Trust were amended in September 2014 and any new appointments of Directors will follow the requirements of the new Articles.

The Directors operating as the Trust Board have developed a detailed scheme of delegation, which assigns responsibility for decision making across the Trusts activities, including specific areas of delegation to Statement of Action Committees at each academy, which are chaired by National Leaders of Governance to ensure current knowledge and expertise.

University of Chester Academies Trust

GOVERNANCE REPORT

Following the issue of a pre-warning notice from the Department for Education in 2013, the Trust was required to take action to tighten lines of accountability and therefore its governance arrangements are subject to regular formal review and revision to ensure that they are fit for purpose. Governance arrangements were reviewed in January 2015 and again in September 2016.

Policies and Procedures Adopted for the Induction and Training of Trustees

On appointment, all Trustees undertake induction and training, which was based on advice provided by legal consultants and in line with DfE guidance.

All Trustees are provided with a comprehensive Trustee's pack, which includes policies, procedures, minutes, accounts, budgets, and other documents required to fulfil their role.

Arrangements for Setting Pay and Remuneration of Key Management Personnel.

Remuneration arrangements for Management Personnel are based on relevant NJC grades. All grades for senior appointments are approved at Board level.

Organisational structure

The existing Lines of Delegation continues to be regularly reviewed. This details the organisational structure for the Board of Trustees/Directors through a main Board and a separate Audit and Scrutiny Committee. Statement of Action Committees, who effectively operate as Local Governing Bodies, hold Academy Principals to account for the progress of pupils and user of resources and report regularly to the Board through the CEO. The Chief Executive Officer (who is the Accounting Officer) and other key officers within the central UCAT senior leadership team are responsible for day-to-day operations. The Board sets the vision and UCAT wide policies and budgets. The Board then monitors the implementation.

Risk Management

The Board of Directors reviewed the process for managing risk and agreed that it would be managed at Board level. This involved focussing on the most significant risks to the organisation set out on a risk register; putting systems and processes in place to mitigate these risks; and the Board monitoring the impact of actions on mitigating risks through the CEO.

Connected Organisations

The sponsor of UCAT is the University of Chester via the University Of Chester Trust (UCT) and a formal Memorandum of Agreement sets out the terms of this relationship.

UCAT comprises the following Academies:

University Church of England Academy	UCEA
University of Chester Academy Northwich	UCAN
University Academy Warrington	UAW
University Academy Kidsgrove	UAK
University Church Free School, Chester	UCFS
University Primary Academy Kidsgrove	UPAK
University Primary Academy Weaverham	UPAW

UCAT was also the lead sponsor for the University Academy Liverpool (UAL); however, during the course of the year sponsorship of the Academy was brokered resulting in a transfer out of the Trust, which was completed on November 1st 2015.

University of Chester Academies Trust

GOVERNANCE REPORT

Objectives and Activities

The principle object and activity of the charitable company is more specifically the sponsorship, establishment, maintenance and development of a number of Academies and Free Schools to provide education for students of different abilities between the ages of 4 and 18, offering a broad and balanced curriculum.

The main objective of the Trust during the year ending 31 August 2016 was to enhance the educational experience and attainment of all students in UCAT Academies.

Strategies and Activities

The Trust's strategy for improvement is underpinned by its vision for our pupils and staff that is captured in our motto: **Believe, Belong, Become**. Therefore, in each of its academies UCAT's aim is to develop and maintain a culture that:

- enables individuals to **Believe** in themselves and in their ability, as well as in others.
- cultivates within our pupils and staff a true sense that they **Belong** to a family that cares for them and supports them.
- enriches and extends their learning so that each can **Become** the individual they aspire to be.

This aim will be achieved by working together – in and across academies – drawing on the expertise within its family of schools; having learning at the heart of everything it does; and maximising on the learning opportunities available for all. The focus for individuals is on improving their own practice; for teams on supporting the development and professional growth of each other; and for academies on looking at ways of supporting each other to improve and grow into outstanding organisations so that UCAT pupil outcomes are the very best they can be. Leaders, teachers, support staff, pupils, parents and governors working consistently and coherently together to improve the quality of teaching and learning have the potential to build a Trust where every pupil will experience outstanding teachers and every academy will have outstanding leaders.

Public Benefit

The Directors have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their powers and duties.

In setting the objectives and planning their activities, the Directors, as Trustees, gave careful consideration to the Charity Commission's general guidance on public benefit. The Trust exists to transform young lives through the power of education and the Trustees are committed to doing this by providing the best educational opportunities for their students so they may lead happy and fulfilling lives with high aspirations for their future.

The main objective of the Trust during the year ending 31 August 2016 was to enhance the educational experience and attainment of all students at UCAT Academies. The Directors and Management continued to develop and implement a school improvement strategy to pursue their commitment to provide the best educational opportunities to the students of its academies.

STRATEGIC REPORT

Review of Achievements and Performance for the Year

Background:

By September 2015, UCAT had been in operation since September 2009 and had eight schools in its multi-academy trust – five secondary, two primaries and one free school. Of those, three were in special measures and five had not had its first inspection. In November 2015, University Academy Liverpool, a secondary academy was transferred to another sponsor.

UCAT's school improvement strategy

Stage 1: laying the foundations – systems, structures and processes had been implemented in 2015 and

Stage 2: building capacity was started in September 2016. Through the year, there was a focus on developing the quality of leadership and of teaching and learning. A range of professional development opportunities were put in place for leaders and teachers. These included a bespoke programme for principals, a UCAT leadership development programme for senior and middle leaders, learning networks for middle leaders, PDT sessions for teachers' and one to one support. Internal strengths were drawn on as well as drawing on SLEs from teaching school alliances and other external experts.

UCAT's aim is year on year to improve the quality of provision within their academies and by November 2016:

UCEA: Ofsted inspection in January 2015 resulted in the Overall Effectiveness judgement moving from 'Inadequate' to 'Requires Improvement'

UCFS: Ofsted inspection in June 2015 resulted in the Overall Effectiveness judgement being 'Good'

UPAK: Ofsted inspection in July 2015 resulted in the Overall Effectiveness judgement being 'Requires Improvement' with 'good for Early Years

UCAN: Ofsted inspection in December 2015 resulted in the academy coming out of special measures, with the Overall Effectiveness moving from 'Inadequate' to Requires Improvement with:

- 'good' for Leadership and Management'
- 'good' for Personal development, Behaviour and Welfare.

UAW: Ofsted inspection in November 2016 judged the Overall Effectiveness as Requires Improvement with:

- 'good' for Leadership and Management'
- 'good' for Personal development, Behaviour and Welfare

UAK Ofsted inspection in November 2016 resulted in the academy coming out of special measures, with the Overall Effectiveness judgement moving from 'Inadequate' to 'Requires Improvement'

UPAW: Ofsted inspection in November 2016 resulted in the Overall Effectiveness judged as Requires Improvement with:

- 'good' for Early years' provision

University of Chester Academies Trust
GOVERNANCE REPORT

Summer 2016

An analysis of pupil performance at primary and secondary level is provided below:

Secondary:

Updated using RAISE un-validated 2016

Un-validated data	UCAN	UAW	UCEA	UAK	National 2016
	2016	2016	2016	2016	Performance tables
Cohort	87	112	110	112	
Progress8	-0.1	-0.3	-0.7	-0.3	-0.03
Attainment8	46.97	43.28	38.42	42.42	48.2
Basics	49%	52%	37%	46%	58.70%

Primary:

Updated using RAISE un-validated 2016

KS2 Progress	UPAK			UPAW		
	All(15)	Dis(5)	Rank	All(29)	Dis(13)	Rank
Reading	2.72	4.45	7	-0.97		94
Writing				-2.23	-2.78	
Maths	0.06	1.3		-0.93		94

Going Concern

The Trust has forecast a deficit position for the following financial year and has submitted a recovery plan to the EFA aimed at achieving a balanced budget, however the current projection is that additional funding will be required to ensure solvency during implementation of the plan. Discussions with EFA aimed at resolving the position are ongoing and management have an expectation that deficit funding will be received. Taking this into account Trustees have a reasonable expectation that the Academy Trust will have 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.

Risk Management

The Board of Directors reviewed the process for managing risk and agreed that it would be managed at Board level. This involved focussing on the most significant risks to the organisation set out on a risk register; putting systems and processes in place to mitigate these risks; and the Board monitoring the impact of actions on mitigating risks through the CEO.

University of Chester Academies Trust

GOVERNANCE REPORT

Performance Indicators

The Trust is committed to observing the importance of performance indicators, to ensure that it continues to strive for both educational and financial excellence. The Trust is monitored through the completion and submission to the EFA of:

- Annual Accounts Return;
- Annual Budget Forecast; and
- Pupil Numbers (School census).

Equal Opportunities

UCAT complies with all relevant legislation, including the Equalities Act 2010, which covers disabled persons amongst other protected characteristics. The Trust is fully committed to the need to have due regard to its Public Sector Equality Duty in all of its planning, policy making and decision making. It has ensured that, at all key meetings of the Board, Statement of Action Committees and Senior Leadership Meetings, all matters under discussion will take equality considerations into account.

Within the Trust, plans for 2016 – 17 the Equalities policy and key PSED objectives are to be reviewed and updated.

Employee Consultation

The Trust encourages the involvement of its employees in its management through regular meetings of Trade Unions, underpinned by a Trade Union Recognition Agreement. This group is a vehicle for the dissemination of information of particular concern to employees (including financial and economic factors affecting the performance of the Academy and for receiving their views on important matters of policy. The model is replicated at academy level to deal with local matters.

University of Chester Academies Trust

GOVERNANCE REPORT

Financial Review

Most of the Trust's income is obtained from the Education Funding Agency (EFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the EFA during the year ended 31 August 2016 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The Trust also receives grants for fixed assets from the EFA. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2015), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

Governors have acknowledged the pupil numbers to be below that previously targeted with a significant implication on overall funding levels. In order to address this trend number of initiatives have been undertaken with improvements in the following areas:

In secondary:

- UCAN came out of special measures in 2015: is Requires Inspection (RI) with 'good' for leadership and management and 'good' for Personal well-being and behaviour ;and is on its way to 'good' by Autumn 2017
- UAK moved out of special measure in November 2016 and is RI
- UCEA moved to RI in June 2015
- UAW was inspected in November 2016 that resulted in RI with 'good' for leadership and management and 'good' for Personal well-being and behaviour

In primary:

- UCFS judged by Ofsted as 'good' with outstanding features in January 2015
- UPAK came out of special measures in December 2015: is RI with 'good' for early years: and on track to becoming good in 2017
- UPAW was inspected in November 2016 and was judged RI.

During the 2015/16 financial year a number of management actions have been implemented to reduce costs with a curriculum led review of teachers staffing being implemented, which is forecast to deliver savings of £1.2 million in the 2016/17 financial year. However, after taking this and other planned efficiencies into account the Trust has set a deficit budget of £1.5 million for 2016/17 and is projecting a deficit of £0.6 million negative balance of reserves at the start of the 2017/18 financial year.

Following discussion on this issue the Trust was required to submit a Recovery Plan to the EFA setting out the forecast future pupil numbers, implications on funding and management actions required to improve the financial position. At the time of this report the Trust is still awaiting a conclusion to this initiative, however management have an expectation that funding will be received to support the recovery plan.

At 31 August 2016 the net book value of fixed assets was £45,972,000 and movements in tangible fixed assets are shown in note 12 to the financial statements. The assets were used exclusively for providing education and the associated support services to the students of the Academies within the Trust.

UCEA has a £100,000 Permanent Endowment from Cheshire West and Chester Council (the capital to remain untouched), with the interest arising available to be used for the benefit of the students.

University of Chester Academies Trust

GOVERNANCE REPORT

Financial Review(continued)

Expenditure in the year ended 31 August 2016 exceeded income by £1,310,000 after taking into account depreciation of fixed assets of £2,007,000 and exceptional costs of £332,000 excluding adjustments to reflect the transfer of University Academy Liverpool.

It should also be noted that actuarial losses on the defined benefit pension scheme of £3,402,000 have arisen in the year. Provision has been made in the financial statements under FRS 102 for the deficit identified in the actuarial valuation of the Local Government Defined Benefit Pension Schemes in which a number of support staff are members. Details of the provision are given in Note 22 to the financial statements. The only cash flow impact of this deficit is that the employer's contribution rates for all schemes include a past service rate valuation to clear the deficit over a 20 year period.

The fund balances at 31 August 2016 comprised:

	£'000
Fixed Asset fund	46,722
Restricted General fund	(77)
Permanent Endowment funds	100
Unrestricted funds	976
	<hr/> 47,721
Pension Liabilities	
Support staff defined benefit scheme – actuarially calculated deficit	(9,272)
Provision for future enhanced pensions to former academic staff	(263)
	<hr/> 38,186

The Trustees have reviewed the fund balances carried forward at 31 August 2016, together with the projected results for 2016/17 and the following four years. Based on the assumption that the Recovery Plan which has been submitted to the Education Funding Agency results in a positive outcome with additional funding provided to support the Trust recovery plan, Trustees confirm that it is appropriate for the financial statements to be drawn up on the going concern basis.

Reserves policy

The Trustees have determined that they will hold sufficient free reserves (unrestricted funds) to be able to support individual academies at specific times during their development e.g. investing in infrastructure, funding costs associated with change management or supporting academies through changes in pupil numbers. The targeted level of reserves to be held is between 5-10% of general restricted and unrestricted income, however the current available free reserves is £899,000 (4.6%), and as such falls below planned levels.

As a result of the financial pressures noted in this report the Trust has set a deficit budget for 2016/17, therefore the reserves will be applied to fund the operational activities of the Trust pending agreement of a financial recovery plan with the EFA.

Investment Policy

The Trust has a risk-averse appetite to investments; any surplus reserves are invested for maximum return within that risk appetite.

Principal Risks and Uncertainties

The Trust has continued work during the year to develop and embed the system of internal control, including financial, operational and risk management, which is designed to protect the Academies' assets and reputation.

The Board of Directors has previously reviewed the process for managing risk and agreed that it would be managed at Board level.

Outlined below is a description of some of the risk factors that may affect the Trust. Not all the factors are within the Trust's control. Other factors besides those listed may also adversely affect the Trust.

1. Not being able to improve the quality of teaching within the academies.

The key to improving pupil progress is quality first teaching.

This risk is managed in a number of ways including:

- Investing in professional development to improve teaching and learning
- Investing in leadership to lead improvements in teaching and learning
- Putting systems, structures and processes in place to ensure accountability
- Quality assuring the support that is put in place to improve teaching and learning
- Having a robust data that is used to inform planning and to monitor progress

2. Falling pupil numbers will impact on schools' viability

The majority of academies within the Trust, particularly secondary's, are below capacity, which affects funding.

The risk is mitigated in a number of ways by:

- a Curriculum led budget which leads to more efficient staffing levels
- a targeted marketing strategy
- improving teaching and learning that leads to improved results, making schools attractive to parents and pupils.

3. Not able to attract high quality teachers

Teacher recruitment is challenging for the majority of schools and competition for the best teachers is fierce.

The risk is mitigated in a number of ways by:

- Working with University of Chester to develop a recruitment model from ITT to induction and early years of teaching
- Providing a quality recruitment offer that is focussed on guaranteed high quality professional development and opportunities for leadership in the future.

Plans for Future Periods

Next steps

In order to address the reduction in income through falling numbers it was proposed that UCAT should prioritise the following actions:

- a robust marketing campaign to communicate UCAT's unique selling proposition of providing a pathway to university for our pupils - many of whom come from areas of significant deprivation. This will be targeted to result in a 10% year on year increase in pupil numbers
- a restructuring of support staff to achieve significant reductions in staffing costs
- a review the TLR and leadership structures with an aim of reducing costs whilst maintaining quality of provision
- seek support from the EFA in terms of ensuring long term financial viability
- with the help of EFA further explore linking with other academies that operate with numbers of less than 500 and remain viable whilst still delivering an appropriate progress 8 curriculum.

Statement as to Disclosure of Information to Auditors

The Trustees have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Trustees have confirmed that they have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

The financial statement auditors, RSM UK Audit LLP, has indicated its willingness to continue in office.

The report of the Trustees and incorporated Strategic Report were approved by the Board of Trustees on 28 February 2017 and signed on their behalf by:



Mr R Jones
Chairman

University of Chester Academies Trust

GOVERNANCE REPORT

Scope of Responsibility

As trustees we acknowledge we have overall responsibility for ensuring that the 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 trustees have delegated the day-to-day responsibility during the year to, Linda Rowe, as Accounting Officer, (who became the Chief Executive Officer on 1 September 2015) 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 master funding agreement and supplementary funding agreements between UCEA, UCAN, UAW, UAK, UCFS, UPAK, UPAW and the Secretary of State for Education.

The Accounting Officer is also responsible for reporting to the 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 the Trustees' Responsibilities. The Board of Trustees has formally met eight times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Directors	Meetings attended	Out of possible
Mr R Jones	8	8
Mrs L Rowe	8	8
Mr C Ramsey	5	7
Mr A Wright	7	8
Mr D Cumberland	5	8
Mr R Gill	7	8

The Audit and Scrutiny Committee is a sub-committee of the Board. Its purpose is to assist the Board in the fulfilment of its governance functions by raising the profile of internal control, risk management and financial reporting issues, as well as consideration of issues raised by internal and external auditors and corporate governance.

Attendance at meetings in the year was as follows:

Directors	Meetings attended	Out of possible
Mr D Cumberland	2	5
Mrs L Rowe	5	5
Mr R Gill	4	5
Mr A Wright	4	5
Mr J McLintock (Co-Opted Trustee)	3	5

Review of Value for Money

As accounting officer, the chief executive has responsibility for ensuring that the academy 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 academy trust has delivered improved value for money during the year by undertaking in depth reviews; with advice has being sought from Outwood Grange and in particular Sir Michael Wilkens. A number of steps have subsequently been taken including:

1. Restructuring and relocation of the central team.

This resulted in a saving of £500k in salary costs and an elimination of rental costs of £50k per year.

2. Brokering of schools.

Two schools within the Trust were brokered to other Trusts to allow resources to be concentrated on remaining schools.

Review of Value for Money (continued)

3. Closure of 6th forms

Two non-viable 6th forms (UAW and UAK) were closed following consultation.

4. Reduction in cost of school improvement model

Costly executive principal structure was removed altogether. This included the additional cost of school to school support from his own base school, which was replaced with an alternative more cost efficient model that ensured building internal capacity.

5. New Governance structure:

In September 2015, a new CEO was appointed alongside the new Chair of Board. The structure was revised to make a clear distinction between Members and the Board and to strengthen the lines of responsibility and accountability. Whilst the governance structure was improved, a further review is now taking place. This will streamline, reduce costs and establish an even tighter accountability structure between the Board and the operational elements of the Trust.

6. An implementation of UCAT's school improvement model

Implementation of a UCAT school improvement programme, starting with establishing consistent structures, systems and processes. These result in clear lines of accountability and planned development opportunities for improving the practice of teachers and leaders to grow capacity within.

7. A restructure of teaching staff

This was undertaken across all secondaries, based on:

- o a new UCAT curriculum for delivery from 2016, which ensures each academy, meets the needs of Progress 8 and eliminates any additional subject areas whilst retaining a small arts element.
- o a determining of teaching staff required using the principles of the Outwood Grange staffing model

This resulted in gaining consistency across the Trust as well as with ensuring minimal under employment; by the end of August 2016 the number of teaching staff was reduced across the 4

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GOVERNANCE REPORT

secondary academies by 33.5 full time equivalents. However, with resignations, voluntary redundancies and natural wastage there were only 3 compulsory redundancies.

8. Demographics review

A demographics review has been undertaken to identify the challenge of pupil recruitment and to identify pools to target.

9. Tighter controls on expenditure and reduction of cost

This is being achieved by:

- a review of financial management information to ensure efficient use of resources
 - more effective collaborative use of resources
 - a review of contracts for suppliers and services, particularly utilities. Existing contracts which include penalties will be reviewed and changed on expiry
 - revision of banking arrangements is underway which should result in a reduction in bank charges by consolidating accounts
- tighter implementation of behaviour policies to eliminate exclusion and so reduce costs

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 control is based on an ongoing 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 the Academy Trust for the year ended 31 August 2016 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The trustees have reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The trustees are of the view that there is a formal ongoing process for identifying, evaluating and managing the Trust's significant risks that has been in place for the year ended 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the trustees.

The Risk and Control Framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the trustees;
- regular reviews by the Board of Directors 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; and
- identification and management of risks.

During the year McIntocks continued to provide an internal audit service, they made visits to each academy and UCAT central. These visits considered income controls and general accounting systems, their reports were considered by the UCAT Audit and Scrutiny committee.

University of Chester Academies Trust
GOVERNANCE REPORT

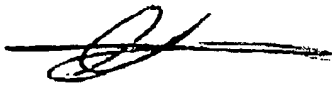
Review of Effectiveness

As Accounting Officer, the Managing Director has responsibility for reviewing the effectiveness of the system of internal control. During the year in question, the review has been informed by:

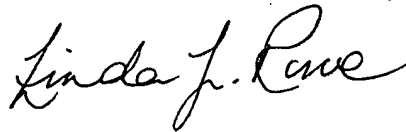
- the work of the internal auditor;
- the work of the external auditor; and
- the work of the Senior Leadership Team within the Trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Audit and Scrutiny Committee and plans to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the Members of the Board of Trustees on 28 February 2017 and signed on its behalf by:



Mr R Jones
Chairman
Date: 28.2.17



Mrs L Rowe
Accounting Officer
Date: 28.2.17

University of Chester Academies Trust
STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of University of Chester Academies Trust I have considered my responsibility to notify the Academy Trust Governing Body and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the Academy Trust Governing Body 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 the EFA.



Mrs L Rowe
Accounting Officer

Date 28.2.17

University of Chester Academies Trust

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees (who are also the directors of UCAT, for the purposes of company law) are responsible for preparing the Trustees' Report (including the strategic 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 until 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 2015 and the Academies Accounts Direction 2015 to 2016;
- make judgements 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; 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 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 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 28 February 2017 and signed on its behalf by:



Mr R Jones
Chairman

Date 28.2.17

University of Chester Academies Trust

INDEPENDENT AUDITORS REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF UNIVERSITY OF CHESTER ACADEMIES TRUST

Opinion on financial statements

We have audited the financial statements of the University of Chester Academies Trust for the year ended 31 August 2016 on pages 23 to 59. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and the Academies: Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

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 year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

Emphasis of matter – Going Concern

In forming our opinion on the financial statements of University of Chester Academies Trust, which is not modified, we have considered the adequacy of the disclosures made within the accounting policies to the financial statements concerning the charitable company's ability to continue as a going concern. The charitable company has drawn up budgets and forecasts which indicate that additional funding will be required from the Education Funding Agency (EFA), at present there is no formal agreement on what level of additional funding will be provided by the EFA, however Trustees have an expectation that the funding will be available. This demonstrates there is material uncertainty which may cast doubt over the charitable company's ability to continue to operate as a going concern in the absence of any further funding advances. The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern.

Scope of the audit of the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Respective responsibilities of governors* and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 20, the governors (who act as trustees for the charitable activities of the charitable company, and are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

University of Chester Academies Trust

INDEPENDENT AUDITORS REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF UNIVERSITY OF CHESTER ACADEMIES TRUST

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

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

RSM UK Audit LLP

ANNA SPENCER-GRAY (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
One City Place
Queens Road
Chester
CH1 3BQ

Date *28 February 2017.*

University of Chester Academies Trust

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31ST AUGUST 2016


		Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Endowment Funds	Total 2016	Total 2015
Income and endowments from:	Notes	£000	£000	£000	£000	£000	£000
Donations and capital grants	2	-	-	2,179	-	2,179	1,107
Transfer from local authority on conversion		-	-	-	-	-	-
Exceptional Property Donated		-	-	-	-	-	2,500
Charitable activities:							
Funding for the academy trust's educational operations		-	18,676	-	-	18,676	24,856
Other trading activities	4	496	270	-	-	766	1,034
Investments	5	22	-	-	-	22	54
Total		518	18,946	2,179	-	21,643	29,551
Expenditure on:							
Raising funds	6	202	-	-	-	202	418
Charitable activities:							
Academy trust educational operations	6	-	20,325	2,006	-	22,331	27,344
Other							
Exceptional costs		-	332	-	-	332	1,117
Academy Transferred Out		126	351	72	-	549	-
Transfer Pension Fund		-	(461)	-	-	(461)	-
Total		328	20,547	2,078	-	22,953	28,879
Net income / (expenditure)		190	(1,601)	101	-	(1,310)	672
Transfers between funds	15	-	8	(8)	-	-	-
Other recognised gains / (losses):							
Remeasurement of net defined benefit pension schemes	23	-	(3,402)	-	-	(3,402)	313
Remeasurement of net enhanced benefit pension schemes	23	-	(30)	-	-	(30)	(9)
Net movement in funds		190	(5,025)	93	-	(4,742)	976
Reconciliation of funds							
Total funds brought forward		786	(4,587)	46,630	100	42,929	41,953
Total funds carried forward		976	(9,612)	46,723	100	38,187	42,929

University of Chester Academies Trust
BALANCE SHEET THE YEAR ENDED 31ST AUGUST 2016

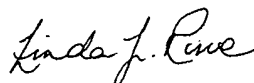
(Company Reg No. 06929486)

	Notes	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Tangible assets	12		45,972		45,879
Long Term Deposit- Endowment Asset			100		100
			<u>46,072</u>		<u>45,979</u>
Current assets					
Debtors	13	1,370		1,655	
Cash at bank and in hand		<u>2,654</u>		<u>4,902</u>	
		4,024		6,557	
Liabilities					
Creditors: Amounts falling due within one year	14	<u>(2,386)</u>		<u>(3,381)</u>	
Net current assets			<u>1,638</u>		<u>3,176</u>
Total assets less current liabilities			<u>47,710</u>		<u>49,155</u>
Net assets excluding pension liability			<u>47,710</u>		<u>49,155</u>
Defined benefit pension scheme liability	23		(9,272)		(5,998)
Provision for Future Enhanced Pensions			(253)		(228)
Total assets			<u>38,186</u>		<u>42,929</u>
Funds of the academy trust:					
Endowment Funds			100		100
Restricted funds					
Fixed asset fund	15	46,722		46,630	
Restricted income fund	15	(77)		1,649	
Pension reserve	15	(9,272)		(5,998)	
Enhanced Pension Reserve		<u>(263)</u>		<u>(238)</u>	
Total restricted funds			37,110		42,043
Unrestricted income funds	15		<u>977</u>		<u>786</u>
Total funds			<u>38,187</u>		<u>42,929</u>

The financial statements on pages 23 to 59 were approved by the Trustees on 28 February 2017 and are signed on their behalf by:



Mr R Jones
Chairman
Date: 28.2.17



Mrs L Rowe
Accounting Officer
Date: 28.2.17

University of Chester Academies Trust
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST AUGUST 2016

		2016	2015
		£000	£000
Cash flows from operating activities			
Net cash used in operating activities	20	(1,852)	(231)
Cash flows from investing activities	21	(395)	54
Net (decrease) in cash and cash equivalents in the reporting period		(2,247)	(177)
Cash and cash equivalents at 1 September 2015		4,902	5,079
Cash and cash equivalents at the 31 August 2016		2,655	4,902

ACCOUNTING POLICIES

1. Statement of Accounting Policies

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

Basis of Preparation

The financial statements of the academy trust 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 EFA, the Charities Act 2011 and the Companies Act 2006. The Academy Trust is a public benefit entity under FRS 102 and has therefore applied the relevant benefit requirements of FRS 102.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

These financial statements are the first financial statements of University of Chester Academies Trust prepared in accordance with Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The financial statements of University of Chester Academies Trust for the year ended August 31st 2015 were prepared in accordance with previous UK GAAP. The following accounting policies have been applied consistently in dealing with the items, which are considered material in relation to the financial statements.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the Academy Trust has taken advantage of exceptions in retrospective application of FRS102 permitted by FRS 102 Chapter 35 'Transition to this FRS'. Adjustments are recognised directly in reserves at the transition date.

The financial statements are presented in sterling, which is also the functional currency of the Academy Trust.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Going Concern

The trustees assess whether the use of the going concern basis 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 charitable company to continue as a going concern. The trustees make this assessment on a regular basis and at each year-end.

At the balance sheet date, the Trust had net assets of £38,187,000 after providing for long term commitments of £9,272,000 in respect of the non-teaching defined benefit scheme and £263,000 in respect of enhanced pensions due to former employees. The trust had net current assets of £1,638,000 at 31 August 2016.

The Trustees have reviewed the fund balances carried forward at 31 August 2016 and cash flow forecasts for 2016/17 and future years. The Trust has forecast a deficit position for the following financial year and has been requested to submit a recovery plan to the EFA aimed at achieving a balanced budget, however the current projection is that additional funding will be required to ensure solvency during the implementation

of the plan. Management have an expectation that a recovery plan will be agreed and additional funding provided.

Taking into account ongoing discussions with EFA aimed at resolving the position identified above with a positive outcome, Trustees acknowledge that there are material uncertainties which cast significant doubt over the going concern position, however management have a reasonable expectation that the Academy Trust will be provided with adequate resources, by the EFA, to continue in existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Income

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

Grants (Government and other)

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 entitlement, its recognition is deferred and it is included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

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

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

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

Sponsorship income

Sponsorship income provided to the Academy Trust, which amounts to a donation, is recognised in the Statement of Financial Activities in the period in which it is receivable, (where there is no performance related conditions), where the receipt is probable and it can be measured readily.

Donations

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

Other income

Other income including hire of facilities is recognised in the period it is receivable and to the extent, the goods have been provided the goods or service.

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 academy trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

- **Charitable Activities**

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

All resources expended are inclusive of irrecoverable VAT.

Tangible fixed assets

Assets costing £2,500 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 the private sector, they are included in the Balance Sheet at cost and are 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 at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Long leasehold property	2%
Fixtures, fittings and equipment	25%
Computer equipment	25%

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.

University of Chester Academies Trust
NOTES FOR THE YEAR ENDED 31ST AUGUST 2016

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 academy 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.

Provisions

Provisions are 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 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.

The Trust holds a provision for enhanced pension provision due to an ongoing commitment resulting from staff restructuring, which took place at the University Church of England Academy in the 2010/11 Academic year.

The provision for future enhanced pension liabilities is reassessed at each balance sheet date and the movement required in the provision is reflected in the Statement of Financial Activities.

Leased assets

Rentals under operating leases are charged to the Statement of Financial Activities on a straight-line basis over the lease term.

All schools are held by the Trust under long-term leasehold agreements from the Local Authorities at nil cost. The central Trust occupies office space at UCEA at no additional cost to the Trust.

Taxation

The Academy Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Academy Trust is potentially exempt from taxation in respect of income or capital gains received (within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992), to the extent that such income or gains are applied exclusively to charitable purposes.

Pensions Benefits

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated 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 23, 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.

Pensions Benefits (continued)

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.

Enhanced pensions

The cost of ongoing enhanced pensions to former members of staff are paid by the Academy annually and, as detailed in note 23, a provision is made at each balance sheet date for the actuarially estimated future cost of such pension enhancements. The movement in the provision arising from the annual reassessment is reflected in the Statement of Financial Activities.

Fund Accounting

Unrestricted funds represent those resources, which may be used towards meeting any of the charitable objectives of the Academy Trust at the discretion of the trustees.

Restricted fixed asset funds are resources, which are applied to specific capital purposes imposed by EFA/DfE, and Sponsors where the asset acquired is held for a specific purpose.

Restricted general funds comprise of resources subject to specific restriction imposed by funders and include grants from EFA/DfE.

The capital of the Permanent Endowment funds received from CWAC must remain untouched, with the interest arising being used for the benefit of the students of the Academy.

Financial Instruments

The Academy Trust has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), [except for those financial assets measured at fair value through the profit or loss, which are initially measure at fair value (which is normally the transaction price excluding transaction costs),] unless the arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Agency Arrangements

The academy trust distributes 16-19 bursary fund as agent for the EFA. In the accounting period ended 31st Aug 2016 the trust received £76,130 and distributed £55,372 from the fund. An amount of £20,758 is included in other creditors related to undistributed funds repayable to EFA.

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.

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 23, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 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.

University of Chester Academies Trust
NOTES FOR THE YEAR ENDED 31ST AUGUST 2016

2. Donations and capital grants

	Unrestricted Funds	Restricted Funds	Total 2016	Unrestricted Funds	Restricted Funds	Total 2015
	£000	£000	£000	£000	£000	£000
Capital Grants	-	2,179	2,179	-	1,097	1,097
Donated fixed assets	-	-	-	-	-	-
Donations	-	-	-	-	10	10
	<u>-</u>	<u>2,179</u>	<u>2,179</u>	<u>-</u>	<u>1,107</u>	<u>1,107</u>

3. Funding for the Academy Trust's Educational Operations

	Unrestricted Funds	Restricted Funds	Total 2016	Unrestricted Funds	Restricted Funds	Total 2015
	£000	£000	£000	£000	£000	£000
DfE / EFA grants						
General Annual Grant (GAG)	-	16,783	16,783	-	22,126	22,126
Start Up Grants	-	147	147	-	379	379
Other DfE/EFA grants	-	1,290	1,290	-	1,812	1,812
	<u>-</u>	<u>18,220</u>	<u>18,220</u>	<u>-</u>	<u>24,317</u>	<u>24,317</u>
Other Government grants						
Local authority grants	-	456	456	-	539	539
Special educational projects	-	-	-	-	-	-
	<u>-</u>	<u>456</u>	<u>456</u>	<u>-</u>	<u>539</u>	<u>539</u>
Other income from the academy trust's educational operations	-	270	270	-	332	332
	<u>-</u>	<u>18,946</u>	<u>18,946</u>	<u>-</u>	<u>25,188</u>	<u>25,188</u>

4. Other Trading activities

	Unrestricted Funds	Restricted Funds	Total 2016	Unrestricted Funds	Restricted Funds	Total 2015
	£000	£000	£000	£000	£000	£000
Trips, Uniforms and Lettings Income	183	157	340	202	150	352
Catering Income	8	-	8	129	-	129
Sports Centre Income	155	22	177	107	30	137
Rents, supply insurance recoveries & other income	150	91	241	188	142	330
Management Fee	-	-	-	86	-	86
	<u>496</u>	<u>270</u>	<u>766</u>	<u>712</u>	<u>322</u>	<u>1,034</u>

University of Chester Academies Trust
NOTES FOR THE YEAR ENDED 31ST AUGUST 2016

5. Investment income

	Unrestricted Funds	Restricted Funds	Total 2016	Unrestricted Funds	Restricted Funds	Total 2015
	£000	£000	£000	£000	£000	£000
Short term deposits	22	-	22	54	-	54
	22	-	22	54	-	54

6. Expenditure

	Staff Costs	Non Pay Expenditure		Total	Staff Costs	Non Pay Expenditure		Total
	£000	Premises £000	Other £000	2016 £000	£000	Premises £000	Other £000	2015 £000
Expenditure on Raising Funds								
Catering	-	-	8	8	-	-	129	129
Sports Centre	193	-	-	193	171	-	-	171
Other	-	-	-	-	24	-	-	24
Management Fees (UAB)	-	-	-	-	47	-	47	94
	193	-	8	201	242	-	176	418
Academy's educational operations:								
Direct costs	13,080	2,006	1,321	16,407	15,831	1,947	1,623	19,401
Allocated support costs	2,165	1,906	1,854	5,925	3,027	2,618	2,298	7,943
	15,245	3,912	3,175	22,332	18,858	4,565	3,921	27,344
Exceptional consultancy, severance	332	-	-	332	459	-	658	1,117
Pension costs	-	126	-	126	-	-	-	-
Schools transferred out	-	72	351	423	-	-	-	-
Schools transferred-Pensions	-	-	(461)	(461)	-	-	-	-
Total	15,770	4,110	3,073	22,953	19,559	4,565	4,755	28,879

University of Chester Academies Trust
NOTES FOR THE YEAR ENDED 31ST AUGUST 2016

6. Expenditure(continued)

Net income/(expenditure) for the period includes:

	2016	2015
	£000	£000
Operating lease rentals	75	138
Depreciation	2,006	1947
Fees payable to auditor for:		
- audit	45	43
- other services		
	2126	2128

The analysis of Audit Fees charged to the Trust during the year is as follows:

	2016	2015
	£'000	£'000
Audit of Statutory accounts	35	35
Other audit services	5	2
Internal Audit Fees	<u>5</u>	<u>6</u>
	45	43

7. Charitable Activities

	Total	Total
	2016	2015
	£000	£000
Direct costs – educational operations	16,407	19,401
Support costs – educational operations	5,924	7,894
	22,331	27,295

Analysis of support costs	Educational operations	Total	Total
	£000	2016	2015
		£000	£000
Support staff costs	2,165	2,165	3,027
Technology costs	212	212	177
Premises Costs	1575	1575	2466
Other Support Costs	1914	1914	2176
Governance Costs	58	58	49
Total support costs	5,924	5,924	7,894

University of Chester Academies Trust
NOTES FOR THE YEAR ENDED 31ST AUGUST 2016

8. Central Services

The academy trust has provided the following central services to its academies during the year:

Include list of services, such as:

- educational support
- human resources
- financial services
- legal services
- IT Services
- estate services

The Trust charges for these services on the following basis:

Flat percentage of 4% based on GAG income. The actual amounts charged during the year were as follows:

	2016	2015
	£000	£000
UCEA	204	321
UCAN	108	180
UAW	124	225
UAK	119	200
UCFS	32	29
UPAK	32	46
UPAW	30	43
UAL	-	288
	649	1,332

9. Staff

a. Staff costs

Staff costs during the period were:

	Total	Total
	2016	2015
	£000	£000
Wages and salaries	12,394	14,291
Social security costs	954	1,071
Operating costs of defined benefit pension schemes	2,057	2,429
	15,405	17,791
Supply staff costs	729	1,309
Staff restructuring costs	332	459
	16,466	19,559
Staff restructuring costs comprise:		
Redundancy payments	302	385
Severance payments	30	74
	332	459

Funding totalling £46,073 in respect of the statutory element of redundancy costs was claimed (and subsequently agreed) by the EFA.

University of Chester Academies Trust
NOTES FOR THE YEAR ENDED 31ST AUGUST 2016

b. Non statutory/non contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £30,158 (2015: 74,328). Individually, the payments were: £3,155, £23, 215, and £3,788.

c. Staff numbers

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

	2016	2015
	No.	No.
Teachers	184	226
Administration and support	266	308
Management	36	40
	486	574

d. Higher paid staff

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

	2016	2015
	No.	No.
£60,001 - £70,000	8	5
£70,001 - £80,000	2	3
£80,000 - £90,000	-	1
£110,001 - £120,000	-	1

During the year ended 31st August 2016 ten (2015 seven) of the above employees participated in the Teachers' Pension Scheme. Employer contributions for these staff amounted to £108,858 (2015: £56,655). The value of remuneration for the seven principals was £409,907 (2015: £661,631) and the employer's pension contributions were £66,910 (2015: £63,931). During the year one of the Principals was employed on a consultancy and therefore no employer's pension contributions was paid in respect of the individual.

e. Key Management Personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 3. The total amount of employee benefits (including employer benefit contributions) received by key management personnel for their services to the trust was £348,918.

Two members of the management team were engaged through agency /consultancy arrangements during the year, with total costs amounting to £197,450.

10. Related party Transactions - Trustees' Remuneration and expenses

One or more trustees has been paid remuneration or has received benefits from an employment with the academy trust. The Chief Executive receives remuneration in respect of services provided in undertaking the role under her contract of employment.

The value of trustees' remuneration and other benefits was as follows:

L Rowe (Chief Executive and Trustee)
Remuneration £25,000-£30,000 (2015: nil)
Employers' Pension Contributions £0-£5,000 (2015: nil)

During the period ended 31st August, travel and subsistence expenses totalling £504 (2015: £524) were reimbursed or paid directly to 3 trustees (2015: 2)

11. Trustees and officer's 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 £1,000,000 on any one claim. The cost of this insurance is included in the overall charge through the EFA Risk Protection Agreement.

University of Chester Academies Trust
NOTES FOR THE YEAR ENDED 31ST AUGUST 2016

12. Tangible Fixed Assets

Further information on assets transferred out of the Trust is given in note 24.

	Freehold Land and Buildings	Leasehold Land and Buildings	Furniture and Equipment	Computer Hardware	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 September 2015	2,500	44,030	2,240	2,361	239	51,370
Transfer on school leaving				(125)		(125)
Additions	260	236	50	216	1,410	2,172
Disposals	-	-	-	-	-	-
At 31 August 2016	2,760	44,266	2,290	2,452	1,649	53,417
Depreciation						
At 1 September 2015		2,445	1,464	1,582	-	5,491
Transfer on school leaving				(53)		(53)
Charged in year		888	561	558		2,007
Disposals	-	-	-	-	-	-
At 31 August 2016	-	3,333	2,025	2,087	-	7,445
Net book values						
At 31 August 2015	2,500	41,585	776	779	239	45,879
At 31 August 2016	2,760	40,933	265	365	1649	45,972

University of Chester Academies Trust
NOTES FOR THE YEAR ENDED 31ST AUGUST 2016

13. Debtors

	2016	2015
	£000	£000
Trade debtors	142	83
Prepayments	264	291
Accrued Income	568	678
Other debtors	50	8
VAT Recoverable	180	330
DfE/EFA- Other Grants Receivable	166	265
	1,370	1,655

14. Creditors: Amounts Falling due within one year

	2016	2015
	£000	£000
Trade creditors	608	964
Other creditors	53	98
Other tax and Social Security Creditors	273	286
Pension Creditor	237	262
Severance Costs	224	302
Enhanced Pension Cost	10	10
EFA Clawback- UCEA school	160	-
Accrued Expenditure	495	1,112
Deferred Income	325	347
	2,385	3,381

Deferred income

	2016	2015
	£000	£000
Deferred income at 1 September 2015	347	174
Released from previous years	(347)	(174)
Resources deferred in the year	325	347
Deferred Income at 31 August 2016	325	347
	2016	2015
	£000	£000
Included within deferred income:		
Recovery of post-16 funding	-	78
Business rates	85	85
Universal Infant Free School Meals Funding	45	42
School Trips	52	39
Designated Provision - UAW	36	36
School Games Organiser	-	21
Leisure Centre Income	27	23
SEN	75	20
Other	5	3
	325	347

The deferred income reported above includes areas where income and funding has been received in advance of its due date.

University of Chester Academies Trust
NOTES FOR THE YEAR ENDED 31ST AUGUST 2016

15. Funds	Balance at 1 September 2015	Income	Expenditure	Gains, losses and transfers	Balance at 31 August 2016
	£000	£000	£000	£000	£000
Restricted general funds					
General Annual Grant (GAG)	1,649	16,783	(17,940)	8	500
Start Up Grant	-	147	(147)	-	-
Pupil Premium	-	1,290	(1,290)	-	-
Standard funds grants	-	456	(456)	-	-
Other Income	-	270	(497)	-	(227)
Pension reserve	(5,998)	-	(333)	(3,402)	(9,733)
Restricted Future Pension Reserve	(238)	-	5	(30)	(263)
School transferred out			110		110
	(4,587)	18,946	(20,548)	(3,424)	(9,613)
Restricted fixed asset funds					
Transfer fixed assets on conversion	16	-	-	-	16
Transfer of Land and Buildings on conversion	23,891	-	(888)	-	23,003
Donated Fixed Assets	21,251	-	-	-	21,251
DfE/EFA capital grants	1,422	2,179	(1,118)	(8)	2,475
Capital expenditure from GAG	50	-	-	-	50
Capital Received from Sponsors					-
School transferred out			(72)		(72)
	46,630	2,179	(2,078)	(8)	46,723
Total restricted funds	42,043	21,125	(22,626)	(3,432)	37,110
Endowment Funds	100				100
Unrestricted funds	786	518	(327)	-	977
Total funds	42,929	21,643	(22,953)	(3,432)	38,187

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

Restricted General Funds;

GAG is the main funding income received relating to pupil numbers at each Academy. Under the master funding agreement with the Secretary of State, the Academy Trust was not subject to a limit on the GAG that it could carry forward at 31 August 2016.

Start-up Grants are DfE / EFA capital and academy set-up grants, which are provided by the Government for new academies on conversion.

Other DfE Grants mainly relate to Pupil Premium funding and money received from the EFA to cover redundancy costs relating to pre Academy service costs.

Standard Funds Grant is from the Local Authority and is for statemented pupils.

Transfers have been made to support an academy where its GAG funds would otherwise be in deficit or to fund fixed assets. (£8k)

University of Chester Academies Trust
NOTES FOR THE YEAR ENDED 31ST AUGUST 2016

Other Income relates to various income streams and includes £156k of Trip income.

Restricted Fixed Asset Funds;

DfE Capital Grants is primarily the Condition Improvement Fund (CIP) for backlog maintenance (£545k) and a further sum of £76k for Devolved Formula Capital.

Capital Expenditure from GAG is where GAG funding has been used for Capital items.

Donated Fixed Assets were given to the Trust in relation to UCEA from the Local Authority and to UCFS from the EFA.

Transfer of Fixed Assets on conversion relates to assets with a useful economic life, which belonged to schools and were transferred at that value on conversion to an Academy.

Transfer of Land and Buildings on Conversion relates to land and buildings transferred to the Trust on conversion

Restricted Pension Funds;

Restricted Pension Reserve is for three Local Government Pension Schemes (note 23).

Restricted Future pension reserve is to fund enhanced pension payments to former academic staff (note 23).

Endowment Funds is an investment fund (note 16).

Analysis of academies by fund balance

	Total 2016 £000	Total 2015 £000
UCEA (Ellesmere Port)	(328)	(173)
UCAN (Northwich)	146	387
UAW (Warrington)	339	480
UAK (Kidsgrove)	(79)	-
UCFS (Primary, Chester)	169	155
UPAK (Primary, Kidsgrove)	11	34
UPAW (Primary, Weaverham)	44	39
UAL (Liverpool)	-	558
UCAT (Central Reserves)	598	955
Total before fixed assets and pension reserve	900	2,435
Restricted fixed asset fund	46,722	46,630
Pension reserve	(9,535)	(6,236)
Endowment Funds	100	100
Total	38,187	42,929

The deficit at UCEA is funded in part by a repayable loan of £164,000, which was transferred from UCAT Central Reserves during the 2014/15 financial year.

The Trust allows individual Academies to carry forward reserves based on 15% of their GAG funding. Funds identified for specific projects will be transferred to restricted funds; any remaining balance greater than 15% will be pooled and held as a central fund to be used across the Trust. Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016.

University of Chester Academies Trust
NOTES FOR THE YEAR ENDED 31ST AUGUST 2016

Analysis of academies by cost

	Teaching and Educational Support Staff Costs £000	Other Support Staff Costs £000	Educational Supplies £000	Other Costs (excluding Depreciation) £000	Total 2016 £000	Total 2015 £000
UCEA	3,714	508	148	1,643	6,013	5,866
UCAN	2,081	262	29	843	3,215	3,601
UAW	2,387	255	63	1,190	3,895	4,013
UAK	2,288	386	90	891	3,655	3,607
UCFS	396	68	5	215	684	484
UPAK	631	65	36	400	1,132	971
UPAW	502	63	25	345	935	878
UAL	368	42	14	387	811	5,116
UCAT Central Services	214	320	0	455	989	2,395
Academy Trust	12,581	1,969	410	6,369	21,329	26,931

16. Endowment Fund

A Permanent Endowment donation of £100,000 was received in 2009 from Cheshire West & Chester Council on behalf of the University Church of England Academy, Ellesmere Port in - the capital to remain untouched - with the interest arising available to be used for the benefit of the students of the Academy.

17. Analysis of Net Assets between Funds

Fund balances at 31 August 2016 are represented by:

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Endowment Funds £000	Total Funds £000
Intangible fixed assets	-	-	-	-	-
Tangible fixed assets	-	-	45,973	-	45,973
Current assets	977	2,298	749	-	4,024
Current liabilities	-	(2,386)	-	-	(2,386)
Endowment asset	-	-	-	100	100
Pension scheme liability	-	(9,535)	-	-	(9,535)
Total net assets	977	(9,623)	46,722	100	38,176

University of Chester Academies Trust
NOTES FOR THE YEAR ENDED 31ST AUGUST 2016

18. Capital Commitments

	2016	2015
	£000	£000
Contracted for, but not provided in the financial statements	22	1,356

The Trust has a capital commitment of £21,193 for the financial year in respect of outstanding work at the University Church Free School.

19. Commitments under operating leases

At 31 August 2016 the total of the Academy's future minimum lease payments under non-cancellable operating leases was:

	2016	2015
	£000	£000
Amounts due within one year	51	12
Amounts due between one and five years	40	43
	91	55

20. Reconciliation of Net Income/(expenditure) the Net Cash Flow from Operating Activities

	2016	2015
	£000	£000
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	(761)	672
Adjusted for:		
Donated Fixed Assets		(2,500)
Depreciation charges (note 12)	1,953	1,947
Capital grants from DfE and other capital income	(2,179)	(1,097)
Interest receivable (note 5)	(22)	(54)
Defined benefit pension scheme cost less contributions payable (note 23)	326	278
Defined benefit pension scheme finance cost (note 23)	(5)	101
Defined benefit pension scheme cost less contributions payable transferred out UAL (note 23)	7	-
Defined benefit pension scheme finance cost transferred UAL(note 23)	(461)	-
Decrease in debtors	285	115
Decrease in creditors	(995)	(11)
Net cash provided by / (used in) Operating Activities	(1,852)	(549)

University of Chester Academies Trust
NOTES FOR THE YEAR ENDED 31ST AUGUST 2016

21. Cash Flows from Investing Activities	2016	2015
	£000	£000
Net Loss on transfer of Academy leaving	(549)	
Dividends, interest and rents from investments	22	54
Purchase of tangible fixed assets	(2,047)	(779)
Capital grants from DfE/EFA	2,179	1,097
Net cash used in investing activities	(395)	372

Analysis of cash and cash equivalents

	At 31	At 31
	August	August
	2016	2015
	£000	£000
Cash in hand and at bank	2,654	4,902
Notice deposits (less than 3 months)	-	-
Total cash and cash equivalents	2,654	4,902

22. Members' Liability

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he/she ceases to be a member.

23. Pension and similar obligations

The Trust's employees belong to 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 Cheshire, Merseyside and Staffordshire Pension Funds. All are defined benefit schemes.

During the year, University Academy Liverpool left the academy trust. The LGPS obligation in respect of employees who were members of the scheme and transferred as part of the transfer out of University of Chester Trust was de-recognised when UAL left the academy trust and formed part of the gain/(loss) recognised in the SoFA when UAL left the academy trust as set out in note 23.

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.

Contributions amounting to £237,101 (2015: £261,636) were payable to the schemes at 31 August 2016 and are included within creditors.

Ongoing commitment to enhanced pension payments to former academic staff:

As part of the staff restructuring, which took place at the University Church of England Academy in the 2010/11 Academic year, an ongoing commitment has been taken on by the Academy to fund annual enhanced pension payments to former academic staff. The enhanced pension payments will be paid to the former staff members for the remainder of their lives and the amount paid for the year ended 31 August 2016 was £10,331 (2015: £10,077).

The provision for future enhanced pension liabilities is reassessed at each balance sheet date and the movement required in the provision is reflected in the Statement of Financial Activities. The underlying assumptions used are 2.3% interest and 1.00% net interest. The provision required at 31 August 2015 has increased to £263,728, of which £10,077 is included in creditors due within a year on the Balance Sheet and the balance of £253,651 being included in the over 1-year Provision for future pensions.

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' Pensions 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.

The pension cost paid to TPS in the year amounted to £1,324,818 (2015: £1,330,974).

A copy of the valuation report and supporting documentation is on the [Teachers' Pensions website](#).

Under the definitions set out in Financial Reporting Standard (FRS 102), the TP {S 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 the information available on the scheme.

Local Government Pension Scheme

The Academies employ staff within three Local Government Pension Schemes (LGPS), those being Cheshire Pension Fund, Mersey Pension Fund and Staffordshire Pension Fund.

The LGPS is a funded defined-benefit scheme with the assets held in separate trustee administered funds. The total contributions made by the Trust for the period amounted to £841,000 of which employer's contributions totalled £646,000 and employees' contributions totalled £195,000. The agreed employer's contribution rates ranged from 10.5% to 26.2% with employee contributions varying from 5.5% to 9.9%.

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.

University of Chester Academies Trust
NOTES FOR THE YEAR ENDED 31ST AUGUST 2016

University of Chester Academies Trust's Consolidated Pension Funds

Consolidated Scheme Deficit

	Cheshire Pension Fund	Mersey Pension Fund	Staffordshire Pension Fund	Total LGPS 2015/16
Market Value of Assets	9,879	308	1,898	12,085
Present Value of Scheme Liabilities	(16,672)	(769)	(4,377)	(21,818)
Scheme deficit	<u>(6,793)</u>	<u>(461)</u>	<u>(2,479)</u>	<u>(9,733)</u>

Amounts recognised in the statement of financial activities

	2016 £000	2015 £000
Current service cost (net of employee contributions)	(120)	(251)
Net interest cost	(213)	(532)
Benefit changes, gain/(loss) on curtailment and gain/(loss) on settlement	-	(27)
Total operating charge	<u>(333)</u>	<u>(810)</u>
Actuarial Gain/(loss)		313
Return on plan assets	246	431
Total(loss)	<u>(87)</u>	<u>(66)</u>

University of Chester Academies Trust's Consolidated Pension Funds

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since adoption of FRS 102 is £4,815,000 loss (2015: £1,413,000 loss).

University of Chester Academies Trust
NOTES FOR THE YEAR ENDED 31ST AUGUST 2016

23. Pension and similar obligations (Continued)

Movements in the present value of the Trust's consolidated defined benefit obligation were as follows:

	2016	2015
	£'000	£'000
At 1 September	15,375	13,700
Upon conversion	-	-
Current service cost	861	1,053
Interest cost	574	532
Employee contributions	196	247
Actuarial (gain)/loss	4,885	(128)
Benefits paid	(73)	(56)
Plan introductions, benefit changes, curtailments and settlements	-	27
Transferred Out	(769)	-
At 31 August	21,049	15,375

Movements in the fair value of the Trust's consolidated scheme assets are as follows:

	2016	2015
	£'000	£'000
At 1 September	9,377	7,768
Upon conversion	-	-
Interest income	361	-
Return on plan assets (excluding net interest on the net defined pension liability)	246	431
Actuarial gain/(loss)	1,237	185
Employer contributions	741	802
Employee contributions	196	247
Benefits paid	(73)	(56)
Plan introductions, benefit changes, curtailments and settlements	-	-
Transferred Out	(308)	-
At 31 August	11,777	9,377

23. Pension and similar obligations (continued)

i) Cheshire Pension Fund

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 £634,000 (2015: £763,000), of which employer's contributions totalled £487,000 (2015: £592,000) and employees' contributions totalled £146,000 (2015: £171,000). The agreed contribution rates for future years range from 20.1% to 26.2% for employers and from 5.5% to 9.9% 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 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	3.10%	3.60%
Rate of increase for pensions in payment/inflation	2.10%	2.70%
Discount rate for scheme liabilities	2.10%	3.80%
Inflation assumption (CPI)	2.10%	2.20%

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

	At 31 August 2016	At 31 August 2015
<i>Retiring today</i>		
Males	22.3	22
Females	24.4	24
<i>Retiring in 20 years</i>		
Males	24.1	24
Females	26.7	27

University of Chester Academies Trust
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The academy's share of the assets in the scheme were:

	Fair value at 31 August 2016	Fair value at 31 August 2015
	£000	£000
Equity instruments	5,236	3,619
Debt instruments	3,853	3,077
Property	692	693
Cash	98	307
Total market value of assets	9,879	7,696

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

	2016 £000	2015 £000
Current service cost (net of employee contributions)	(50)	(152)
Net interest cost	(135)	(391)
Benefit changes, gain/(loss) on curtailment and gain/(loss) on settlement	-	-
Total operating charge	(185)	(543)
Actuarial gain/(loss)	(3,079)	393
Return on plan assets	-	350
Total	(3,449)	200
(loss)		

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

	2016 £'000	2015 £'000
At 1 September	11,225	10,142
Upon conversion	-	-
Current service cost	620	744
Interest cost	439	391
Employee contributions	147	171
Actuarial (gain)/loss	4,314	(167)
Benefits paid	(73)	(56)
Plan introductions, benefit changes, curtailments and settlements	-	-
At 31 August	16,672	11,225

University of Chester Academies Trust
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23. Pension and Similar Obligations (Continued)

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

	2016 £'000	2015 £'000
At 1 September	7,696	6,413
Upon conversion	-	-
Interest income	304	-
Return on plan assets (excluding net interest on the net defined pension liability)	-	350
Actuarial gain/(loss)	1,235	226
Employer contributions	570	592
Employee contributions	147	171
Benefits paid	(73)	(56)
Plan introductions, benefit changes, curtailments and settlements	-	-
At 31 August	9,879	7,696

ii) Merseyside Pension Fund

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 £15,000,000 (2015: £106,000), of which employer's contributions totalled £10,000 (2015: £72,000) and employees' contributions totalled £6,000 (2015: £34,000). The agreed contribution rates for future years are 10.5% per cent for employers and ranges from 5.5% to 9.9% 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 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	3.80%	3.70%
Rate of increase for pensions in payment/inflation	2.30%	2.20%
Discount rate for scheme liabilities	4.10%	4.00%
Inflation assumption (CPI)	2.30%	2.20%

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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	22.4	22.4
Females	25.3	25.3
<i>Retiring in 20 years</i>		
Males	24.8	24.8
Females	28.1	28.1

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

	Fair value at 31 August 2016 £000	Fair value at 31 August 2015 £000
Equity instruments	185	172
Debt instruments	59	54
Property	26	25
Cash	9	8
Other	29	27
Total market value of assets	308	286

The actual return on scheme assets was £100,000 (2015: £100,000).

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

	2016 £000	2015 £000
Current service cost (net of employee contributions)	(5)	(29)
Net interest cost	(2)	(26)
Benefit changes, gain/(loss) on curtailment and gain/(loss) on settlement	-	-
Total operating charge	(7)	(55)
Actuarial gain/(loss)	2	(6)
Return on plan assets	-	10
Total (loss)	(5)	(51)

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

	2016	2015
	£'000	£'000
At 1 September	742	581
Upon conversion	-	-
Current service cost	17	101
Interest cost	4	26
Employee contributions	6	34
Actuarial (gain)/loss	-	-
Benefits paid	-	-
Plan introductions, benefit changes, curtailments and settlements	-	-
Transferred out	(769)	-
At 31 August	-	742

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

	2016	2015
	£'000	£'000
At 1 September	286	176
Upon conversion	-	-
Interest income	2	-
Return on plan assets (excluding net interest on the net defined pension liability)	-	10
Actuarial gain/(loss)	2	(6)
Employer contributions	12	72
Employee contributions	6	34
Benefits paid	-	-
Plan introductions, benefit changes, curtailments and settlements	-	-
Transferred out	(308)	-
At 31 August	-	286

University of Chester Academies Trust
NOTES FOR THE YEAR ENDED 31ST AUGUST 2016

ii) Staffordshire Pension Fund

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 £192,000 (2015: £180,000), of which employer's contributions totalled £149,000 (2015: £138,000) and employees' contributions totalled £43,000 (2015: £42,000). The agreed contribution rates for future years are 20.2% to 21.2% per cent for employers and 5.5% to 9.9% 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 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	2.50%	4.50%
Rate of increase for pensions in payment/inflation	2.10%	2.60%
Discount rate for scheme liabilities	2.00%	3.70%
Inflation assumption (CPI)	2.10%	2.20%

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

	At 31 August 2016	At 31 August 2015
<i>Retiring today</i>		
Males	22.1	22.1
Females	24.3	24.3
<i>Retiring in 20 years</i>		
Males	24.3	24.3
Females	26.6	26.6

University of Chester Academies Trust
NOTES FOR THE YEAR ENDED 31ST AUGUST 2016

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

	Fair value at 31 August 2016 £000	Fair value at 31 August 2015 £000
Equity instruments	1,424	1,033
Debt instruments	209	153
Property	152	126
Cash	114	83
Total market value of assets	1,899	1,395

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

	2016 £000	2015 £000
Current service cost (net of employee contributions)	(65)	(70)
Net interest cost	(76)	(115)
Benefit changes, gain/(loss) on curtailment and gain/(loss) on settlement	-	(27)
Total operating charge	(141)	(212)
Actuarial gain/(loss)	(325)	(74)
Return on plan assets	246	71
Total (loss)	(220)	(215)

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

	2016 £'000	2015 £'000
At 1 September	3,408	2,977
Upon conversion	-	-
Current service cost	224	208
Interest cost	131	115
Employee contributions	43	42
Actuarial (gain)/loss	571	39
Benefits paid	-	-
Plan introductions, benefit changes, curtailments and settlements	-	27
Write off as school transferred	-	-
At 31 August	4,377	3,408

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

	2016 £'000	2015 £'000
At 1 September	1,395	1,179
Upon conversion	-	-
Interest income	55	-
Return on plan assets (excluding net interest on the net defined pension liability)	246	71
Actuarial gain/(loss)	-	(35)
Employer contributions	159	138
Employee contributions	43	42
Benefits paid	-	-
Plan introductions, benefit changes, curtailments and settlements	-	-
At 31 August	1,898	1,395

24. Disposal – Academy Transferred Out

On November 1st 2016 the University Academy Liverpool (UAL) left the academy trust. All the operations and assets and liabilities were transferred from University of Chester Academies Trust to The Great Schools Trust for £nil consideration.

The assets and liabilities transferred were transferred at their carrying value and de-recognised from the balance sheet with a corresponding net amount recognised as net loss in the Statement of Financial Activities.

The following table sets out the book values of the identifiable assets and liabilities transferred and an analysis of their recognition in the SOFA.

Donations and capital grants/ charitable activities expenditure analysis:

	<u>Total</u>	<u>Unrestricted</u> <u>funds</u>	<u>Restricted</u> <u>General</u> <u>fund</u>	<u>Restricted Fixed</u> <u>Asset Fund</u> <u>funds</u>
Tangible fixed assets :- IT	72	-	-	72
Current assets	23	-	23	-
Cash and bank	829	126	703	-
Current liabilities	(375)	-	(375)	-
LGPS pension fund	(461)	-	(461)	-
Net assets/(liabilities)	<u>88</u>	<u>126</u>	<u>(110)</u>	<u>72</u>

25. Events After The End Of The Reporting Period

Funding totalling £46,073 in respect of the statutory element of redundancy costs was claimed (and subsequently agreed) by the EFA.

26. 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 in accordance with the trust's financial regulations and normal procurement procedures. The following related party transactions took place in the period of account:

Rowe Education Ltd (of which Linda Rowe is sole Director) submitted invoices totalling £125,160 during the period for education services for her continued work on school improvement (after accounting adjustments including an accrual of £8,700 a total of £100,000 has been charged to the statement of financial activities). Her role as CEO was additional to the work she had been previously contracted to undertake for the Trust. However, during 2015 – 16 it has become evident that the role of CEO is a fulltime one, not part-time as originally perceived and therefore from 2016/17 the Chief Executive Officer position has been established as a full time salaried post.

27. Agency Arrangements

The Academy Trust administers the disbursement of the new discretionary support for learners, 16-18 Bursary Funds, in behalf of the EFA.

	2016	2015
	£'000	£'000
At 1 September	42	35
Received	25	62
Distributed	(31)	(55)
	<hr/>	<hr/>
Creditor at 31 August	36	42

University of Chester Academies Trust
NOTES FOR THE YEAR ENDED 31ST AUGUST 2016

**28. Reconciliations on
Adoption of FRS102**

Reconciliation of total funds	Note	1 September 2016	31 August 2015
Total funds under previous UK GAAP		38,198	42,929
Employee benefits accrual	B	(11)	-
Total funds reported under FRS 102		<u>38,187</u>	<u>42,929</u>

Reconciliation of net income/(expenditure)

	Notes	31 August 2015
Net income/(expenditure) previously reported under UK GAAP		672,000
Change in recognition of LGPS interest cost	A	431,000
Net movement in funds reported under FRS 102		<u>241,000</u>

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 increase the debit to income/expense by £431,000 and increase the credit/debit in other recognised gains and losses in the SoFA by an equivalent amount.

B – Recognition of outstanding employee benefits

No provision for outstanding holiday pay was made under previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. A provision of £10,909 was made for 2016.

University of Chester Academies Trust
NOTES FOR THE YEAR ENDED 31ST AUGUST 2016

29. Financial Instruments

The carrying amounts of the Company's financial instruments at 31st August 2016 were:

	2016 £'000	2015 £'000
Financial Assets		
Debt measured at amortised cost:		
Trade debtors	42	83
Accrued Income	568	678
Other Debtors	50	8
VAT Recoverable	180	330
DfE/EFA-Other Grants Receivable	166	265
Cash	2,654	4,902
Total	3,660	6,266

Financial Liabilities

Measured at amortised cost:

	£'000	£'000
Trade creditors	608	964
Other Creditors	53	98
Severance Costs	224	302
EFA Creditor (funding clawback)	160	-
Other accrued expenditure	495	1,112
	1,540	2,476

University of Chester Academies Trust

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO UNIVERSITY OF CHESTER ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY

In accordance with the terms of our engagement letter dated 4 September 2015 and further to the requirements of the Education Funding Agency ('EFA') as included in the Academies Accounts Direction 2015/6, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by the University of Chester 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 the University of Chester Academies Trust and the EFA in accordance with the terms of our engagement letter dated 7 September 2015. Our work has been undertaken so that we might state to the University of Chester 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 University of Chester Academies Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

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

The accounting officer is responsible, under the requirements of the University of Chester Academies Trust's funding agreement with the Secretary of State for Education dated 28 October 2014 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 2015/6. 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 2015/6 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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.

University of Chester Academies Trust

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO
UNIVERSITY OF CHESTER ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY

Conclusion

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

RSM UK Audit LLP

RSM UK AUDIT LLP
Chartered Accountants
One City Place
Queens Road
Chester
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Date 28 February 2017.