

University of Chester Academies Trust

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

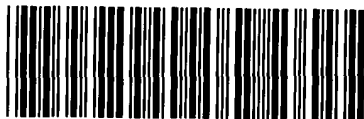
University of Chester Academies Trust

(A Company Limited by Guarantee)

Annual Report and Financial Statements

Year ended 31 August 2018

TUESDAY



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University of Chester Academies Trust
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

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University of Chester Academies

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 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 2018: -

Mr David Cumberland	Sponsor Appointment Chair Virtue of Chief Executive Officer	Appointed 25/09/2012 Appointed 08/08/2017 Resigned 30/09/2017 Appointed 01/10/2017
Mr David Wootton	Chair	Appointed 07/06/2018
Mr Richard Gill	Vice Chair	Appointed 07/06/2018
Mr Keith Sorrell		Appointed 07/06/2018
Ms Sharon Dempsey		Appointed 07/06/2018
Ms Amarjit Cheema		Appointed 07/06/2018
Mr Tim Boulton		Appointed 13/12/2016 Appointed to role of Chair 01/10/2017 Resigned as Chair 07/06/2018
Mrs Linda Rowe	Virtue of Chief Executive Officer	Appointed 01/09/2015 Resigned 01/10/2017
Mrs Helen Dearden		Appointed 13/12/2016 Resigned 27/06/2018
Mr Garfield Southall	Sponsor Appointment	Appointed 28/09/2017 Resigned 26/06/2018
Mr Richard Bengree	Sponsor Appointment	Appointed 06/10/2017 Resigned 27/11/2017

University of Chester Academies
REFERENCE AND ADMINISTRATIVE DETAILS

Members

Professor Timothy J Wheeler
Ms Anna Sutton
Canon Jeffery Turnbull
Mr D Wootton
Mr David Cumberland
Mr Tim Boulton

Virtue of Chair of Board Office (Appointed 07/06/2018)
Virtue of Chair of Board Office (Resigned 30/09/2017)
Virtue of Chair of Board Office (Appointed 01/10/2017)
(Resigned 07/06/2018)

Company Secretary

St Paul Secretaries

Senior Leadership Team – UCAT

Chief Executive Officer
Chief Executive Officer
Chief Operations Officer
Director of Finance

Linda Rowe (Resigned 01/10/2017)
David Cumberland (Appointed 01/10/2017)
Jan McKay
Alan Southward

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:

Mazars LLP
1 St Peter's Square
Manchester
M2 3DE

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

TRUSTEE'S 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 2018. The Trust operated 4 secondary academies, 2 primary academies and a free school in the North West of England during the year to 31 August 2018. Its academies have a combined pupil capacity of 4,425 and had a roll of 2,345 in the October 2018 school census.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

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 Multi Academy Trust and were set up in November 2011 and amended in September 2014.

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.

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 2018, 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 Trust's 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.

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

University of Chester Academies

TRUSTEE'S REPORT

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 Key Management Personnel are based on relevant National Joint Council (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 use 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.

Trade Union Facility Time

Percentage of Time	Number of Employees
0%	413
1%-50%	7

Total Cost of Facility Time	£2,967
Total Pay Bill	£13,368,849

% of Total Pay Bill Spent On Facility Time	0.022
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Paid Trade Union Activities

Time spent on trade union activities as a % of total paid facility time hours	Nil
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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 of Chester Academies TRUSTEE'S REPORT

University Academy Kidsgrove	UAK
University Church Free School, Chester	UCFS
University Primary Academy Kidsgrove	UPAK
University Primary Academy Weaverham	UPAW

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 2018 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 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 November 2018, UCAT had been in operation since September 2009 and had seven schools in its multi-academy trust – four secondary, two primaries and one free school. Of those, three were in special measures and five had not had their first inspection.

UCAT's school improvement strategy

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

Stage 2: building capacity was started in September 2016 and continued during the following year. 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, Personal Development Time (PDT) sessions for teachers' and one to one support. Internal strengths were drawn on as well as drawing on Senior Leaders in Education (SLE's) 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 2018:

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 January 2018 resulted in the Overall Effectiveness judgement being 'Good'

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.

UCEA: Ofsted inspection in April 2017 resulted in the Overall Effectiveness judgement being 'Inadequate'.

University of Chester Academies

TRUSTEE'S REPORT

As a result of financial challenges principally resulting from low pupil numbers, the Trust and the Department for Education (DfE) agreed during the early part of the 2017/18 financial year to rebroker four of its schools to other academy trusts. Following the latest Ofsted judgement for UCEA as being 'inadequate' the DfE made a decision to re-broker the University Church of England Academy in Ellesmere Port, the largest school in the Trust. This resulted in the UCAT board taking the decision that the Trust could not continue to operate financially with only two schools. It therefore asked the DfE to re-broker all of its schools, before the Trust formally winds up its activities

On May 4th 2018 a FNTI was issued, and in June 2018, DfE/EFSA assigned some additional specialist Trustees to support the existing Board in setting direction for the Trust, but also to assess the ongoing viability. After assessment of Financial and Educational KPIs a decision was made by the Board that the Trust was not viable and after consultation with the Members, the Board's direction was refocussed to deliver good schooling alongside active re-brokering to solvent Trusts.

Summer 2018

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

Secondary:

Un-validated data	UCAN	UAW	UCEA	UAK	National 2018
	2018	2018	2018	2018	Performance tables
Cohort	80	78	120	97	
Progress8	-0.2	-0.99	1.25	-0.61	0.0
Attainment8	37.74	34.55	28.82	38.02	44.3
Basics (9-5)	24%	30%	14%	26%	39.9%
Basics (9-4)	47%	46%	28%	48%	63%*

*Figure from FFT aspire, other figures from DfE performance tables

Primary:

	UPAK 2017	UPAK 2018	UPAW 2017	UPAW 2018	UCFS 2017	UCFS 2018
Reading	58%	43%	65%	64%	-	60%
Writing	79%	62%	71%	79%	-	80%
Maths	42%	38%	71%	79%	-	70%
SPAG	74%	38%	88%	79%	-	60%

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Going Concern

The Trust has incurred deficits during previous financial years and has been required to submit recovery plans to the ESFA aimed at achieving a balanced budget. However as a result of the ongoing forecast deficit position and with the Trust having exhausted all reserves available, additional funding was agreed and made available by the ESFA in the form of loan payments.

Taking the above into account the Trust was issued with a Financial Notice to Improve in May 2018 and has recently also been issued with a qualifying floating charge by the ESFA.

The DfE Trustees have made the decision that procedures are to be put in place to formally dissolve the Trust following rebrokering of all academies to alternative Trusts, which is targeted for completion by December 2018. On this basis, these financial statements for the year ended 31 August 2018 have been prepared on a cessation basis.

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.

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 ESFA 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.

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.

Financial Review

Most of the Trust's income is obtained from the Education and Skills Funding Agency (ESFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the ESFA during the year ended 31 August 2018 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 ESFA. 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.

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Governors have acknowledged the pupil numbers to be below that previously targeted with a significant implication on overall funding levels. During recent years, reduced pupil numbers have resulted in a significant decrease in funding. A range of management actions have been implemented to reduce costs however, after taking planned efficiencies into account the Trust set a deficit budget of £2.9 million for 2017/18 and carried a deficit of £0.3 million negative balance of reserves (excluding fixed asset and pensions) into the 2017/18 financial year.

The Trust has submitted a number of Recovery Plans to the ESFA, however as a result of the continued forecast deficit position a Financial Notice to Improve (FNI) was issued in May 2018.

During the 2017/18 financial year the Trust received additional emergency funding from ESFA in the form of loans totalling £1.625 million, with a further £1.057 million received to date (November 2018).

It is forecast that additional emergency funding totalling £0.744 million will be required based on planned rebrokering of all academies to other trusts in Dec 2018 and final closedown of the Trust during March 2019 pending dissolution, with these costs and timescales based on a solvent closedown arrangement.

At 31 August 2018 the net book value of fixed assets was £43,598,000 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.

Expenditure in the year ended 31 August 2018 exceeded income by £5,935,000 after taking into account depreciation of fixed assets of £1,079,000 and impairment charges of £630,000 resulting from significant damage to buildings at UCAN following a fire.

It should also be noted that actuarial gains on the defined benefit pension scheme of £2,107,000 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 23 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 2018 comprised:

	£'000
Fixed Asset fund	43,650
Restricted General fund	(3,561)
Permanent Endowment funds	100
Unrestricted funds	-
	<hr/> 40,189
Pension Liabilities	
Support staff defined benefit scheme – actuarially calculated deficit	(5,268)
Provision for future enhanced pensions to former academic staff	(274)
	<hr/> 34,647

Based on the assumption that the Education and Skills Funding continues to provide additional emergency funding and that the Trust is allowed to close down operations on a solvent basis, the Trust will be closed within 12 months from the date of signing the financial statements. These financial statements have therefore not been prepared under the going concern assumption but rather on a cessation basis.

Reserves Policy

The Trustees have historically determined that they would 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

University of Chester Academies

TRUSTEE'S REPORT

changes in pupil numbers. The targeted level of reserves to be held was between 5-10% of general restricted and unrestricted income, however the current available free reserves is a negative balance of £3.561 million, with the major creditor being ESFA in respect of the emergency loans provided to the Trust.

Investment Policy

The Trust has a risk-averse appetite to investments; any available surplus reserves would be invested for maximum return within that risk appetite. However the current financial position is that the Restricted and Unrestricted Reserves are both significantly in deficit.

Principal Risks and Uncertainties

Having taken the decision to rebroker all academies and subsequently dissolve the Trust, the major risk is it terms of achieving these targets as quickly and efficiently as possible.

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, Mazars 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 3rd December 2018 and signed on their behalf by:



Mr D Wootton
Chairman

University of Chester Academies Trust

GOVERNANCE STATEMENT

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 the Chief Executive Officer, acting as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the 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 ten times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Directors	Meetings attended	Out of possible
Mrs L Rowe	1	1
Mr D Cumberland	10	10
Ms Helen Dearden	8	10
Mr T Boulton	10	10
Mr G Southall	7	9
Mr R Bengree	1	2
Mr D Wootton	2	2
Mr R Gill	1	2
Mr K Sorrell	1	2
Mrs S Dempsey	1	2
Mrs A Cheema	2	2

The Board of Trustees has significant experience in both the educational and private sector, with Trustees challenging leadership to deliver excellent outcomes for all students. They have received regular updates on improvement initiatives based on validated data and sought external advice where appropriate. More recently and in view of the current position of the Trust the Board has been formally retitled the UCAT Transition Board, to reflect the priority in its aims and objectives.

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. As a result of the current position of the Trust the Board has been involved in the financial aspects of the Trust at a detailed level and over the period of the report has addressed areas previously under the remit of the Audit and Scrutiny Committee.

Attendance at meetings in the year was as follows:

Directors	Meetings attended	Out of possible
Mr D Cumberland	2	2
Mr S Whatmore	1	1
Ms H Dearden	2	2

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:

- More effective collaborative use of resources
- A review of contracts for suppliers and services, particularly utilities.
- Implementation of behaviour policies to eliminate exclusion and so reduce costs
- use of financial management information to ensure efficient use of resources

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 2018 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 2018 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.

University of Chester Academies Trust
GOVERNANCE STATEMENT

The Trustees have requested the external auditors (Mazars LLP) to undertake additional checks to assess the level of risk and visits have been made to each academy to ensure that internal controls and procedures are being operated in line with UCAT Finance Manual.

Review of Effectiveness

As Accounting Officer, the Chief Executive 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 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 December 3rd 2018 signed on its behalf by:



Mr. D Wootton
Chairman



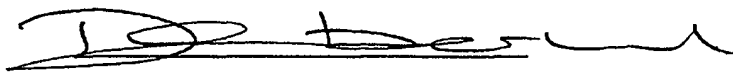
Mr. D. Cumberland
Accounting Officer

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

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

Other than the issues raised in the regularity report from the Reporting Accountant, no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. The issues raised will be actioned by the Trust in a timely manner.



Mr. D. Cumberland
Accounting Officer

Date 3rd December 2018

University of Chester Academies Trust
STATEMENT OF TRUSTEE'S 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 and Skills 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 2017 to 2018;
- 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 ESFA / 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 December 3rd 2018 and signed on its behalf by:



Mr. D Wootton
Chairman

Independent auditor's report to the Board of Trustees of University of Chester Academies Trust

We have audited the financial statements of University of Chester Academies Trust ("the 'trust'") for the year ended 31 August 2018 which comprise of the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Academy Trust's affairs at 31 August 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2017 to 2018.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of preparation / Emphasis of matter

These financial statements have not been prepared on a going concern basis for the reason set out in note 1 to the financial statements. We have nothing to report in respect of our conclusions relating to going concern as the accounts have been appropriately prepared on a basis other than going concern and the appropriate disclosures have been made. Our opinion is not modified in respect of this matter.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report, other than the financial statements and our auditors' reports thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work

we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Annual Report including the incorporated strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report including the incorporated strategic report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Academy trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report including the incorporated strategic report.

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

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

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 17, the Trustees (who are directors for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

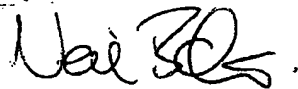
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.



Neil Barton (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
1 St Peter's Square
Manchester
M2 3DE

Date: 3 DECEMBER 2018

Independent Reporting Accountant's Assurance Report on Regularity to University of Chester Academies Trust and the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 29 August 2018 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by University of Chester Academies Trust during the period 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to University of Chester Academies Trust and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to University of Chester Academies Trust and the ESFA those matters we are required to state to it 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 University of Chester Academies Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of University of Chester Academies Trust's Accounting Officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of University of Chester Academies Trust's funding agreement with the Secretary of State for Education and the Academies Financial Handbook, extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2017 to 2018 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

University of Chester Academies Trust

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY

The work undertaken to raw to our conclusion includes:

- Planning our assurance procedures including identifying key risks;
- Carrying out sample testing on controls;
- Carrying out substantive testing including analytical review; and
- Concluded on procedures carried out.

Conclusion

In the course of our work, except for the matter listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2017 to 31 August 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

- It is a requirement of the Academies Financial Handbook that a balanced budget must be submitted on an annual basis. As the Trust failed to achieve this in the 2016/17 period and again in the 2017/18 period, the Trust was issued with a Financial Notice to Improve in May 2018.

Mazars LLP

Mazars LLP

Chartered Accountants

1 St Peter's Square
Manchester
M2 3DE

Date: 3 December 2018

University of Chester Academies Trust
STATEMENT OF FINANCIAL ACTIVITIES
Year ended 31st August 2018

		Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Endow- ment Funds	Total 2018	Total 2017
	Notes	£000	£000	£000	£000	£000	£000
Income and endowments from:							
Donations and capital grants	2	-	-	77	-	77	96
Charitable activities:							
Funding for the academy trust's educational operations	3	-	14,291	-	-	14,291	15,694
Other trading activities	4	1,038	298	-	-	1,336	771
Investments	5	3	-	-	-	3	9
Total		1,041	14,589	77	-	15,707	16,570
Expenditure on:							
Raising funds	6	203	-	-	-	203	215
Charitable activities:							
Academy trust educational operations	6	-	19,073	1,079	-	20,152	19,511
Impairment Charge	12	-	-	630	-	630	-
Other							
Exceptional costs	6	-	657	-	-	657	14
Total		203	19,730	1,709	-	21,642	19,740
Net income / (expenditure)		838	(5,141)	(1,632)	-	(5,935)	(3,170)
Transfers between funds	15	(1,966)	2,245	(279)	-	-	-
Other recognised gains / (losses):							
Remeasurement of defined benefit pension schemes	23	-	2,107	-	-	2,107	3,451
Remeasurement of enhanced benefit pension schemes		-	2	-	-	2	5
Net movement in funds		(1,128)	(787)	(1,911)	-	(3,826)	286
Reconciliation of funds							
Total funds brought forward		1,128	(8,316)	45,561	100	38,473	38,187
Total funds carried forward		0	(9,103)	43,650	100	34,647	38,473

All activities relate to discontinuing operations due to the expected transfer of all academies out of the trust by December 2018.

University of Chester Academies Trust

BALANCE SHEET

As at 31st August 2018

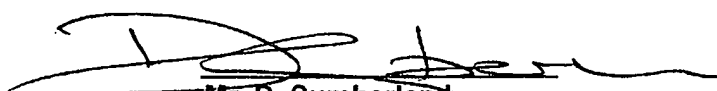
(Company Reg no. 06929486)

	Notes	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Tangible assets	12		43,598		45,227
Long Term Deposit - Endowment Asset			100		100
			<u>43,698</u>		<u>45,327</u>
Current assets					
Debtors	13	742		574	
Cash at bank and in hand		<u>387</u>		<u>1,525</u>	
		1,129		2,099	
Current liabilities					
Creditors: Amounts falling due within one year	14	<u>(4,669)</u>		<u>(2,144)</u>	
Net current (liabilities)/assets			<u>(3,540)</u>		<u>(45)</u>
Total assets less current liabilities			<u>40,158</u>		<u>45,282</u>
Net assets excluding pension liability			40,158		45,282
Defined benefit pension scheme liability	23		(5,268)		(6,562)
Provision for future enhanced Pensions			<u>(243)</u>		<u>(247)</u>
Net assets			<u>34,647</u>		<u>38,473</u>
Funds of the academy trust:					
Endowment funds	16		100		100
Restricted funds					
Fixed asset fund	15	43,650		45,561	
Restricted income fund	15	(3,561)		(1,486)	
Pension reserve	15	(5,268)		(6,562)	
Enhanced pension reserve		<u>(274)</u>		<u>(268)</u>	
Total restricted funds			34,547		37,245
Unrestricted income funds	15		<u>0</u>		<u>1,128</u>
Total funds			<u>34,647</u>		<u>38,473</u>

The financial statements on pages 26 to 54 were approved by the Trustees on 3rd December 2018 and are signed on their behalf by:



Mr. D. Wootton
Chairman



Mr. D. Cumberland
Accounting Officer

University of Chester Academies Trust
STATEMENT OF CASH FLOWS
Year ended 31st August 2018

	Notes	2018 £000	2017 £000
Cash flows from operating activities			
Net cash used in operating activities	20	(1,138)	(699)
Cash flows used in investing activities	21	-	(430)
Change in cash and cash equivalents in the reporting period		<u>(1,138)</u>	<u>(1,129)</u>
Cash and cash equivalents at 1 September 2017		1,525	2,654
Cash and cash equivalents at the 31 August 2018		<u>387</u>	<u>1,525</u>

University of Chester Academies Trust

NOTES FOR YEAR ENDED 31ST AUGUST 2018

ACCOUNTING POLICIES

1 Statement of Accounting Policies

General Information

University of Chester Academies Trust (UCAT) is a charitable company ("the Academy Trust"). The address of the Trust's principal place of business is given on page 4. The nature of the Academy Trusts' operations are set out in the Trustee's report.

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 2017 to 2018 issued by ESFA, 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 in dealing with items which are considered material in relation to the financial statements in respect of all the years presented, unless otherwise stated.

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.

As noted below the financial statements have been prepared on a cessation basis.

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 £34,647,000 after providing for long term commitments of £5,268,000 in respect of the non-teaching defined benefit scheme and £243,000 in respect of enhanced pensions due to former employees. The trust had net current liabilities of £3,540,000 at 31 August 2018.

The Trust has incurred deficits during previous financial years and has been required to submit recovery plans to ESFA aimed at achieving a balanced budget. However as a result of a the ongoing forecast deficit position and with the trust having exhausted all reserves available, additional funding was agreed and made available by ESFA in the form of loan payments.

Taking the above into account the Trust was issued with a Financial Notice to Improve in May 2018 and has recently also been issued with a floating qualifying charge by ESFA.

Trustees have made the decision that procedures are to be put in place to formally dissolve the Trust following rebrokering of all academies to alternative Trusts, which is targeted by completion by December 2018. The closure of the Trust is expected to take place within 12 months from the date of signing the financial statements for the year ended 31 August 2018 and therefore the financial statements have been prepared on a cessation basis.

University of Chester Academies Trust

NOTES FOR YEAR ENDED 31ST AUGUST 2018

Income

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

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 in full in the Statement of Financial Activities in the year for which it is receivable. 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 when performance related conditions have been met 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.

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 reliably.

Other income

Other income including hire of facilities is recognised in the period it is receivable and to the extent, the Academy Trust has 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, to further the charitable aims for the benefit of its beneficiaries, 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.

University of Chester Academies Trust

NOTES FOR YEAR ENDED 31ST AUGUST 2018

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.

Subsequent costs are capitalised only when it is probable that such costs will generate future economic benefits. All other costs of repairs and maintenance are charged to the statement of financial activities as incurred.

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 other than freehold land at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Freehold property	2%
Long leasehold property	2%
Furniture and equipment	25%
Computer hardware	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.

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.

University of Chester Academies Trust

NOTES FOR YEAR ENDED 31ST AUGUST 2018

Leased assets

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

All school buildings, except University of Chester Free School, 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 net income are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability 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 as other comprehensive income.

Actuarial gains and losses are recognised immediately as other comprehensive income.

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 ESFA/DfE, and Sponsors where the asset acquired is held for a specific purpose.

University of Chester Academies Trust

NOTES FOR YEAR ENDED 31ST AUGUST 2018

Restricted general funds comprise of resources subject to specific restriction imposed by funders and include grants from ESFA/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), 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 ESFA. Payments received from ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the Trust does not have control over the charitable application of the funds.

The Trust can use up to 5% of the allocation towards its own administration costs and this is recognised in the statement of financial activities. The funds received and paid and any balances held are disclosed in note 25.

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

The 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 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

University of Chester Academies Trust
NOTES FOR YEAR ENDED 31ST AUGUST 2018

Critical Areas of Judgement

The trustees believe that critical areas of judgement do not have significant risk of causing material difference to the carrying amounts of assets and liabilities, within the next financial year, prior to closure of the Trustat which point the remaining assets and liabilities will be transferred out.

University of Chester Academies Trust
NOTES FOR YEAR ENDED 31ST AUGUST 2018

2 Donations and capital grants

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Unrestricted Funds £000	Restricted Funds £000	Total 2017 £000
Capital Grants	-	77	77	-	96	96
	-	77	77	-	96	96

3 Funding for the Academy Trust's Educational Operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Unrestricted Funds £000	Restricted Funds £000	Total 2017 £000
DfE / ESFA grants						
General Annual Grant (GAG)	-	12,798	12,798	-	14,101	14,101
Start Up Grants	-	28	28	-	34	34
Other DfE/ESFA grants	-	1,129	1,129	-	1,148	1,148
	-	13,955	13,955	-	15,283	15,283
Local Authority Grants						
	-	336	336	-	411	411
	-	14,291	14,291	-	15,694	15,694

4 Other Trading activities

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Unrestricted Funds £000	Restricted Funds £000	Total 2017 £000
Trips, Uniforms and Lettings Income	180	180	360	207	151	358
Catering Income	9	-	9	13	-	13
Sports Centre Income	172	5	177	158	14	172
Rents, supply insurance recoveries and other income	677	113	790	76	152	228
	1,038	298	1,336	454	317	771

5 Investment income

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Unrestricted Funds £000	Restricted Funds £000	Total 2017 £000
Short term deposits	3	-	3	9	-	9
	3	-	3	9	-	9

University of Chester Academies Trust
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6 Expenditure

	Staff Costs	Non Pay Expenditure		Total	Staff Costs	Non Pay Expenditure		Total
		Premises	Other	2018		Premises	Other	2017
	£000	£000	£000	£000	£000	£000	£000	£000
Expenditure on Raising Funds								
Catering Income	-	-	9	9	-	-	14	14
Sports Centre Income	194	-	-	194	201	-	-	201
	194	-	9	203	201	-	14	215
Academy's educational operations:								
- Direct costs	11,818	1,079	1,077	13,974	11,768	1,280	993	14,041
- Impairment charge		630		630				
- Allocated support costs	2,814	2,053	1,311	6,178	2,783	1,487	5,470	5,470
	14,632	3,762	2,388	20,782	14,551	2,767	2,193	19,511
Exceptional consultancy, severance	657	-	-	657	14	-	-	14
Total	15,483	3,762	2,397	21,642	14,766	2,767	2,207	19,740

Expenditure on raising funds was £203k (2017: £215k) all of which was unrestricted.

Net income/(expenditure) for the period includes:

	2018 £000	2017 £000
Operating lease rentals	71	73
Depreciation	1,079	1,280
Impairment charge	630	-
Net interest on defined pension benefit liability (note 23)	170	197
Fees payable to Mazars LLP as auditor for 2017/18 (RSM UK LLP 2016/17)	28	40
	1,978	1,590

University of Chester Academies Trust
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6 Expenditure (continued)

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

	2018 £000	2017 £000
Audit of Statutory accounts	22	35
Other audit services	<u>6</u>	<u>5</u>
	<u>28</u>	<u>40</u>

7 Charitable Activities

	Total 2018 £000	Total 2017 £000
Direct costs – educational operations	13,974	14,041
Support costs – educational operations	6,178	5,470
	<u>20,152</u>	<u>19,511</u>

Analysis of support costs	Educational operations £000	Total 2018 £000	Total 2017 £000
Support staff costs	2,814	2,814	2,783
Premises Costs	2,053	2,053	1,487
Other Support Costs	1,276	1,276	1,155
Governance Costs	35	35	45
Total support costs	<u>6,178</u>	<u>6,178</u>	<u>5,470</u>

Expenditure on charitable activities was: £20,782k (2017: £19,511k) of which £Nil (2017: Nil) was unrestricted, £2,339k (2017: £2,006k) was restricted fixed asset funds including impairment charge of £630k, and £19,073k (2017: £18,231k) was restricted general funds.

8 Central Services

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

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

The trust charges for these services on the following basis:

- Allocation of costs based on proportion of GAG funding to each academy.

In the prior year the Trust charged at a flat percentage of 6% based on GAG income.

The actual amounts charged during the year were as follows:

University of Chester Academies Trust
NOTES FOR YEAR ENDED 31ST AUGUST 2018

	2018	2017
	£000	£000
UCEA	258	353
UCAN	128	261
UAW	155	248
UAK	147	240
UCFS	47	57
UPAK	52	67
UPAW	47	66
TOTAL	834	1,262

9 Staff

a. Staff costs

Staff costs during the period were:

	Total	Total
	2018	2017
	£000	£000
Wages and salaries	10,521	10,441
Social security costs	1,012	1,006
Operating costs of defined benefit pension schemes	2,474	2,549
	14,007	13,996
Supply staff costs	819	756
Staff restructuring costs	657	14
	15,483	14,766

Staff restructuring costs comprise:

	2018	2017
	£000	£000
Redundancy payments	618	-
Severance payments	39	14
	657	14

b. Non statutory/non contractual staff severance payments

Included in staff restructuring costs this year were non-statutory/non-contractual severance payments totalling £38,597 made to 3 members of staff (2017:3). Individually the payments were £20,012, £14,491 and £4,094.

University of Chester Academies Trust
NOTES FOR YEAR ENDED 31ST AUGUST 2018

c. Staff numbers

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

	2018	2017
	No.	No.
Teachers	158	147
Administration and support	232	246
Management	30	32
	<u>420</u>	<u>425</u>

d Higher paid staff

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

	2018	2017
	No.	No.
£60,001 - £70,000	10	10
£70,001 - £80,000	2	2
£80,001 - £90,000	2	1
£120,001 - £130,000	-	1

During the year ended 31st August 2018 thirteen (2017 ten) of the above employees participated in the Teachers' Pension Scheme. Employer contributions for these staff amounted to £146,477 (2017: £131,981). The remaining member of staff participated in the LGPS scheme with related employer contributions of £14,037.

The value of remuneration for the five principals was £440,630 (2017: £496,338) and the employer's pension contributions were £62,342 (2017: £81,796).

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 pension benefit contributions) received by key management personnel for their services to the Trust was £221,519 (2017: £283,398).

One member of the management team was recharged by the sponsors – as noted in the related party disclosure note

10 Related Parties Transactions – Trustees Remuneration and Expenses

One or more trustees has been paid remuneration or received benefits from an employment with the academy trust. The Chief Executive received remuneration in respect of services provided in undertaking the role of her contract of employment prior to her resignation from the role on 1/10/2017.

L Rowe (Chief Executive and Trustee)

Remuneration: £5,000-£10,000 (2017: £125,000- £130,000)

Employers Pension Contribution: Nil (2017: £0-£5,000)

The current Chief Executive is employed by the trust on a part time basis and recharged by his employers at the University of Chester (UCAT sponsors):

Remuneration: £10,000-£15,000 (2017: Nil)

University of Chester Academies Trust
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Employers Pension Contribution: £0- £5,000 (2017: £0-£5,000)

During the year ended August 31st 2018 travel and subsistence expenses totalling £916 (2016: £771) were reimbursed or paid directly to 3 trustees (2017: 3)

11 Trustees and Officers Insurance

In accordance with normal commercial practice the Trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring while on academy business. The insurance provides cover of up to £1,000,000 for any one claim. The cost of the insurance is included in the overall charge through the ESFA Risk Protection Agreement.

12 Tangible Fixed Assets

	Freehold Land and Buildings	Leasehold Land and Buildings	Furniture and Equipment	Computer Hardware	Total
	£000	£000	£000	£000	£000
Cost					
At 1 September 2017	4,430	44,751	2,301	2,470	53,952
Additions	1	11	13	55	80
Impairment charge	-	(719)	-	-	(719)
At 31 August 2018	4,431	44,043	2,314	2,525	53,313
Depreciation					
At 1 September 2017	83	4,230	2,143	2,269	8,725
Impairment charge	-	(89)	-	-	(89)
Charged in year	13	900	80	86	1,079
At 31 August 2018	96	5,041	2,223	2,355	9,715
Net book values					
At 31 August 2017	4,347	40,521	158	201	45,227
At 31 August 2018	4,335	39,002	91	170	43,598

During the year a major fire at University Academy Northwich resulted in significant damage including the loss of the roof covering the main hall and admin block. As a result an impairment charge equating to 15% of the net book value of the total asset value has been made in the accounts.

	£000	£000
Trade debtors	78	78
Prepayments	229	244
Accrued income	257	193
Other debtors	35	35
Other taxation and social security	143	26
	742	574

University of Chester Academies Trust
NOTES FOR YEAR ENDED 31ST AUGUST 2018

14 Creditors: Amounts Falling due within one year

	2018	2017
	£000	£000
Trade creditors	508	287
Other creditors	1,678	58
Other taxation and social security	251	255
Pension creditor	231	221
Enhanced pension cost	11	10
Accrued expenditure	888	402
Deferred income	319	316
ESFA creditor: abatement of GAG	783	595
	4,669	2,144

Deferred income	2018	2017
	£000	£000
Deferred income at 1 September 2017	316	325
Released from previous years	(316)	(325)
Resources deferred in the year	319	316
Deferred Income at 31 August 2018	319	316

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

	2018	2017
	£'000	£'000
Included within deferred income:		
Business rates	72	65
Universal Infant Free School Meals Funding	32	35
School Trips	64	45
Designated Provision - UAW	36	36
School Games Organiser	14	13
Leisure Centre Income	23	33
SEN	41	49
Other	37	40
	319	316

University of Chester Academies Trust
NOTES FOR YEAR ENDED 31ST AUGUST 2018

15 Funds (financial year ended 31st August 2018)

	Balance at August 31 st 2017 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31st August 2018 £000
Restricted general funds					
General Annual Grant (GAG)	(1,261)	12,798	(17,046)	2,245	(3,264)
Start Up Grant	-	28	(28)	-	-
Other DfE/EFA grants	-	1,129	(1,129)	-	-
Standard funds grants	-	336	(336)	-	-
Other grants	(226)	297	(368)	-	(297)
Pension reserve	(6,562)	-	(813)	2,107	(5,268)
Restricted Future Pension Reserve	(267)	-	(9)	2	(274)
	(8,316)	14,588	(19,729)	4,354	(9,103)
Restricted fixed asset funds					
Transfer fixed assets on conversion	15	-	-	-	15
Transfer of Land and Buildings on conversion	22,110	-	(1,530)	-	20,580
Donated Fixed Assets	21,168	-	(13)	-	21,155
DfE/EFA capital grants	2,232	77	(166)	(322)	1,821
Capital expenditure from GAG	36	-	-	43	79
	45,561	77	(1,709)	(279)	43,650
Total restricted funds	37,245	14,665	(21,438)	4,075	34,547
Endowment Funds	100	-	-	-	100
Total unrestricted funds	1,128	1,041	(203)	(1,966)	-
Total funds	38,473	15,706	(21,641)	2,109	34,647

University of Chester Academies Trust
NOTES FOR YEAR ENDED 31ST AUGUST 2018

15 Funds (continued)

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 2017.

Start-up Grants are DfE / ESFA 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 ESFA 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 fund fixed assets (£43k) and additionally transfers of funds have also been made to ensure positive cash balances during the year. Unused capital funding of £321k and the year-end balance of £1,966 on the unrestricted fund have been set against the deficit on the restricted fund.

Other grants relates to various income streams and includes hire of sports facilities.

Restricted Fixed Asset Funds;

DfE Capital Grants – income for the year relates to 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 ESFA.

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 two 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).

University of Chester Academies Trust
NOTES FOR YEAR ENDED 31ST AUGUST 2018

15 Funds (continued)

Previous year movements in funds (financial year ended 31st August 2017)

	Balance at August 31 st 2016 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2017 £000
Restricted general funds					
General Annual Grant (GAG)	150	14,101	(15,586)	74	(1,261)
Start Up Grant	-	34	(34)	-	-
Other DfE/ESFA grants	-	1,148	(1,148)	-	-
Standard funds grants	-	411	(411)	-	-
Other grants	(226)	317	(317)	-	(226)
Pension reserve	(9,272)	-	(741)	3,451	(6,562)
Restricted Future Pension Reserve	(264)	-	(8)	5	(267)
	(9,612)	16,011	(18,245)	3,530	(8,316)
Restricted fixed asset funds					
Transfer fixed assets on conversion	15	-	-	-	15
Transfer of Land and Buildings on conversion	23,003	-	(893)	-	22,110
Donated Fixed Assets	21,251	-	-	-	21,168
DfE/ESFA capital grants	2,417	96	(83)	23	2,232
Capital expenditure from GAG	36	-	(304)	-	36
	46,722	96	(1,280)	23	45,561
Total restricted funds	37,110	16,107	(19,525)	(3,553)	37,245
Endowment Funds	100	-	-	-	100
Total unrestricted funds	997	463	(215)	(97)	1,128
Total funds	38,187	16,570	(19,740)	3,456	38,473

The 2016/17 prior year fund balances have been restated to increase the pension reserve and decrease the GAG reserve by £350k to ensure the brought forward reserves were in agreement with the brought forward pension liability. This has had no net effect on the overall fund balances.

University of Chester Academies Trust
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15 Funds (continued)

Analysis of academies by fund balance

Fund balances at 31 August 2018 were allocated as follows:	Total	Total
	2018	2017
	£000	£000
UCEA (Ellesmere Port)	(1,197)	(450)
UCAN (Northwich)	(759)	35
UAW (Warrington)	(530)	59
UAK (Kidsgrove)	(935)	(113)
UCFS (Primary, Chester)	(235)	(25)
UPAK (Primary, Kidsgrove)	(177)	18
UPAW (Primary, Weaverham)	(175)	(27)
UCAT (Central Reserves)	447	145
	<u>(3,561)</u>	<u>(358)</u>
Restricted fixed asset fund	43,650	45,561
Pension reserve	(5,542)	(6,830)
Endowment Funds	100	100
Total	<u>34,647</u>	<u>38,473</u>

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% can 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 2018.

Analysis of academies by cost

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

	Teaching and Educational Support Staff Costs £000	Other Support Staff Costs £000	Educational Supplies £000	Other Costs (excluding Depreciation) £000	Total 2018 £000	Total 2017 £000
UCEA	3,452	761	132	1,237	5,582	5,483
UCAN	2,037	401	24	1,279	3,741	3,128
UAW	2,248	390	57	779	3,474	3,503
UAK	2,005	564	44	577	3,190	3,354
UCFS	569	225	15	225	1,034	813
UPAK	680	177	18	258	1,133	1,072
UPAW	584	134	16	222	956	959
UCAT Central Services	243	412	-	113	768	1,166
Academy Trust	<u>11,818</u>	<u>3,064</u>	<u>306</u>	<u>4,690</u>	<u>19,878</u>	<u>19,478</u>

University of Chester Academies Trust
NOTES FOR YEAR ENDED 31ST AUGUST 2018

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, and 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 (Year ending August 31st (2018))

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Endowm ent Funds £000	Total Funds £000
Tangible fixed assets	-	-	43,598	-	43,598
Current assets	-	1077	52	-	1,129
Current liabilities	-	(4,669)	-	-	(4,669)
Endowment asset	-	-	-	100	100
Pension scheme liability	-	(5,511)	-	-	(5,511)
Total Net Assets as at 31st Aug 2018	-	(9,103)	43,650	100	34,647

Analysis of Net Assets between Funds (Analysis of Prior Year ending 31st August 2017)

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Endowment Funds £000	Total Funds £000
Tangible fixed assets	-	-	45,227	-	45,227
Current assets	1,128	637	334	-	2,099
Current liabilities	-	(2,144)	-	-	(2,144)
Endowment asset	-	-	-	100	100
Pension scheme liability	-	(6,809)	-	-	(6,809)
Total Net Assets as at 31st Aug 2017	1,128	(8,316)	45,561	100	38,473

18 Capital Commitments

	2017 £000	2016 £000
Contracted for, but not provided in the financial statements	-	-

19 Commitments Under Operating Leases

At 31st August 2018 the total of the Academy Trust's future minimum lease payments under non-cancellable operating lease was as follows:

	2018 £000	2017 £000
Amounts due within one year	48	46
Amounts due between one and five years	50	27
	98	73

University of Chester Academies Trust
NOTES FOR YEAR ENDED 31ST AUGUST 2018

20 Reconciliation of Net Expenditure to Net Cash Flow from Operating Activities

	2018	2017
	£000	£000
Net expenditure for the reporting period (as per the statement of financial activities)	(5,935)	(3,170)
Adjusted for:		
Impairment charge	630	-
Depreciation charges (note 12)	1,079	1,280
Capital grants from DfE and other capital income	(77)	(96)
Interest receivable (note 5)	(3)	(9)
Defined benefit pension scheme cost less contributions payable (note 23)	642	544
Defined benefit pension scheme finance cost (note 23)	169	197
(Increase) / Decrease in debtors	(168)	796
Increase / (Decrease) in creditors	2,525	(241)
Net cash used in Operating Activities	(1,138)	(699)

21 Cash Flows from Operating Activities

	£000	£000
Dividends interest and rents from investments	3	9
Purchase of tangible fixed assets	(80)	(535)
Capital grants from DfE/ESFA	77	96
Net cash used in Investing activities	-	(430)

Analysis cash and cash equivalents	At 31 August 2018	At 31 August 2017
	£000	£000
Cash in hand and at bank	387	1,525
Total cash and cash equivalents	387	1,525

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, and Staffordshire Pension Funds. All are defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £231,458 (2017: £220,689) were payable to the schemes at 31 August 2018 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 2018 was £10,557 (2017: £10,371).

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 1.30% net interest. The provision required at 31 August 2018 has decreased to £253,763, of which £10,557 is included in creditors due within a year on the Balance Sheet and the balance of £243,206 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.)
- 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

Pension and similar contributions (continued)

- 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%

The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension cost paid to TPS in the year amounted to £1,140,024 (2017: £1,125,221).

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 TPS is a multi-employer pension scheme. The Trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Trust has set out 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 £890,000 of which employer's contributions totalled £690,000 and employees' contributions totalled £200,000. The agreed employer's contribution rates ranged from 19.8% to 24.3% 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.

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, ('GMP'). The Government will need to consider this outcome in conjunction with the Government's recent consultation on GMP indexation in public sector schemes before concluding on any changes required to LGPS schemes.

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Pension and similar obligations (continued)

University of Chester Academies Trust's Consolidated Pension Funds

Consolidated Scheme Deficit

	Chehire Pension Fund £000	Staffordshire Pension Fund £000	Total LGPS 2017/18 £000
Market Value of Assets	12,023	2,148	14,171
Present Value of Scheme Liabilities	(15,342)	(4,097)	(19,439)
Scheme deficit	(3,319)	(1,949)	(5,268)

Amounts recognised in the statement of financial activities

	2018 £000	2017 £000
Current service cost	(1,383)	(1,242)
Net interest cost	(170)	(197)
Total operating charge	(1,553)	(1,439)

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 £743,000 gain (2017: £1,364,000 loss).

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

	2018 £000	2017 £000
At 1 September	19,425	21,049
Current service cost	1,383	1,242
Interest cost	501	449
Employee contributions	200	199
Actuarial (gain)/loss	(1,901)	(3,360)
Benefits paid	(169)	(154)
Transferred Out	-	-
At 31 August	19,439	19,425

University of Chester Academies Trust
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Pension and similar obligations (continued)

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

	2018	2017
	£000	£000
At 1 September	12,863	11,777
Interest income	331	252
Return on plan assets (excluding net interest on the net defined pension liability)	206	91
Actuarial gain/(loss)	-	-
Employer contributions	740	698
Employee contributions	200	199
Benefits paid	(169)	(154)
Transferred Out		
At 31 August	14,171	12,863

Sensitivity Analysis

	Approximate Monetary Amount 2018 £000	Approximate Monetary Amount 2017 £000
Change in assumptions at 31 August		
0.5% decrease in Real Discount Rate	2,554	2,521
0.5% increase in the real Salary Increase Rate	574	619
0.5% increase in the Pension Increase (CPI)	1,936	1,847

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 2018 was £690,000 (2017: £690,000), of which employer's contributions totalled £527,000 (2017: £534,000) and employees' contributions totalled £156,000 (2017: £156,000). The agreed contribution rates for future years range from 19.8% to 24.3% 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.

University of Chester Academies Trust
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Pension and similar obligations
(continued)

Principal Actuarial Assumptions	At 31 August 2018	At 31 August 2017
Rate of increase in salaries	2.7%	2.7%
Rate of increase for pensions in payment/inflation	2.4%	2.4%
Discount rate for scheme liabilities	2.8%	2.5%
Inflation assumption (CPI)	2.4%	2.4%

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 2018	At 31 August 2017
<i>Retiring today</i>		
Males	22.3	22.3
Females	24.5	24.5
<i>Retiring in 20 years</i>		
Males	23.9	23.9
Females	26.5	26.5

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

	Fair value at 31 August 2018		Fair value at 31 August 2017
	£000	%	£000
Equity instruments	5,771	48	5,506
Debt instruments	5,170	43	4,515
Property	962	8	771
Cash	120	1	220
Total market value of assets	12,023		11,012

Amounts recognised in the statement of financial activities

	2018 £000	2017 £000
Current service cost	(1,075)	(931)
Net interest cost	(112)	(145)
Total Operating Charge	(1,187)	(1,076)

University of Chester Academies Trust
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Pension and similar obligations (continued)

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

	2018	2017
	£000	£000
At 1 September	15,312	16,672
Current service cost	1,075	931
Interest cost	395	358
Employee contributions	156	156
Actuarial (gain)/loss	(1,469)	(2,689)
Benefits paid	(127)	(116)
At 31 August	15,342	15,312

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

	2018	2017
	£'000	£000
At 1 September	11,011	9,879
Interest income	283	213
Return on plan assets	125	345
Employer contributions	575	534
Employee contributions	156	156
Benefits paid	(127)	(116)
At 31 August	12,023	11,011

Sensitivity Analysis

	Approximate Monetary Amount 2018 (£000)	Approximate Monetary Amount 2017 (£000)
Change in assumptions at 31 August		
0.5% decrease in Real Discount Rate	2,009	1,982
0.5% increase in the real Salary Increase Rate	454	489
0.5% increase in the Pension Increase (CPI)	1,521	1,450

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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 2018 was £208,000 (2017: £208,000), of which employer's contributions totalled £164,000 (2017: £164,000) and employees' contributions totalled £44,000 (2017: £43,000) The agreed contribution rates for future years are 22.2% to 23.2% 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.

Pension and similar obligations (continued)

Principal Actuarial Assumptions	At 31 August 2018	At 31 August 2017
Rate of increase in salaries	2.70%	2.80%
Rate of increase for pensions in payment/inflation	2.30%	2.40%
Discount rate for scheme liabilities	2.80%	2.50%
Inflation assumption (CPI)	2.30%	2.40%

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 2018	At 31 August 2017
<i>Retiring today</i>		
Males	22.1	22.1
Females	24.4	24.4
<i>Retiring in 20 years</i>		
Males	24.1	24.1
Females	26.4	26.4

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

	Fair value at 31 August 2018 £000
Equity instruments	1,504
Debt instruments	408
Property	172
Cash	64
Total market value of assets	2,148

Amounts recognised in the statement of financial activities

	2018 £000	2017 £000
Current service cost	(308)	(311)
Net interest cost	(58)	(52)
Total operating charge	(366)	(363)

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

	2018 £000	2017 £000
At 1 September	4,113	4,377
Current service cost	308	311
Interest cost	106	91
Employee contributions	44	43
Actuarial (gain)/loss	(432)	(671)
Benefits paid	(42)	(38)
At 31 August	4,097	4,113

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

	2018 £000	2017 £000
At 1 September	1,852	1,898
Interest income	48	39
Return on plan assets (excluding net interest on the net defined pension liability)	81	(254)
Employer contributions	165	164
Employee contributions	44	43
Benefits paid	(42)	(38)
At 31 August	2,148	1,852

University of Chester Academies Trust
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Sensitivity Analysis

	Approximate Monetary Amount 2018 (£000)	Approximate Monetary Amount 2017 (£000)
Change in assumptions at 31 August		
0.5% decrease in Real Discount Rate	545	539
0.5% increase in the real Salary Increase Rate	120	130
0.5% increase in the Pension Increase (CPI)	415	397

24. Related Party Transactions

During the 2017/18 financial year the University of Chester provided educational training to the Trust, which was invoiced at cost, totalling £5,276.

Apart from the above, no related party transactions took place in the period of account other than the trustees' remuneration and expenses disclosed in note 10.

25. Agency Arrangements

The Academy Trust administers the disbursement of the new discretionary support for learners, 16-19 Bursary Funds, on behalf of the ESFA.

	2018 £000	2017 £000
At 1 September	26	19
Received	10	19
Bursary Repaid to ESFA (UAW)	(17)	-
Distributed	(13)	(12)
Creditor at 31 August	6	26

26. Post Balance Sheet Events

Following the Trust's accounting year end (31st August 2018), the following academies transferred out of the Trust:

University Academy Kidsgrove - Rebrokered to The Shaw Trust – transferred 1st November 2018.

University Primary Academy Kidsgrove - Rebrokered to The Shaw Trust – transferred 1st November 2018.

University of Chester Academies Trust
NOTES FOR YEAR ENDED 31ST AUGUST 2018

University of Chester Academy Northwich – Rebrokered to North West Academies Trust – transferred 1st November 2018.

University Primary Academy Weaverham – Rebrokered to North West Academies Trust – transferred 1st November 2018.

University Church Free School – Rebrokered to North West Academies Trust – transferred 1st December 2018.

University Academy Warrington – Rebrokered to The Challenge Academy Trust – transferred 1st December 2018.

University Church of England Academy – Rebrokered to the Frank Field Trust – transferred 1st December 2018.

Following successful rebrokering of all academies, statutory returns will be completed and procedures to dissolve the Trust will then be put into operation.