



**Star Academies**  
formerly known as Tauheedul Education Trust  
**(A Company Limited by Guarantee)**

**Annual Report and Financial Statements**

**Year ended 31 August 2018**



**Company Registration Number:**  
**07353849 (England and Wales)**

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## Abbreviations

STAR – Star Academies (formerly Tauheedul Education Trust)	CPI – Consumer Price Index
TIBHS – Tauheedul Islam Boys' High School	DfE – Department for Education
TIGHS – Tauheedul Islam Girls' High School	ESFA – Education and Skills Funding Agency
OBL – Olive School Blackburn	FRS – Financial Reporting Standard
OHA – Olive School Hackney	GAG – General Annual Grant
EBB – Eden Boys' School Bolton	TPS – Teachers' Pension Scheme
EGC – Eden Girls' School Coventry	LGPS – Local Government Pension Scheme
EGW – Eden Girls' School Waltham Forest	SCR – Standard Contribution Rate
EBP – Eden Boys' School Preston	SERPS – State Earnings-Related Pension Scheme
EBM – Eden Boys' School Birmingham	LIGHT – Light Trust (formerly Tauheedul Foundation)
EGS – Eden Girls' School Slough	SHINE – Shine Charity (formerly Tauheedul Charity)
HLA – Highfield Leadership Academy	SCITT – School-Centred Initial Teacher Training
LLA – Laisterdyke Leadership Academy	NPQ – National Professional Qualification
OBO – Olive School Bolton	
OPR – Olive School Preston	
OBI – Olive School Birmingham	
TLA – Tong Leadership Academy	
MEG – Eden Girls' Leadership Academy, Manchester	
MEB – Eden Boys' Leadership Academy, Manchester	
PTH – Thornbury Primary Leadership Academy	
PHC – High Crag Primary Leadership Academy	
PBA – Barkerend Primary Leadership Academy	
PBL – Bay Leadership Academy	
SLA – Small Heath Leadership Academy	



Star

## Reference and Administrative Details

For the Year Ended 31 August 2018

Members	Kamruddin Isap Kothia, DL (Chair) Faruk Dasu (Light Trust) Harry Catherall Mohamed Isap Rt. Hon Jack Straw The Rt. Hon. Lord Charles Shuttleworth KG, KCVO (appointed January 2018) Martin Ainscough, CBE, DL (appointed June 2018)
Trustees	Kamruddin Isap Kothia, DL (Chair) Carol Costello Faruk Dasu # Harry Devonport Mohamed Isap Afzal Ismail # Kevin Jaquiss # Hamid Patel CBE Imraan Patel Rt. Hon Jack Straw David Rawlinson (resigned June 2018) Fiona Jordan (appointed July 2018) # Members of the Audit Committee
Chief Executive and Accounting Officer	Hamid Patel CBE
Senior Management Team	Executive Director: Capital Programmes – David Holland Executive Director: Communication and Development - Kathryn Chorlton Executive Director: Education – Lisa Crausby Executive Director: Education – Kieran Larkin Executive Director: Quality Assurance – Shirley Gornall Executive Director: Strategy and Operations - Deborah Ashton Executive Director: Star Institute – Amanda Bailey
Company Name	Star Academies
Principal and Registered Office	Shadsworth Road Blackburn Lancashire BB1 2HT
Company Registration Number	07353849 (England and Wales)
Independent Auditor	Beever and Struthers Chartered Accountants Central Buildings Richmond Terrace Blackburn Lancashire BB1 7AP
Bankers	Lloyds Bank Church Street Blackburn Lancashire BB2 1JQ
Solicitors	Hill Dickinson 1 St Paul's Square Liverpool Merseyside, L3 9SJ



## **Trustees' Report**

### **For the Year Ended 31 August 2018**

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The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 1 September 2017 to 31 August 2018. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

Within this year the Trust operated 8 primary and 15 secondary schools across the Lancashire, Greater Manchester, West Yorkshire, Midlands and London area. These academies had a combined pupil capacity of 19,135 and had a roll of 12,127 in the school census on May 2018. All but 7 of these academies are fully subscribed and any reduced roll against capacity is due to the academies having opened in recent years and not yet having all of their school years operational. The 7 that are undersubscribed are schools that have recently become sponsor-led academies of the Trust.

Within this year the Trust was also preparing for the opening of a further secondary school in September 2019, and undertaking due-diligence on a number of sponsor-led academies that joined the Trust during 2017-18. In addition to this, the Trust has continued to manage the Leadership training programme and commenced Initial Teacher Training.

On 2 July 2018, the company name was changed from Tauheedul Education Trust to Star Academies. Any references to Star Academies (Star) mean Star Academies formerly known as Tauheedul Education Trust.

### **Structure, Governance and Management**

#### **Constitution**

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

Details of the trustees who served during the year, and to the date these accounts are approved are included in the Reference and Administrative Details on page 2.

#### **Members' Liability**

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

#### **Trustees' Indemnities**

In accordance with normal commercial practice Star has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The insurance provides cover up to £5,000,000 on any one claim as shown in note 12 to the accounts.

#### **Method of Recruitment and Appointment or Election of Trustees**

Trustees are appointed in accordance with the articles of association.

In selecting new Trustees, the Trust seeks to identify people who are willing to commit their time and skills for the advancement of the purposes of Star, adding value to the leadership of the Trust and ensuring good governance is secured.

Trustees are appointed for four years and may be re-appointed.

#### **Policies and Procedures Adopted for the Induction and Training of Trustees**

Following appointment all new Trustees receive an introduction to their role from the Chair and Chief Executive. This introduction includes the opportunity for tours to school sites and meeting members of a school's Senior Leadership Team.



## Trustees' Report

For the Year Ended 31 August 2018

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The Trust has an annual training programme undertaken by Trustees, the Trust makes available other training that is required for Trustees to undertake their role effectively. The Trust's Head of Governance ensures new Trustees receive sufficient support and information to enable them to discharge their role. All Trustees are required to sign and adhere to the Code of Conduct held by the Trust.

### Organisational Structure

The Trustees are responsible for the general control and management of the Trust. The Trustees give their time freely and receive no remuneration or other financial benefits, other than the Trust Chief Executive who also serves as a Trustee. The Trustees act as the governors of Star and are also the directors of the charitable company for the purposes of company law.

The Trustees meet termly and are responsible for all decisions taken in relation to the activities provided by Star. The Trustees have established an Audit Committee that meets termly to ensure the independent checking of financial controls, systems, transactions and risks.

The Trust has delegated some decision making to additional Trustee committees and the local governing bodies of its schools. The Trust has a clear scheme of delegation with regard to the delegation of these decisions; this also details the decisions that have been delegated to management to ensure the day to day operational capacity of the Trust.

The Trust, as a Multi-Academy Trust, has a Central Office to support its academies in relation to their business support and academic standards. The Trust Chief Executive is the Accounting Officer.

### Arrangements for setting pay and remuneration of key management personnel

The Trust has a Nomination and Remuneration Committee that has responsibility for agreeing the pay of the Chief Executive. The Committee is supported in this role by External Pay Specialists who have been engaged for this task. Senior Leadership Team pay is set by reference to benchmarking and comparison of pay with other roles in the sector.

### Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force in April 2017, which put in place provisions in the Trade Union Act 2016 requiring relevant public-sector employers to publish specified information related to facility time provided to trade union officials.

In line with the regulations, Star is required to publish the following information relating to trade union officials and facility time (figures cover the period 1 April 2017 to 31 March 2018):

#### Trade union representatives and full-time equivalents:

Trade union representatives	0 representatives
FTE trade union representatives	0 representatives

#### Percentage of working hours spent on facility time:

0% of working hours	0 representatives
1% to 50% of working hours	0 representatives
51% to 99% of working hours	0 representatives
100% of working hours	0 representatives

#### Total pay bill and facility time costs:

Total pay bill	£39,705,154
Total cost of facility time	£25,735
Percentage of pay spent on facility time	0.06%



## Trustees' Report

For the Year Ended 31 August 2018

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### Paid trade union activities:

Hours spent on paid facility time	0 hours
Hours spent on paid trade union activities	0 hours
Percentage of total paid facility time	0%
hours spent on paid TU activities	

### Related Parties and other Connected Charities and Organisations

#### ***Light Trust***

On 20<sup>th</sup> April 2018, the company name was changed from Tauheedul Foundation to Light Trust. Light Trust is a non-operational Foundation Body, is a Member of Star Academies and can appoint further Members.

#### ***Tauheedul Education Limited***

Tauheedul Education Limited, a wholly owned subsidiary of Star, was a dormant company before it was dissolved on 29 May 2018.

#### ***Shine Charity***

On 20<sup>th</sup> April 2018, the company name was changed from Tauheedul Charity to Shine Charity. Shine Charity is not a connected charity to Star Academies. Shine Charity delivers Star Academies corporate social responsibility programme. It aims to:

- To empower young people to make a difference to their communities - local, national and international
- To equip young people with the skills and knowledge to lead social action, contribute to issues they care about and shape decisions that affect them
- To help employers fulfil their corporate social responsibility, connect charities with young people and maximise the community impact of schools



## Trustees' Report

For the Year Ended 31 August 2018

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### Objectives and Activities

#### Objects and Aims

Star Academies (Star) is a not-for-profit Multi-Academy trust. The objects of the Trust are to establish, maintain, carry on, manage and develop outstanding schools that promote educational excellence, character development and service to communities.

The Trust believe that every child and every community is unique. It works hard to make sure that each and every pupil in its schools – regardless of their faith, race, gender, background or starting point – achieves their potential and goes on to university or a career of their choice.

#### Objectives, Strategies and Activities

Star Academies (Star) is a rapidly expanding not for profit Multi-Academy Trust and is one of the UK's leading education providers. Star is a mixed MAT that runs both faith-based and non-faith schools. It is a values-based organisation which works to improve the life chances of young people in areas of social and economic deprivation to help them succeed at the highest levels of education, employment and the professions.

The Trust now has 23 schools in five cluster areas – Lancashire, Greater Manchester, West Yorkshire, the Midlands and London. Schools work together to share expertise and maximise opportunities and experiences for our students. The Trust's corporate learning and development centre – Star Institute – is one of the UK's leading education providers. Established to support and promote school improvement, the Institute aims to build a world class education workforce, not only for the Trust's own schools, but for other schools nationally and beyond.

The Trust has an ambitious vision - **Nurturing today's young people, inspiring tomorrow's leaders**

This vision is wide ranging. It encompasses aspiration, educational excellence, system leadership, social mobility and cohesion.

The Trust aims to:

- Transform the educational achievement of the nation's young people, schools and academies
- Elevate the life chances of young people in areas of social and economic deprivation - from all backgrounds - to help them succeed at the highest levels of education, employment and the professions
- Lead a national drive based on rigour and high expectations designed to improve school standards
- Provide more choice for parents by offering them the chance to send their children to an inspirational school
- Ensure ambition and high aspirations are rewarded through all our schools
- Make a demonstrable impact on social mobility and equality in communities that have called out for change for so long
- Create a diverse network of faith and non-faith schools, ensuring every child has access to a first-rate education that embodies opportunity for all.

Everything the Trust does is in furtherance of these aims. Highlights from 2017/18 are detailed in the Strategic Report.

#### Public Benefit

In setting the objectives, and planning the activities, the Trustees have given careful consideration to the Charity Commission's general guidance on public benefit and to its supplementary public benefit guidance on advancing education.

The key public benefit delivered by Star is the development of high quality education provided within its schools, to the public benefit of all children local to these schools.

## Trustees' Report

For the Year Ended 31 August 2018

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### Strategic Report

#### Achievements and Performance

Star has achieved the following in the 2017/18 academic year:

##### Educational Excellence

- Continued investment in skilled specialists to enhance support to its schools across a range of education disciplines. These include additional Rapid Improvement Leads, subject specialists and safeguarding and inclusion experts.
- The School Improvement framework was applied consistently across all schools, with the Academic Board briefed regularly. None of the sponsored academies remain in category 4, all being at 3 or above.
- As the Trust was joined by three primary sponsored academies during the year it took our number of primaries to eight. Overall performance was good for both free schools and sponsored academies.
  1. At Early Years' Foundation Stage (EYFS), 86% of pupils achieved a good level of development. 92% of Year 1 pupils passed the Year 1 phonics check, compared with the 2017 national average of 81%.
  2. At Key Stage 1 the free schools performed strongly but performance was slightly below the national average within the sponsored academies; this has been identified as a priority for 2018-19.
  3. The Key Stage 2 position varied across the schools. Barkerend and Thornbury Primary Leadership Academies performed extremely strongly, especially in reading and maths. The percentage of pupils exceeding the expected standard in reading, writing and maths was above average in all schools except one. However, progress from KS1-KS2 was weaker overall and the need to improve the number of pupils achieving higher standards has been identified as a priority for 2018
- The GCSE results in Star's founder and free schools were impressive. Students in Eden Boys', Bolton, Eden Girls', Coventry and Eden Girls', Waltham Forest sat GCSEs for the first time. These schools, along with TIGHS and TIBHS, are in the top quartiles for Progress 8 and attainment; with 3 schools within the top 10 nationally. The picture across the secondary sponsored academies was more mixed, with particular improvements at Tong and Bay, but a decline in performance at Small Heath and Laisterdyke Leadership Academies. Although Highfield achieved a slight improvement, progress remains particularly low. Driving up standards at the secondary academies continues to be a priority for 2018
- At Key Stage 5, TIGHS achieved excellent results. The sponsored academies performed in line with national averages, with the exception of Bay Leadership academy, which was below average.
- Tailored support was provided to schools facing their first Ofsted inspection as Star schools. Eden Boys', Birmingham, Eden Boys', Preston and Eden Girls', Slough were all judged "outstanding". This continued the Trust's remarkable track record of having all its free schools that have undergone Ofsted inspections judged as "outstanding". Although inspections were expected at Highfield and Laisterdyke Leadership Academies, these did not take place. They are anticipated early in the 2018-19 academic year.
- A major review of the Trust's provision for inclusion and safeguarding took place. There were many examples of good practice and also opportunities for a more systematic and consistent approach to these important areas of school life. Specialist inclusion and safeguarding professionals were recruited to Star Central and comprehensive strategies and toolkits were developed and implemented.
- A number of strategic partnerships were formed to support the development of the Trust's Pupil Leadership specialism. These included partnerships with the FA, the Armed Forces, scouts and others. The Trust's R-18 Leadership Framework was developed, with leadership competences identified and supporting documents created. Of particular note was the Star girls' football competition where nine schools competed at Manchester City's Football Academy, with special guest Rachel Brown-Finnis, former Everton and England goalkeeper, speaking and presenting the prizes.





## Trustees' Report

For the Year Ended 31 August 2018

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- Star Institute's first SCITT student cohort achieved a 100% completion rate, with high levels of student satisfaction. 100% of SCITT graduates secured teaching positions, with 77% of these in Star schools—an excellent demonstration of Star's commitment to "growing its own". The Institute developed a suite of NPQ programmes following its appointment as an accredited provider. It delivered these to both internal and external cohorts during the course of the year. Delivery started on the Institute's successful proposal to deliver leadership and governance support in Blackpool which was well-received locally. Additional 11 Senior Leaders in Education and 11 Local Leaders in Education were recruited and school to school support programmes were delivered throughout the year.

### Operational excellence

- Further recruitment in line with the phased staffing plan took place in all teams during the year to ensure that Star's Central Office remains able to provide effective support to the growing network of schools. The staffing plan is kept under regular review and the updated plan was presented to Audit Committee, P&R and the Board in the summer term. The Trust's policies and procedures were embedded across all teams in Star Central and effective briefing, supervision and performance management arrangements were put in place.
- The production of standard agendas and reports for LGBs continued. Skype-based briefing sessions for LGB chairs were held. The governor training programme continued, using a mix of face-to-face, online and webinar training. A Trustee skills audit was carried out and focused follow-up sessions are being arranged for those areas where Trustees expressed a desire for deeper understanding.
- The Trust made extensive preparations for GDPR, including an extensive programme of awareness raising and staff training. The Data Protection Policy and associated policies and procedures were updated to reflect the new requirements and a prioritised action plan was developed.
- Good progress continued on the free schools capital programme, although the challenges of securing permanent sites continued. Following a "batch procurement" as part of the Trust's self-delivery arrangements with ESFA, Wates were appointed to deliver TIBHS and the two Eden Leadership Academies in Manchester. After many years of waiting, work has now started on site on TIBHS' permanent build and the school will be able to move into its permanent home for the 2019-20 academic year. The planning appeal for The Olive School, Hackney Police Station site was successful and preparations for the school's permanent site began in earnest. Permanent sites were identified for Eden Boys' Leadership Academy, Bradford and The Olive School Manchester.
- The first year of the property management advisory service with Eric Wright FM (EW) went well. EW visited all schools to complete statutory compliance checks and visited non-PFI schools in permanent premises to prepare Asset Management Development Plans (AMDP). The school AMDPs were drawn together at Trust level into a Star Capital Maintenance programme, to be funded via the Trust's School Capital Allocation (SCA). The Trust has reached a size where it is eligible for an annual allocation of SCA funding, which is distributed by DfE according to size and need. The Policy and Resources Committee approved the criteria against which capital maintenance projects would be prioritised at their spring term meeting. These were designed to ensure a fair, transparent process, with funding allocated according to need. P&R endorsed the 2017-19 Capital Maintenance programme at their summer meeting.
- A number of major procurements took place. These included ICT, HR and payroll and internal and external audit. The Trust bought a cloud-based e-sourcing system. This will act as a central repository for all procurement-related documentation and will support effective contract management.
- The revised staffing model of appointing Heads of Finance to groups of schools was rolled out. The new model will ensure that consistent and effective financial management controls are in place at all establishments. 5-8 year finance plans were developed for all schools. P&R Committee approved an updated Treasury Management framework for the Trust which diversified the Trust's portfolio in a way that would maximise return on investment, with minimal risk.

## Trustees' Report

### For the Year Ended 31 August 2018

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- The Trust's ICT contract with Civica, which had been in place since the Trust was established, came to an end in August 2018. In line, with the approach agreed by the IT Strategy Group, the Trust undertook a number of procurements aimed at achieving better value for money and a more responsive and forward-looking ICT service. Following a procurement under the ESFA's RSM1050 framework, Joskos Solutions were appointed to provide the reconfigured support service. The new service came into effect on 1 September 2018.
- Work to strengthen the Trust's IT security continued. The Trust achieved Cyber Essentials accreditation for Star Central and the Star Institute. Accreditation for all schools will be sought by the end of the 2018-19 academic year.

#### A Strong Star Community

- A Head of Communications was appointed and takes up post in October 2018. The Trust changed its name to Star Academies in July 2018. This provided an opportunity to consolidate the Trust's branding framework and a full suite of corporate documents, signs and templates was prepared. A brand "on-boarding" package for convertor academies was developed and implemented to provide a cost-effective way of ensuring that the new schools fully reflect the Trust brand.
- A "refresh" of the Trust's website took place as part of the rebrand, but a new website will be launched in 2018-19, including an enhanced careers section linked to the Applicant Tracking System.
- Eden Boys', Birmingham, Eden Boys', Preston and Eden Girls', Slough underwent their first Section 48 faith inspections and were judged "outstanding". This means that all the Trust's faith schools that have undergone Section 48 Inspection are considered "outstanding". The Trust's faith schools are working with 'The Faith and Belief Forum' (Formerly 3 Faiths Forum) to secure twinning partners.

#### Key Performance Indicators

Star Academies' schools have been ranked among the best in England – with more schools placed in the top 75 in the country than any other multi-academy trust.

The performance tables published by the Department for Education show the provisional "Progress 8" scores for each school in England. Progress 8 measures the progress of every pupil in a school from age 11 to GCSE across eight subjects, including key academic subjects. Five of Star's academies are placed in the top 75, and four are in the top 12, with Tauheedul Islam Girls' High School (TIGHS), in Blackburn, is in first place nationally for the third consecutive year, after claiming the top spot in both 2016 and 2017.

TIGHS's Progress 8 score of 1.91 means each of its pupils achieved on average two GCSE grades better per subject than similar pupils nationally. Its high score was an improvement on last year's score of 1.82.

Eden Girls' School in Coventry, Tauheedul Islam Boys' High School in Blackburn, and Eden Girls' School in Waltham Forest are also in the top dozen schools in the country, with scores of 1.36, 1.32, and 1.28, while Eden Boys' School in Bolton achieved 0.95 – on average a grade better per subject per pupil than similar pupils nationally – to come 73<sup>rd</sup> equal. This summer was the first that Eden Girls' School in Coventry, Eden Girls' School in Waltham Forest, and Eden Boys' School in Bolton have had GCSE results.

The picture across the secondary sponsored academies was more mixed. There were improvements at Bay who increased their Progress 8 score from -0.52 to -0.24 and Tong up from -0.56 to -0.34. However there was a decline in performance at Small Heath who fell from -0.02 to -0.41 and Laisterdyke who dropped from -0.17 to -0.39. Although Highfield achieved a slight improvement to -0.94, progress remains particularly low.

The combined Sponsored academies and free Schools Progress 8 score remains positive at 0.1.

Students at TIGHS Sixth Form also achieved fantastic A-Level results with a magnificent 100% of the cohort achieving three passes at grades A\* to C, with the average grade per entry being A-. The sponsored academies performed in line with national averages, with the exception of Bay Leadership academy, which was below average.



## Trustees' Report

### For the Year Ended 31 August 2018

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Star schools aim to keep salary costs between 70% and 75% of their GAG income. This has been achieved during 2017/18.

As some of our schools are within their early years of operation their budgets are limited and therefore require close financial management.

#### Going Concern

After making appropriate enquiries, the Board of Trustees has a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

#### Financial Review

During the year ended 31 August 2018 Star has received income of £137,299K (2017: £90,553K) comprising:

- GAG funding for TIBHS, TIGHS, The Olive Schools in Birmingham, Blackburn, Bolton, Preston and Hackney, the Eden Boys' Schools in Bolton, Birmingham, Preston and Manchester, the Eden Girls' Schools in Coventry, Waltham Forest, Slough and Manchester and Highfield, Laisterdyke, Tong, Small Heath, Barkerend, High Crag, Thornbury and Bay Leadership Academies;
- Year Zero restricted start-up funding for Eden Boys' Leadership Academy, Bradford, Eden Boys' School II, Birmingham and The Olive School in Manchester;
- Capital grants towards the purchase of sites for the schools and the related fit out costs at the permanent and temporary sites;
- National College Scholarship funding and associated candidate fees for the North West Leadership Programme;
- School Condition Allocation funding covering all trust schools;
- School Improvement funding for Small Heath Leadership Academy.

Over the year Star expended £76,160K (2017: £56,029K) resulting in net income of £61,139K (2017: £34,524K) leading to reserves carried forward of £248,818K (2017: £185,087K). Of this, a deficit of £2,142K (2017: £297K) relates to restricted funds for the academies which is being carried forward to be utilised in future years, and £246,828K (2017: £180,032K) which relates to the restricted fixed asset fund which is being carried forward and will be spent in line with the Capital Grant programme. Star has an unrestricted fund carried forward of £4,132K (2017: £4,758K) which will be used within the Academies Charitable objectives.

During the year, five academy conversions took place, along with the opening of two new free schools. Their combined contribution to restricted and unrestricted general income was £11,921K. Their corresponding combined expenditure during the period since conversion/opening was £11,177K, resulting in net income of £744K. For the academy conversions, reserves, fixed assets and LGPS deficits received on conversion are detailed within note 28.

Due to the timing of the stage payments of the start-up grants for the additional free schools Star had cash reserves of £17,627K as at 31 August 2018 (2017: £12,692K) and was carrying forward deferred income of £57K (2017: £102K) in relation to these grants. These monies will be spent in the following year on the pre-opening costs of these free schools.

During the year the Accounting Officer has been working with the Central Management team, the business managers and Star's internal and external auditor to implement efficient and quality financial management systems. These systems are continuously under review and will be implemented at each school as they open.

In summary, as evident in this year's figures, the Trust has achieved significant growth through the acquisition of five sponsor-led academies, the opening of 2 new free schools and the additional year groups taken on by our existing schools. The 2022 Corporate Strategy is equally ambitious, and the Trust aims to see a similar level of growth year on year over the next 5 years.

## Trustees' Report

For the Year Ended 31 August 2018

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### Reserves Policy

The amount of reserves held are stated in the Financial Review noted above. The level of reserves held at each school at 31 August 2018 is considered to be sufficient and in line with the Trust's reserves policy. The Trust needs to hold reserves for a number of reasons, examples of which are listed below:

- contingency fund to deal with minor adjustments to operational expenditure from some budget headings;
- a planned accumulation of funds to pay for some major construction work or project;
- expenditure held over to the following year to withstand variations in the level of funding to the Trust to balance out variations in funding levels; and
- potential redundancy payments to staff.

In order to achieve this sustainability moving forward, the Trust has implemented a 2% in year reserves policy, which all schools should strive to achieve. Although a 2% in year reserves policy has been set, the Trust has agreed that schools must carry a cash balance equal to at least 1-month's GAG. Any excess of this following the end of the financial year will be invested in line with the Treasury Management Policy.

As noted above, the restricted general reserves carried forward is a deficit of £2,142K (2017: deficit of £297K). This is after accounting for the pension deficit reserve of £12,693K (2017: £7,135K). Excluding the pension deficit reserve and designated funds, the total restricted and unrestricted general funds as at 31 August 2018 are £14,683K (2017: £12,190K).

The Board of Trustees ensure that the Reserves Policy is in accordance with the requirements laid down in the Academies Financial Handbook by the ESFA. The Department for Education expects Trusts to use their allocated funding for the full benefit of current pupils. If Trusts have a substantial surplus, they must have a clear plan for how it will be used to benefit their pupils. It is the policy of The Trust to have reserves which can be used for future education purposes in line with the development plans.

In 2016, Star received a £50K legacy known as "The Gibson Humanities Trust" to be used only for specific areas of expenditure within HLA. This legacy can be used for such purposes up to a period of 50 years at which point certain restrictions will be removed and any balance can be used for the general benefit of HLA. As at 31 August 2018 the full amount is held as a restricted fund.

### Investment Policy

Due to the majority of free schools being in their first 4 years of operation the Trust has adopted a low risk strategy to investment. As at 31 August 2018 the Trust was holding excess reserves of £5,932K (2017: £5,887K) in a 32-day notice deposit account to optimise the return on these cash reserves. The management of the 32-day notice deposit account is done by the Trust's central finance team. Star and the schools within have no other investments other than short term deposits received on cash balances.

The Trust's central finance team is currently reviewing this strategy with a view to generate a greater return through low risk investment.

### Principal Risks and Uncertainties

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

A review of the risks faced by Star was conducted and systems established to mitigate those risks. Star has identified the major risks it faces and has documented these within its Risk Register; this is reviewed termly by its Trustees. The Trustees are also fully appraised between meetings of any issues that may impact upon the management of risk.

The Audit Committee has ongoing responsibility for the monitoring of risks and has engaged RSM as its Internal Auditors to ensure maintained compliance. An Internal Audit Plan was agreed and undertaken in 2017/18. Further details around the focus of this work is included with the Governance Statement.



## Trustees' Report

For the Year Ended 31 August 2018

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

### 1. Government Funding

The Academy Trust has considerable reliance on continued Government funding through the ESFA. In 2017/18, 99% (2016/17: 99%) of the Academy Trust's revenue was ultimately publicly funded including inherited assets, and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or in the same terms.

This risk is mitigated in a number of ways:

- Funding is derived from a number of direct and indirect contractual arrangements.
- By ensuring that the Academy Trust is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the ESFA.

### 2. Management Override

The Academy Trust is run by the CEO Hamid Patel CBE. He is able to authorise expenditure to levels that are documented within the Financial Handbook of the Trust and has control of many aspects of the Trust.

This risk is mitigated in a number of ways:

- The Board reviews management accounts at regular intervals.
- The Managers of each individual school are qualified professionals, who will be resistant to override.

During the year, the Trust suffered a sophisticated cyber attack which originated from a supplier's email system being hacked. This involved an exchange of fraudulent emails purporting to represent the supplier that instructed changes to bank account details, resulting in £77,370 being paid into a fraudulent bank account. When this was identified, prompt action of the Trust's senior management and Trustees meant that the Trust has incurred no financial loss.

## Fundraising

The Trust has nominated a senior leader who is responsible for ensuring that charitable giving by pupils, staff and families is appropriate and only allows fundraising activities if:

- The charity is registered with the UK's Charity Commission.
- The charity and the cause demonstrates no political, religious or cultural discrimination.
- The charity's values are consistent with fundamental British values of democracy, rule of law, individual liberty and mutual respect, and tolerance of those with different faiths and beliefs.
- There is no compulsion for pupils, staff and families to participate in any fundraising activities.
- If the monies raised are to be split across a number of charities the basis of this split must be notified in advance and during the fundraising activity.
- Pupils and staff organising fundraising are adequately inducted on the appropriate procedures.
- Learning is not disrupted by fundraising.
- All charitable giving is entered on to the Charitable Giving Record and is reviewed and approved by the nominated senior leader.



## Trustees' Report

For the Year Ended 31 August 2018

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- Evidence is sought to ensure charitable funds have been appropriately spent.

### Plans for Future Periods

Star will seek to grow as a Multi-Academy Trust and continue to work with communities across the country within five geographical clusters (Lancashire, Greater Manchester, West Yorkshire, West-Midlands and London) to open Free Schools and manage sponsor-led academies. Within these schools the Trust will work to ensure the high performance of its students and that the schools meet the needs of those communities.

In delivering these plans Star opened one new free schools in September 2018, Eden Boys' Leadership Academy in Manchester East. Eden Boys' Leadership Academy, Bradford and The Olive School, Manchester are scheduled to open in September 2019 and September 2020 dependent upon the agreement of sites with the ESFA. Applications to open 4 further Free Schools including 3 non-faith Free Schools were submitted to the DfE in November 2018.

The Trust has been approved to manage sponsor-led academy schools. Small Heath Leadership Academy, Birmingham completed their conversion to an academy within the Trust in January 2018, and Bay Leadership Academy, Heysham in June 2018. The Trust completed the transfer of 3 Bradford primary schools: High Craggs Academy, Barkerend Academy and Thornbury Academy in April 2018. The 3 academies were previously sponsored by the Wakefield City Academies Trust. The Trust is currently undertaking due diligence on the possible sponsorship of a number of other early stage potential sponsorships.

The Trust is keen on developing a diverse network of schools in these five geographical areas.

### Funds Held as Custodian Trustee on Behalf of Others

Star holds no funds on behalf of others.

### Auditor

Insofar as the trustees are aware:

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

Beever and Struthers are willing to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

Trustees' Report, incorporating a Strategic Report, was approved by order of the Board of Trustees, as the company directors, on 19<sup>th</sup> December and signed on the Board's behalf by:

Kamruddin Isap Kothia, DL  
Chair of Trustees  
19<sup>th</sup> December 2018



## Governance Statement

For the Year Ended 31 August 2018

### Scope of Responsibility

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

The Board of Trustees has delegated the day-to-day responsibility to the Chief Executive, as Accounting Officer, for ensuring financial controls conform to the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Star Academies and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

### Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities.

The **Members** have formally met once during the year. Attendance during the year at meetings of the Members was as follows: -

Member	Meetings attended	Out of a possible
Kamruddin Isap Kothia, DL (Chair)	1	1
Faruk Dasu (Light Trust)	0	1
Mohamed Isap	1	1
Harry Catherall	1	1
Rt. Hon Jack Straw	1	1
The Rt. Hon. Lord Charles Shuttleworth KG, KCVO (appointed January 2018)	1	1
Martin Ainscough, CBE, DL (appointed June 2018)	0	0

The **Board of Trustees** have formally met four times during the year. Attendance during the year at meetings of the Board of Trustees was as follows: -

Trustee	Meetings attended	Out of a possible
Kamruddin Isap Kothia, DL (Chair)	4	4
Carol Costello	4	4
Faruk Dasu	3	4
Harry Devonport	3	4
Mohamed Isap	4	4
Afzal Ismail	1	4
Kevin Jaquiss	4	4
Hamid Patel CBE	4	4
Imraan Patel	4	4
David Rawlinson (resigned June 2018)	2	3
Rt. Hon Jack Straw	4	4
Fiona Jordan (appointed July 2018)	0	0



## Governance Statement

### For the Year Ended 31 August 2018

Where Trustees have tendered apologies during the year this has been due to work commitments.

The **Audit Committee** is a sub-committee of the main Board of Trustees. Its purpose is to assist the decision making of the Board, by enabling more detailed consideration to be given to the best means of the Board of Trustees' responsibility to ensure regulatory compliance, financial probity and manage risk. The appointment of Internal Auditors was subject to a competitive tender during the year and RSM were re-appointed.

Attendance at meetings in the year was as follows: -

Trustee	Meetings attended	Out of a possible
Kevin Jaquiss (Chair)	3	3
Faruk Dasu	2	3
Afzal Ismail	3	3
Deborah Hale (Independent Member)	2	3

The **Policy and Resources Committee** is a sub-committee of the main Board of Trustees. Its purpose is to assist the decision making of the Board, by enabling more detailed consideration to be given to the best means of the Board of Trustees' responsibility to ensure sound management of the Trust's business resources, including proper planning, monitoring and probity.

Attendance at meetings in the year was as follows: -

Trustee	Meetings attended	Out of a possible
Mohamed Isap (Chair)	2	3
Carol Costello	3	3
Imraan Patel	3	3
David Rawlinson	0	2

The **Academic Board** is a sub-committee of the main Board of Trustees. Its purpose is to assist the decision making of the Board, by enabling more detailed consideration to be given to the best means of the Board of Trustees' responsibility to ensure high standards in the quality of teaching and learning within Trust schools.

Attendance at meetings in the year was as follows: -

Trustee	Meetings attended	Out of a possible
Harry Devonport (Chair)	3	3
Hamid Patel CBE	3	3
Cath Hitchen (Associate Member)	3	3
Rt. Hon. Jack Straw	0	2

Two Committee Advisors have commenced work on the Academic Board during the year to further strengthen the work of the Committee. As Committee Advisors there are no voting rights with regards to decisions.





## Governance Statement

### For the Year Ended 31 August 2018

The **Nomination and Remuneration Committee** is a sub-committee of the main Board of Trustees. Its purpose is to assist the decision making of the Board, by enabling more detailed consideration to be given to the oversight of Governance for the Trust.

Trustee	Meetings attended	Out of a possible
Kamruddin Isap Kothia, DL (Chair)	2	3
Faruk Dasu	3	3
Harry Devonport	2	3
Mohamed Isap	2	3

The Trust has a **Faith and Character Education (FCE) Committee** to assist the board of Trustees by enabling more detailed consideration to be given to the oversight of the Faith and Character Education for the Muslim faith schools within the Trust. The Committee is supported by 6 Committee Advisors who have no voting rights with regards to decisions.

Trustee	Meetings attended	Out of a possible
Faruk Dasu (Chair)	3	3
Hamid Patel CBE	3	3



## Governance Statement

For the Year Ended 31 August 2018

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### 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 appropriate. The Accounting Officer for the Academy Trust has delivered improved value for money during the year by: -

- ***Improving educational standards***

The Accounting Officer has improved value for money in improving educational standards in the following ways:

1. Refining the education model to be applied across all Trust schools aimed at:
  - maximising pupil performance in public examinations
  - securing intellectual and academic rigour in student development
  - ensuring an emphasis on leadership and personal development
  - ensuring that the model maximises efficiency in the deployment of teaching and other resources
2. Refreshing the Quality Assurance framework so that it is focused at areas of greatest risk. This has ensured that resources are carefully targeted on addressing underperformance and maximising improvement. Additional freedoms and flexibilities are provided to high performers to encourage innovation and free up resource to target on areas of risk and need.
3. Delivering high quality Continuing Professional Development (CPD) to individual and groups of schools focusing on common areas of improvement and interest aimed at improving the quality of leadership and teaching in the school group.
4. Investing in high quality induction for the new Eden School and sponsored academies joining the Trust during the academic year. Experience has shown that investment in induction before a new school opens pays both short and long term dividends in accelerating educational and operational performance.

- ***Robust governance and oversight of Multi Academy Trust finances***

The Trust has established robust guidance within the Trust's Financial Management Handbook. The Trust has also developed a Financial Procedures Manual to ensure segregation of duties, uniformity and consistency across all schools within the Trust. The Trust benefits from the provision of a suitably qualified Financial Controller. He and his staff hold regular meetings with all schools within the Trust. He has also been working very closely with the Principal for the new free school due to open in September 2018 to ensure a viable and sustainable budget and long term finance plan has been devised and approved. These have all been signed off by the Accounting Officer.

The Trust Management Accountant provides high level support to the schools. The Management Accountant completes a number of visits to each school. During these visits there will be compliance and health checks reviewing key policies, systems and procedures, with reports presented on compliance to the Head of the school as well as the Financial Controller for the Trust.

RSM have been commissioned as the Internal Auditors for the Trust, with 8 internal audits carried out during 2017-18. The internal audit reports highlighted the strong practices in place at the schools as well as a number of low risk recommendations. Any recommendations from the internal audits have been actioned at both the school level and across the Trust. The internal audit reports were presented



## **Governance Statement**

### **For the Year Ended 31 August 2018**

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to both Local Governing Bodies for schools as well as the Audit Committee for the Trust. A 3 year internal audit plan is in place to cover a vast programme of areas during a time of rapid growth for the MAT. The Trust also receives support throughout the year from its external auditors on compliance and accounting practices.

The Local Governing Body of each school receives detailed financial information for their termly meetings and the Local Governing Body approves the budget plan annually. They are mindful of the need to balance expenditure against income to ensure the sustainability of their respective schools and to ensure the Trust remains a 'going concern'. The members of the Trust meet with the external auditors annually to review and scrutinise the annual accounts and our external auditors' management report and to approve the annual accounts.

The Policy and Resources Committee acts on behalf of the Board of Trustees by ensuring sound management of the Trust's business resources and provides detailed financial monitoring at their termly meetings.

The Financial Controller reports back the financial position at a school and Trust level to the Accounting Officer, on a regular basis. In addition, a formal termly report is prepared for the trustees.

- ***Better Purchasing***

The Trust ensures a continual focus on best value for money and clearly understands the importance of the efficient and effective use of its resources. Our schools and Trust promote fair competition through quotations and tenders, in accordance with its financial regulations, to ensure that goods and services are secured in the most economic and effective way. Where possible, the Trust has secured single supplier contracts, through competitive tender, for areas where a single supplier is appropriate for our schools i.e. insurance, payroll, ICT software licences and internal audit. This has considerably reduced the cost of this provision to schools. For 2017-18, the Trust has re-tendered a number of contracts, these include Internal and External Audit, ICT, Stationary and a new HR system to name a few.

The budget holders review and sign off every purchase order request and regularly challenge these for efficiency and effectiveness. In turn the Governing Body regularly reviews the functions of the school, challenging how and why services are provided as appropriate. At wider Trust level, the Policy and Resources Committee monitor centralised purchasing contracts ensuring best value is achieved and procurement practices are robust and compliant. Benchmarking exercises are carried out for cost comparisons and to ensure value for money.

- ***Maximising income generation***

The Trust is mindful of the need to generate additional funds to maximise income generation. As more of our schools are moving into their permanent sites, the Trust is looking at plans to utilise the premises to generate lettings income as well as to ensure the community benefits from the extended services provided by carefully vetted voluntary and community support groups as well as providing an income stream for the schools.

The schools ran a number of fund raising events throughout the year, both for charity and to generate income for their respective schools. The income generated for the schools is used to help support the wider curriculum and give further opportunities to all children that are not possible through the schools' budget allocation.

- ***Reviewing controls and managing risks***

Business Continuity Plans, Risk Management Policies and risk registers have been devised at both the Trust and school level. These have been approved by the Local Governing Bodies with the risk register reviewed termly.

The Head teacher and Head of Finance review budget monitoring reports, considering expenditure against each budget cost centre monthly and address any significant variances against budget. These



## Governance Statement

### For the Year Ended 31 August 2018

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budget monitoring reports are submitted to the central finance team for scrutiny. The Local Governing Body also reviews and checks these reports on a termly basis and reports to the Board of Trustees for the Trust.

The Board of Trustees reviews and approves the financial regulations and scheme of delegation detailing the finance related systems and procedures and other key financial policies. There is full segregation of duties within each school office.

- **Lessons Learned**

Service level agreements and contracts are under review annually to continually look at best value and efficiency savings. There is a greater emphasis on centrally procured contracts by calling off existing frameworks, to ensure full compliance and best value for money is achieved. A long term procurement strategy will be developed by the new Procurement Manager.

### **The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Academy 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 Star Academies for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

### **Capacity to Handle Risk**

The Board of Trustees has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

### **The Risk and Control Framework**

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

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

The Board of Trustees has considered the need for a specific internal audit function and has decided to appoint RSM as their internal auditors.



## Governance Statement

### For the Year Ended 31 August 2018

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The internal auditor's role includes giving advice on financial matters and performing a range of checks on the Academy's Trust financial systems. An Internal Audit Plan for the year was agreed and undertaken in 2017/18. This focused upon the following areas: -

- Debtors and Creditors
- General Ledger
- Payroll
- General Data Protection Regulation
- HR Recruitment and induction
- Finance Supplier Information
- Safeguarding

On a termly basis, the internal auditor reports to the Board of Trustees, through the Audit Committee on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.

The reviews that were undertaken provided recommendations for where the Trust could strengthen some of its systems and internal controls which have been implemented throughout the year. Further reviews will continue into 2018/19 to help identify any other areas in which the Trust may be able to implement an improved control environment.

#### 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 Internal Auditor;
- the work of the external auditor;
- the financial management and governance self-assessment process; and
- the work of the executive managers within the Academy 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 Committee and a plan 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 19<sup>th</sup> December 2018 and signed on its behalf by:

Kamruddin Isap Kothia, DL  
Chair of Trustees

Hamid Patel CBE  
Accounting Officer



## Statement on Regularity, Propriety and Compliance

### For the Year Ended 31 August 2018

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As Accounting Officer of Star Academies I have considered my responsibility to notify the Academy Trust Board of Trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State 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.

I confirm that the following instances of irregularity, impropriety or funding non compliance discovered to date have been notified to the Board of Trustees and ESFA. If any instances are identified after the date of this statement, these will be notified to the Board of Trustees and ESFA:

On 29 June 2018 the trust suffered a sophisticated cyber attack, targeting a supplier's and the Trust's email systems. As a result of an exchange of fraudulent emails purporting to represent the supplier and Trust employees a supplier payment for £77,370 was paid into a fraudulent bank account.

On identification of the issue the prompt action of the Trust's senior management team and trustees meant that the remaining funds within the fraudulent bank account were frozen and £38,153.18 was recovered from the bank. The Trust's anti-fraud policy was instigated and all relevant parties including the ESFA were notified, the Trust's external auditors were instructed to undertake a thorough review of the events leading to the cyber attack, the internal IT department completed a full audit of the IT systems to identify the breach and ensure the Trust's systems are strengthened to help prevent a similar attack in future. The Trust's internal auditors were also instructed to undertake a review of the BACS payment process and authorisation protocols to ensure that these were rigorous and minimised risk within the payment system.

Following a thorough investigation, the Trust's insurers were satisfied that the breach was sophisticated and that there was little action the Trust could have taken to identify the fraud prior to it occurring and therefore the insurer has agreed to compensate the Trust for the balance of the unrecovered funds, subject to a deduction for an excess on the policy. The Trust have secured recovery of the excess through a separate policy ensuring no financial loss to the Trust.

Hamid Patel CBE  
Accounting Officer  
19<sup>th</sup> December 2018



## Statement of Trustees' Responsibilities

For the Year Ended 31 August 2018

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The trustees (who act as governors of Star Academies and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction published by the Education 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 unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

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

The trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from 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 19<sup>th</sup> December 2018 and signed on its behalf by:

Kamruddin Isap Kothia, DL  
**Chair of Trustees**



## **Independent Auditors' Report on the Financial Statements to the Members of Star Academies**

**For the Year Ended 31 August 2018**

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### **Opinion**

We have audited the financial statements of Star Academies for the year ended 31 August 2018 which comprise the Statement of Financial Activities including Income and Expenditure, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies (note 1). The financial reporting framework that has been applied in their preparation is applicable law 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) and the Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the academy trust's affairs as at 31 August 2018 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and 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 issued by the ESFA.

### **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 academy trust 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.

### **Conclusions relating to going concern**

We have nothing to report to you in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the academy trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The trustees (who are also the directors of the academy trust for the purposes of company law) 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 auditor's report thereon. The trustees are responsible for the other information. 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.





## **Independent Auditors' Report on the Financial Statements to the Members of Star Academies**

**For the Year Ended 31 August 2018**

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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' report (incorporating the strategic report and the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the trustees' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the 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 strategic report and the trustees' report.

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

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

### **Responsibilities of Trustees**

As explained more fully in the Trustees' Responsibilities Statement set out on page 22, the trustees 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 academy trust'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 academy trust 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.



## **Independent Auditors' Report on the Financial Statements to the Members of Star Academies**

**For the Year Ended 31 August 2018**

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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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors report.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Use of our report**

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

*Beever and Struthers*

**Mark Bradley BA FCA (Senior Statutory Auditor)**  
**For and on behalf of Beever and Struthers**

Chartered Accountants and Statutory Auditors  
Central Buildings  
Richmond Terrace  
Blackburn  
Lancashire  
BB1 7AP

19/12/18

## **Independent Reporting Accountant's Assurance Report on Regularity to Star Academies and the Education and Skills Funding Agency**

### **For the Year Ended 31 August 2018**

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In accordance with the terms of our engagement letter dated 2 December 2016 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 Star Academies during the period 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Star Academies and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Star Academies and ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Star Academies and ESFA, for our work, for this report, or for the conclusion we have formed.

#### **Respective responsibilities of the Star Academies' accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of Star Academies' funding agreement with the Secretary of State for Education dated 1 November 2011 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 or that the financial transactions do not conform to the authorities which govern them.

#### **Approach**

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

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

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

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

The work undertaken to draw our conclusion includes:

- Review that the activities are in keeping with the Academy Trust's framework and charitable objectives; and
- Testing undertaken on a sample basis to review whether the Academy Trust's expenditure is in accordance with the Funding Agreement; and
- Other testing in accordance with the guidance issued in the Academies Accounts Direction 2017 to 2018.



## Independent Reporting Accountant's Assurance Report on Regularity to Star Academies and the Education and Skills Funding Agency

For the Year Ended 31 August 2018

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### Conclusion

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

*Beeve and Struthers*

**Mark Bradley BA FCA (Reporting Accountant)**  
For and on behalf of Beever and Struthers

Chartered Accountants and Statutory Auditors  
Central Buildings  
Richmond Terrace  
Blackburn  
Lancashire  
BB1 7AP

19/12/18

**Statement of Financial Activities for the Year Ended 31 August 2018  
(including Income and Expenditure Account and Statement of Total  
Recognised Gains and Losses)**

**For the Year Ended 31 August 2018**

	Notes	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2018 £000	Total 2017 £000
<b>Incoming and endowments from:</b>						
Donations, legacies and capital grants	3	20	180	42,641	42,841	20,062
Transfer from local authority on conversion	29	58	(5,880)	29,939	24,117	18,950
<b>Charitable activities:</b>						
Funding for the Academy Trust's educational operations	4	-	70,085	-	70,085	51,336
Teaching schools	4,30	-	142	-	142	77
Other trading activities	5	75	-	-	75	107
Investments	6	39	-	-	39	21
<b>Total</b>		<b>192</b>	<b>64,527</b>	<b>72,580</b>	<b>137,299</b>	<b>90,553</b>
<b>Expenditure on:</b>						
<b>Charitable activities:</b>						
Academy Trust's educational operations	7	20	69,634	6,361	76,015	55,957
Teaching schools	7,30	-	145	-	145	72
<b>Total</b>	<b>7</b>	<b>20</b>	<b>69,779</b>	<b>6,361</b>	<b>76,160</b>	<b>56,029</b>
<b>Net income</b>		<b>172</b>	<b>(5,252)</b>	<b>66,219</b>	<b>61,139</b>	<b>34,524</b>
<b>Transfers between funds</b>	<b>17</b>	<b>(798)</b>	<b>221</b>	<b>577</b>	<b>-</b>	<b>-</b>
<b>Other recognised gains</b>						
Actuarial gains on defined benefit pension schemes	17,26	-	2,592	-	2,592	377
<b>Net movement in funds</b>		<b>(626)</b>	<b>(2,439)</b>	<b>66,796</b>	<b>63,731</b>	<b>34,901</b>
<b>Reconciliation of funds</b>						
Funds brought forward at 1 Sept 2017	17	4,758	297	180,032	185,087	150,186
<b>Funds carried forward at 31 August 2018</b>	<b>17</b>	<b>4,132</b>	<b>(2,142)</b>	<b>246,828</b>	<b>248,818</b>	<b>185,087</b>

The Statement of Financial Activities includes all gains and losses in the period and therefore a statement of total recognised gains and losses has not been prepared.

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

The comparative Statement of Financial Activities is shown in note 2.



## Balance Sheet

For the Year Ended 31 August 2018

	Notes	2018 £000	2018 £000	2017 £000	2017 £000
<b>FIXED ASSETS</b>					
Intangible Assets	13		21		64
Tangible Assets	14		199,459		167,523
			<b>199,480</b>		<b>167,587</b>
<b>CURRENT ASSETS</b>					
Debtors	15	52,743		18,886	
Cash at Bank and in Hand		17,627		12,692	
		<b>70,370</b>		<b>31,578</b>	
<b>LIABILITIES</b>					
Creditors: Amounts Falling Due Within One Year	16	(8,339)		(6,943)	
<b>NET CURRENT ASSETS</b>			<b>62,031</b>		<b>24,635</b>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>			<b>261,511</b>		<b>192,222</b>
Defined Benefit Pension Scheme Liability	26		(12,693)		(7,135)
<b>TOTAL NET ASSETS</b>			<b>248,818</b>		<b>185,087</b>
<b>FUNDS OF THE ACADEMY TRUST:</b>					
<b>Restricted Funds</b>					
Fixed asset funds	17		246,828		180,032
Restricted income funds	17		10,551		7,432
Pension reserve	17		(12,693)		(7,135)
Total Restricted Funds			<b>244,686</b>		<b>180,329</b>
Unrestricted income funds	17		4,132		4,758
<b>TOTAL FUNDS</b>			<b>248,818</b>		<b>185,087</b>

The financial statements on pages 28 to 63 were approved by the Board of Trustees and authorised for issue on 19<sup>th</sup> December 2018 and are signed on their behalf by

Kamruddin Isap Kothia, DL  
Chair of Trustees

Company number: 07353849



# Star

## Statement of Cash Flows

### For the Year Ended 31 August 2018

	Notes	2018 £000	2017 £000
<b>Cash flows from operating activities</b>			
Net cash used in operating activities	21	4,590	(3,669)
<b>Cash flows from investing activities</b>	22	345	6,667
<b>Change in cash and cash equivalents in the reporting period</b>	23	<u>4,935</u>	<u>2,998</u>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Cash and cash equivalents at 1 September 2017	23	12,692	9,694
<b>Cash and cash equivalents at 31 August 2018</b>		<u>17,627</u>	<u>12,692</u>



## Notes to the Financial Statements

### For the Year Ended 31 August 2018

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#### 1. Statement of Accounting Policies

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

##### Basis of Preparation

The financial statements of the Academy Trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2016 to 2017 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

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

##### Going Concern

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Academy Trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

##### Income

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

- **Grants**

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

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

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





## Notes to the Financial Statements

### For the Year Ended 31 August 2018

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#### 1. Statement of Accounting Policies (continued)

The trust is benefiting from the ESFA's Free School Building Programme for the construction of Tauheedul Islam Boys' High School, Olive School Hackney, Eden Girls' School Waltham Forest, Eden Girls' School Slough, Olive School Bolton, Olive School Preston, Olive School Birmingham, Eden Girls' School Leadership Academy, Manchester, Eden Boys' School Leadership Academy, Manchester and Eden Boys' School Birmingham East. The funding for the programme is not recognised as a capital grant until there is unconditional entitlement from costs being incurred, and the development occurring on a site where the trust controls (through ownership, lease or licence) the site where the development is occurring. The expenditure is capitalised in assets under construction until the project is complete.

As prescribed by the Academy Accounts Direction 2017 to 2018, Start-up grants have been apportioned in line with the expenditure being incurred.

- **Donations**

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

- **Legacies**

Legacies are recognised on a receivable basis (where any conditions attached to the legacy are either within the control of the Academy Trust or have been met) where the receipt is probable and the amount can be reliably measured.

- **Other Income**

Other income, including courses provided to management staff at other schools, the provision of teacher training and the hire of facilities, is recognised in the period it is receivable and to the extent the Academy Trust goods has provided the goods or services.

- **Transfer on Conversion**

Where assets are received by the trust on conversion to an academy, the transferred assets are measured at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to the trust. An equal amount of income is recognised as Transfer on conversion within Donations and capital grant income.

- **Gifted Property**

The value of gifted property provided to the Academy Trust is recognised at the cost that they are purchased at by the ESFA in the period that entitlement to the grant is confirmed and planning permission has either been granted or when the title over the property has been transferred to the Academy Trust. Where the title has been transferred, the property has been accounted for within fixed assets and the corresponding income is shown within capital grant income within the restricted fixed asset fund. Where the title has not transferred but planning permission has been granted, the property has not been included within fixed assets but instead grant income has been recognised along with the corresponding debtor.

## Notes to the Financial Statements

### For the Year Ended 31 August 2018

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#### 1. Statement of Accounting Policies (continued)

##### Expenditure

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

- **Costs of Raising Funds**

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

- **Charitable activities**

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

All resources expended are inclusive of irrecoverable VAT.

##### Intangible Fixed Assets

Intangible assets costing £1,000 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment. Amortisation is provided on intangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Purchased computer software	25% per annum
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##### Tangible Fixed Assets

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of any depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged 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 economic life, as follows:

Land and buildings	0.8% to 3% per annum (buildings only when brought into use)
Leasehold land and buildings	0.8% to 2.5% per annum depending upon lease term
Leasehold improvements	0.8% to 60% per annum depending upon lease term
Computer equipment	25% per annum
Fixtures, fittings and equipment	20% per annum



## Notes to the Financial Statements

For the Year Ended 31 August 2018

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### 1. Statement of Accounting Policies (continued)

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.

#### Leased assets

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

#### Financial Instruments

The academy trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the academy trust and their measurement basis are as follows:

*Financial assets* – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 15. Prepayments are not financial instruments. Amounts due to the charity's wholly owned subsidiary are held at face value less any impairment.

*Cash at bank* – is classified as a basic financial instrument and is measured at face value.

*Financial liabilities* – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in note 16. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument. Amounts due to charity's wholly owned subsidiary are held at face value less any impairment.

#### 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.

## Notes to the Financial Statements

### For the Year Ended 31 August 2018

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#### 1. Statement of Accounting Policies (continued)

##### **Pensions Benefits**

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 26, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

##### **Fund Accounting**

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

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

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Education and Skills Funding Agency.

##### **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.

## Notes to the Financial Statements

### For the Year Ended 31 August 2018

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#### 1. Statement of Accounting Policies (continued)

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 26, 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.

#### Conversion to Academy Trust

The conversion from a state maintained school to an Academy Trust involves the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration. The substance of the transfer is that of a gift and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion from each school to an Academy Trust have been valued at their fair value being a reasonable estimate of the current market value that the trustees would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for the charitable company. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in donations and capital grants as net income in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. Further details of the transaction are set out in note 29.

#### Agency Arrangements

The Academy Trust acts as an agent in distributing 16-19 bursary funds from ESFA. Payments received from ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the academy trust does not have control over the charitable application of the funds. The funds received and paid and any balances held are disclosed in note 28.

## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 2. Comparative SOFA

	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total 2017
	£000	£000	£000	£000
<b>Incoming and endowments from:</b>				
Donations, legacies and capital grants	27	126	19,909	20,062
Transfer from local authority on conversion	574	(153)	18,529	18,950
<b>Charitable activities:</b>				
Funding for the Academy Trust's educational operations	-	51,336	-	51,336
Teaching schools	-	77	-	77
Other trading activities	107	-	-	107
Investments	21	-	-	21
<b>Total</b>	<b>729</b>	<b>51,386</b>	<b>38,438</b>	<b>90,553</b>
<b>Expenditure on:</b>				
<b>Charitable activities:</b>				
Academy Trust's educational operations	27	50,304	5,626	55,957
Teaching schools	-	72	-	72
<b>Total</b>	<b>27</b>	<b>50,376</b>	<b>5,626</b>	<b>56,029</b>
<b>Net income</b>	<b>702</b>	<b>1,010</b>	<b>32,812</b>	<b>34,524</b>
<b>Transfers between funds</b>	<b>851</b>	<b>(1,114)</b>	<b>263</b>	<b>-</b>
<b>Other recognised gains</b>				
Actuarial gains on defined benefit pension schemes	-	377	-	377
<b>Net movement in funds</b>	<b>1,553</b>	<b>273</b>	<b>33,075</b>	<b>34,901</b>
<b>Reconciliation of funds</b>				
Funds brought forward at 1 Sept 2016	3,205	24	146,957	150,186
<b>Funds carried forward at 31 August 2017</b>	<b>4,758</b>	<b>297</b>	<b>180,032</b>	<b>185,087</b>



## Notes to the Financial Statements

For the Year Ended 31 August 2018

## 3. Donations and capital grants

	Unrestricted Funds £000	Restricted Funds £000	Restricted Fixed Asset Funds £000	Total 2018 £000	Total 2017 £000
Capital grants	-	-	42,641	42,641	19,909
Other donations	20	180	-	200	153
	20	180	42,641	42,841	20,062

## 4. Funding for Academy Trust's educational operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Total 2017 £000
<b>DfE / ESFA grants</b>				
General Annual Grant (GAG)	-	58,156	58,156	42,668
Start Up Grants	-	1,562	1,562	965
Other DfE / ESFA grants	-	6,204	6,204	5,985
Teaching School	-	30	30	77
National College Grants	-	112	112	46
	-	66,064	66,064	49,741
<b>Other Government grants</b>				
Local Authority grants	-	686	686	439
	-	686	686	439
Other income from the Academy Trust's educational operations	-	3,477	3,477	1,233
	-	70,227	70,227	51,413

## 5. Other trading activities

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Total 2017 £000
Hire of facilities	75	-	75	107
	75	-	75	107



## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 6. Investment Income

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Total 2017 £000
Short term deposits	39	-	39	21
	39	-	39	21

#### 7. Expenditure

	Staff Costs £000	-Non Pay Premises £000	Expenditure- Other Costs £000	Total 2018 £000	Total 2017 £000
Academy's educational operations:					
Direct costs	37,747	6,363	5,334	49,444	37,278
Allocated support costs	11,500	6,490	8,581	26,571	18,679
Teaching school	91	-	54	145	72
	49,338	12,853	13,969	76,160	56,029

#### Net incoming resources for the year include:

	Total 2018 £000	Total 2017 £000
Operating lease rentals	2,855	2,536
Depreciation (note 14)	6,053	5,469
Loss on disposal of fixed assets	267	-
Amortisation of intangible fixed assets (included within Charitable Activities – Academy Trust educational operations) (note 13)	43	157
Fees payable to auditor for:		
– Audit	45	36
– Other services	13	9





## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 8. Charitable activities

	Total 2018 £000	Total 2017 £000
Direct costs – educational operations	49,444	37,278
Support costs – educational operations	26,571	18,679
Teaching school costs	145	72
	<b>76,160</b>	<b>56,029</b>

	Total 2018 £000	Total 2017 £000
<b>Allocated Support Costs</b>		
Support staff costs	11,501	6,027
Premises costs	6,489	4,824
Other Support Costs	8,508	7,766
Governance costs	73	62
	<b>26,571</b>	<b>18,679</b>

#### 9. Staff

##### a. Staff Costs

Staff costs during the year were:

	Total 2018 £000	Total 2017 £000
Wages and salaries	38,559	27,517
Social security costs	4,031	2,643
Operating costs of defined benefit pension schemes	4,506	2,985

	<b>47,096</b>	<b>33,145</b>
Supply staff costs	1,924	1,291
Staff restructuring costs	318	412
	<b>49,338</b>	<b>34,848</b>

Staff restructuring costs comprise:

Redundancy payments	199	266
Severance payments	119	146
	<b>318</b>	<b>412</b>



## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 9. Staff (continued)

##### b. Non-Statutory/Non-Contractual Staff Severance Payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £27,000 (2017: £19,000). Individually, the payment was £27,000 made on 28 February 2018.

##### c. Staff Numbers

The average number of persons (including senior management team) employed by the Academy Trust during the period was as follows:

	2018 No.	2017 No.
<b>Charitable Activities</b>		
Teachers	641	414
Teaching support	451	276
<b>Total teachers and teaching support</b>	<b>1,092</b>	<b>690</b>
Administration and support	615	352
Management	118	84
	<b>1,825</b>	<b>1,126</b>

The average full time equivalent number of employees is 1,420 (2017: 920).

##### d. Higher Paid Staff

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

	2018 No.	2017 No.
£60,001 - £70,000	28	18
£70,001 - £80,000	11	11
£80,001 - £90,000	14	6
£90,001 - £100,000	8	5
£100,001 - £110,000	6	4
£110,001 - £120,000	2	2
£120,001 - £130,000	1	1
£130,001 - £140,000	-	1
£140,001 - £150,000	1	-
£210,001 - £220,000	-	1
£220,001 - £230,000	1	-

Forty-nine (2017: thirty-five) of the above employees participated in the Teachers' Pension Scheme. Fifteen (2017: nine) other employees participated in the Local Government Pension Scheme. During the year ended 31 August 2018, employer's pension contributions for these staff amounted to £617,406 (2017: £402,998).

## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 9. Staff (continued)

##### e. Key management personnel

The key management personnel of the Academy Trust comprise the trustees and the senior management team as listed on page 2. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Academy Trust was £974,731 (2017: £526,229). This reflects the expansion of the Academy Trust and appointments made part-way through the 2016/17 year end.

#### 10. Central services

The Academy Trust has provided the following central services to its academies during the year:

- |                            |  |
|----------------------------|--|
| • Financial Services       | • Projects                                       |
| • Human Resources          | • Leadership Specialism                          |
| • Facilities and Estates   | • Safeguarding                                   |
| • Governance               | • Data and Performance                           |
| • Business Support         | • Curriculum and Assessment                      |
| • ICT Strategy and Support | • School Improvement and Educational Development |
| • Admissions               | • External Quality Assurance                     |
| • Capital Programmes       | • Inclusion                                      |
| • Communications           |  |

The Academy Trust charges each school for these services based on a percentage of their GAG. There may also be additional charges made to some of the academies for specific levels of support. An example of this could be staffing issues at the new schools which may be covered by staff from the central services. The actual amounts charged during the year were as follows:

	2018	2017
	£000	£000
TIBHS	178	166
TIGHS	192	205
OBL	135	118
OHA	186	157
EBB	161	130
EGC	175	141
EGW	181	140
EBP	134	90
EBM	134	99
EGS	137	91
HLA	300	319
LLA	325	469
OPR	47	32
OBI	80	54
TLA	531	507
OBO	57	-
MEB	49	-
MEG	49	-
SLA	270	-
PTH	62	-
PHC	42	-
PBA	48	-
PBL	75	-
	<b>3,553</b>	<b>2,718</b>

## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 11. Related Party Transactions – Trustees' remuneration and expenses

One trustee has been paid remuneration or has received other benefits from an employment with the Academy Trust. The Chief Executive only receives remuneration in respect of the services he provides undertaking the role of CEO under his contract of employment, and not in respect of his role as trustee. The value of trustees' remuneration and other benefits was as follows:

Hamid Patel CBE (CEO and trustee):

Remuneration £220,000 - £225,000 (2017: £210,000 - £215,000)

Employer's pension contributions paid £nil (2017: £nil)

The aggregate trustee remuneration in the year is £220,976 (2017: £210,125).

During the year ended 31 August 2018, travel and subsistence expenses totalling £484 (2017: £547) were reimbursed or paid directly to 1 trustee (2017: 3).

Other related party transactions involving the trustees are set out in note 27.

#### 12. Trustees' and Officers' insurance

In accordance with normal commercial practice the Academy Trust has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance providers cover up to £5,000,000 on any one claim, and the cost for the year ended 31 August 2018 was £8,400 (2017: £8,213). The cost of this insurance is included in the total insurance cost.

#### 13. Intangible fixed assets

	Computer Software £000	Total 2018 £000
<b>Cost</b>		
At 1 September 2017	540	540
Additions	-	-
At 31 August 2018	540	540
<b>Amortisation</b>		
At 1 September 2017	476	476
Charged in year	43	43
At 31 August 2018	519	519
<b>Net Book Value</b>		
At 31 August 2018	21	21
At 31 August 2017	64	64

## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 14. Tangible fixed assets

	Freehold Land and Buildings £000	Leasehold Land and Buildings £000	Leasehold Improvements £000	Assets in the Course of Construction £000	Furniture, Fixtures and Equipment £000	Computer Equipment £000	Total 2018 £000
<b>Cost</b>							
At 1 September 2017	113,153	26,007	2,312	25,060	4,805	5,306	176,643
Additions	1,603	-	108	4,895	507	1,340	8,453
Transferred on conversion/transfer (note 29)	9,130	19,458	-	-	752	463	29,803
Disposals	(279)	-	-	-	-	-	(279)
Reclassifications	11,579	(56)	56	(11,579)	-	-	-
At 31 August 2018	135,186	45,409	2,476	18,376	6,064	7,109	214,620
<b>Depreciation</b>							
At 1 September 2017	3,102	839	1,081	-	1,457	2,641	9,120
Charged in year	2,501	789	276	-	1,071	1,416	6,053
Disposals	(12)	-	-	-	-	-	(12)
Reclassifications	-	(14)	14	-	-	-	-
At 31 August 2018	5,591	1,614	1,371	-	2,528	4,057	15,161
<b>Net Book Value</b>							
At 31 August 2018	129,595	43,795	1,105	18,376	3,536	3,052	199,459
At 31 August 2017	110,051	25,168	1,231	25,060	3,348	2,665	167,523

The trust's transactions relating to land and buildings included the following:

- Disposal of the Ambulance Station, Lincoln Street, Coventry to the Department for Education for £nil proceeds.



## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 15. Debtors

	2018	2017
	£000	£000
Trade debtors	374	340
VAT recoverable	1,846	3,492
Other debtors	46,398	14,291
Prepayments and accrued income	4,125	763
	<b>52,743</b>	<b>18,886</b>

#### 16. Creditors: Amounts falling due within one year

	2018	2017
	£000	£000
Trade creditors	2,925	1,209
Other taxation and social security	46	410
Other creditors	1,457	995
Accruals and deferred income	3,911	4,329
	<b>8,339</b>	<b>6,943</b>

#### Deferred income

	2018
	£000
Deferred income at 1 September 2017	581
Released from previous years	(581)
Resources deferred in the year	1,047
Deferred income at 31 August 2018	<b>1,047</b>

The deferred income held at 31 August 2018 consists of Start Up Grants for Academies which have not yet opened, and other grants received including funding received for 2018/19 Universal Free School Meals.

## Notes to the Financial Statements

For the Year Ended 31 August 2018

### 17. Funds

	Balance at 1 September 2017 £000	Incoming Resources £000	Resources Expended £000	Gains, Losses and Transfers £000	Balance at 31 August 2018 £000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	7,239	58,154	(54,315)	(577)	10,501
Start Up Grant	-	1,562	(1,562)	-	-
Pupil Premium	143	3,651	(3,794)	-	-
Pension reserve	(7,135)	(5,880)	(2,270)	2,592	(12,693)
Other DfE / ESFA grants	-	3,381	(3,381)	-	-
Other income / expenditure	-	3,659	(4,457)	798	-
Legacies	50	-	-	-	50
	297	64,527	(69,779)	2,813	(2,142)
<b>Restricted fixed asset funds</b>					
Transferred on conversion	60,090	29,939	(2,359)	-	87,670
DfE / ESFA Capital grants	119,195	42,641	(3,780)	(35)	158,021
Capital expenditure from GAG	747	-	(222)	612	1,137
	180,032	72,580	(6,361)	577	246,828
<b>Total Restricted Funds</b>	180,329	137,107	(76,140)	3,390	244,686
<b>Unrestricted funds</b>					
Unrestricted funds	4,758	192	(20)	(798)	4,132
<b>Total Funds</b>	185,087	137,299	(76,160)	2,592	248,818

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

Under the funding agreement with the Secretary of State, the Academy Trust was not subject to limits on the amount of GAG that it could carry forward at 31 August 2018. The carried forward GAG will be used towards the future operations of the free school as allocated below.

The pension fund is in deficit at the year-end of £12,693,000 (2017: £7,135,000). The brought forward deficit is mainly made up of the pension deficits within HLA, LLA and TLA. Upon conversion SLA introduced a deficit of £2,712,000, PTH, PHC and PBA introduced a collective deficit of £1,980,000, and PBL introduced a deficit of £1,188,000. There are repayment plans in place for to repay these deficits over the timeframes provided by Lancashire Council Pension Fund, West Yorkshire Pension Fund and West Midlands Pension Fund. Contributions are reviewed periodically by the actuary to keep the scheme in surplus.

The unrestricted funds can be used for any purpose as the trustees see fit within the charitable objectives.

## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 17. Funds (continued)

The transfer from the restricted fund to the restricted fixed asset fund is the net balance from accounting for fixed asset acquisitions purchased out of GAG and non-fixed asset expenditure purchased out of Capital Grant funding such as rental costs for temporary accommodation. The transfer from the unrestricted fund to the restricted fund represents the use of unrestricted funds to fund a deficit on restricted activities.

#### Analysis of academies by fund balance

Fund balances at 31 August 2018 were allocated as follows:

	2018 £000	2017 £000
Central Services	4,210	4,213
TIBHS	708	591
TIGHS	2,382	2,037
OBL	857	661
OHA	570	460
EBB	644	456
EGC	784	523
EGW	580	409
EBP	233	113
EBM	842	538
EGS	240	232
HLA	462	345
LLA	337	271
OPR	43	21
OBI	203	65
TLA	1,139	1,255
OBO	7	-
MEG	131	-
MEB	59	-
SLA	102	-
PTH	21	-
PHC	57	-
PBA	69	-
PBL	3	-
<b>Total before fixed assets and pension reserve</b>	<b>14,683</b>	<b>12,190</b>
<b>Restricted fixed asset fund</b>	<b>246,828</b>	<b>180,032</b>
<b>Pension reserve</b>	<b>(12,693)</b>	<b>(7,135)</b>
<b>Total</b>	<b>248,818</b>	<b>185,087</b>





## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 17. Funds (continued)

##### Total cost analysis by academy

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

	Teaching and Educational Support Staff Costs £000	Other Support Staff Costs £000	Educational Supplies £000	Other Costs (excluding Depreciation and Impairment) £000	Total 2018 £000	Total 2017 £000
TIBHS	1,643	330	72	889	2,934	2,781
TIGHS	2,741	483	60	821	4,105	4,085
OBL	1,408	326	79	423	2,236	1,858
OHA	1,811	474	96	1,002	3,383	2,821
EBB	1,699	304	62	524	2,589	1,982
EGC	1,769	332	120	520	2,741	2,231
EGW	1,890	280	296	682	3,148	2,380
EBP	1,263	254	125	494	2,136	1,503
EBM	1,202	327	59	486	2,074	1,422
EGS	1,467	365	108	513	2,453	1,918
HLA	3,496	455	77	1,376	5,404	5,519
LLA	3,706	732	106	901	5,445	5,902
OBO	509	74	18	505	1,106	919
OPR	505	141	35	340	1,021	784
OBI	772	259	70	250	1,351	1,033
TLA	4,792	757	161	2,295	8,005	6,511
MEG	391	155	34	168	748	-
MEB	414	152	34	176	776	-
SLA	3,099	709	126	757	4,691	-
PTH	847	103	39	233	1,222	-
PHC	618	75	31	135	859	-
PBA	598	101	6	180	885	-
PBL	834	305	9	181	1,329	-
Central Services	346	4,026	2	2,513	6,886	3,612
	37,820	11,519	1,825	16,364	67,527	47,261

## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 17. Funds (continued)

Comparative information in respect of the preceeding period is as follows:

	Balance at 1 September 2016 £000	Incoming Resources £000	Resources Expended £000	Gains, Losses and Transfers £000	Balance at 31 August 2017 £000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	4,271	42,668	(39,140)	(560)	7,239
Start Up Grant	-	965	(965)	-	-
Pupil Premium	-	2,455	(2,529)	217	143
Pension reserve	(4,297)	(153)	(3,142)	457	(7,135)
Other DfE / ESFA grants	-	4,092	(4,092)	-	-
Other income / expenditure	-	1,359	(508)	(851)	-
Legacies	50	-	-	-	50
	24	51,386	(50,376)	(737)	297
<b>Restricted fixed asset funds</b>					
Transferred on conversion	43,781	18,529	(2,220)	-	60,090
DfE / ESFA Capital grants	102,672	19,909	(3,279)	(107)	119,195
Capital expenditure from GAG	504	-	(127)	370	747
	146,957	38,438	(5,626)	263	180,032
<b>Total Restricted Funds</b>	146,981	89,824	(56,002)	(474)	180,329
<b>Unrestricted funds</b>					
Unrestricted funds	3,205	729	(27)	851	4,758
<b>Total Funds</b>	150,186	90,553	(56,029)	377	185,087

## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 18. Analysis of net assets between funds

Fund balances at 31 August 2018 are represented by:

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Intangible fixed assets	-	-	21	21
Tangible fixed assets	-	-	199,459	199,459
Current assets	4,683	16,001	49,686	70,370
Current liabilities	(551)	(5,450)	(2,338)	(8,339)
Pension scheme liability	-	(12,693)	-	(12,693)
<b>Total net assets</b>	<b>4,132</b>	<b>(2,142)</b>	<b>246,828</b>	<b>248,818</b>

#### 19. Capital commitments

At 31 August 2018, the Academy Trust had the following capital commitments:

	2018 £000	2017 £000
Contracted for, but not provided in the financial statements	10,518	2,871

All capital commitments are fully supported by Capital Grant programmes.

#### 20. Commitments under operating leases

##### Operating leases

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

	2018 £000	2017 £000
Amounts due within one year	2,795	2,788
Amounts due between one and five years	8,787	9,139
Amounts due after five years	23,878	26,238
	<b>35,460</b>	<b>38,165</b>

## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 21. Reconciliation of net income to net cash inflow from operating activities

	2018	2017
	£000	£000
Net income for the reporting period (as per the statement of financial activities)	61,139	36,342
Adjusted for:		
Amortisation (note 13)	43	157
Depreciation (note 14)	6,053	5,469
Loss on the sale of fixed assets (note 7)	267	-
Capital grants from DfE and other capital income (note 3)	(42,641)	(38,438)
Fixed assets transferred on conversion	(29,803)	(18,529)
Interest receivable (note 6)	(39)	(21)
Defined benefit pension scheme obligation inherited (note 26)	5,880	153
Defined benefit pension cost less contributions payable (note 26)	1,999	325
Defined benefit pension scheme finance cost (note 26)	271	120
Decrease in debtors	2,363	13,867
Decrease in creditors	(942)	(3,114)
Net cash inflow/(outflow) from Operating Activities	4,590	(3,669)

#### 22. Cash flows from investing activities

	2018	2017
	£000	£000
Dividends, interest and rents from investments	39	21
Purchase of intangible fixed assets	-	7
Purchase of tangible fixed assets	(6,115)	(17,983)
Capital grants from DfE / ESFA	6,421	24,622
Net cash inflow from capital expenditure and financial investment	345	6,667

#### 23. Analysis of cash and cash equivalents

	At 31 August 2018	At 31 August 2017
	£000	£000
Cash in hand and at bank	17,627	12,692
Total cash and bank equivalents	17,627	12,692



## **Notes to the Financial Statements**

### **For the Year Ended 31 August 2018**

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#### **24. Contingent Liabilities**

The Academy Trust had no contingent liabilities at 31 August 2018.

#### **25. 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.

## Notes to the Financial Statements

### For the Year Ended 31 August 2018

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#### 26. Pension and Similar Obligations

The Academy 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 Lancashire County Council, West Yorkshire Council and West Midlands Council. All are multi-employer defined-benefit schemes.

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

Contributions amounting to £705,578 were payable to the schemes at 31 August 2018 (2017: £206,977) and are included within creditors.

#### Teachers' Pension Scheme

##### Introduction

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

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

##### Valuation of the Teachers' Pension Scheme

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

## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 26. Pension and Similar Obligations (continued)

The employer's pension costs paid to TPS in the period amounted to £2,985,333 (2017: £2,196,533).

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

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

#### Local Government Pension Scheme (LGPS)

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 £2,164,223 (2017: £1,301,390), of which employer's contributions totalled £1,521,008 (2017: £886,167) and employees' contributions totalled £643,215 (2017: £415,223). The agreed contribution rates for future years are between 8.3% and 22.4% for employers and between 5.5% and 12.5% for employees depending upon income.

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.

The Academy Trust's fund, within the LGPS is in deficit at the year end of £12,693,000 (2017: £7,135,000). This deficit is mainly made up of the pension deficits within the academy convertors. Upon conversion SLA introduced a deficit of £2,712,000, PTH, PHC and PBA introduced a collective deficit of £1,980,000, and PBL introduced a deficit of £1,188,000. There are repayment plans in place for to repay these deficits over the timeframes provided by Lancashire Council Pension Fund, West Yorkshire Pension Fund and West Midlands Pension Fund. Contributions are reviewed periodically by the actuary to keep the scheme in surplus. During the year ended 31 August 2018, Star collectively paid £166,642 (2017: £80,200) of deficit repayments.

#### Principal Actuarial Assumptions

At 31 August 2018:	LCPF	WYPF	WMPF
Rate of increase in salaries	3.60%	3.50%	3.80%
Rate of increase for pensions in payment / inflation	2.20%	2.00%	2.30%
Discount rate for scheme liabilities	2.80%	2.80%	2.65%
Inflation assumption (CPI)	2.10%	2.00%	2.30%
Commutation of pensions to lump sums	50%	50%	50%

#### At 31 August 2017:

Rate of increase in salaries	3.70%	3.50%	-
Rate of increase for pensions in payment / inflation	2.20%	2.00%	-
Discount rate for scheme liabilities	2.50%	2.50%	-
Inflation assumption (CPI)	2.20%	2.00%	-
Commutation of pensions to lump sums	50%	50%	-

## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 26. Pension and Similar Obligations (continued)

##### Sensitivity Analysis - LCPF

Disclosure item	Central	Sensitivity 1 +0.1% p.a discount rate £000	Sensitivity 2 +0.1% p.a inflation £000	Sensitivity 3 +0.1% p.a pay growth £000	Sensitivity 4 1 year increase in life expectancy £000
Liabilities	13,835	13,506	14,172	13,896	14,078
Assets	(8,250)	(8,250)	(8,250)	(8,250)	(8,250)
Deficit	5,585	5,256	5,922	5,646	5,828
Projected Service Cost for next year	2,003	1,933	2,075	2,003	2,045
Projected Net Interest Cost for next year	143	139	152	145	150

##### Sensitivity Analysis – WYPF (LLA)

Disclosure item	Central	Sensitivity 1 +0.1% p.a discount rate £000	Sensitivity 2 +0.1% p.a inflation £000	Sensitivity 3 +0.1% p.a pay growth £000	Sensitivity 4 1 year increase in life expectancy £000
Liabilities	2,685	2,626	2,710	2,720	2,763
Projected Service Cost for next year	230	224	230	236	238

##### Sensitivity Analysis – WYPF (TLA)

Disclosure item	Central	Sensitivity 1 +0.1% p.a discount rate £000	Sensitivity 2 +0.1% p.a inflation £000	Sensitivity 3 +0.1% p.a pay growth £000	Sensitivity 4 1 year increase in life expectancy £000
Liabilities	7,204	7,046	7,266	7,303	7,413
Projected Service Cost for next year	437	425	437	449	452

##### Sensitivity Analysis – WYPF (PTH, PHC and PBA)

Disclosure item	Central	Sensitivity 1 +0.1% p.a discount rate £000	Sensitivity 2 +0.1% p.a inflation £000	Sensitivity 3 +0.1% p.a pay growth £000	Sensitivity 4 1 year increase in life expectancy £000
Liabilities	5,637	5,506	5,680	5,728	5,801
Projected Service Cost for next year	502	487	502	518	519





## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 26. Pension and Similar Obligations (continued)

##### Sensitivity Analysis – WMPF

Disclosure item	Central	Sensitivity 1 +0.1% p.a discount rate	Sensitivity 2 +0.1% p.a inflation	Sensitivity 3 +0.1% p.a pay growth	Sensitivity 4 1 year increase in life expectancy
	£000	£000	£000	£000	£000
Liabilities	2,795	2,719	2,861	2,808	2,884
Projected Service Cost for next year	279	271	287	279	288

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:	LCPF	WYPF	WMPF
Retiring today			
Males	22.7	22.1	21.9
Females	25.4	25.3	24.4
Retiring in 20 years			
Males	25.0	23.1	24.1
Females	28.0	27.1	26.7
At 31 August 2017:	LCPF	WYPF	WMPF
Retiring today			
Males	22.6	22.1	-
Females	25.2	25.2	-
Retiring in 20 years			
Males	24.9	23.0	-
Females	27.9	27.0	-

## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 26. Pension and Similar Obligations (continued)

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

Fair Value at 31 August 2018:	LCPF	WYPF	WMPF
Equities	3,621	8,365	-
Government Bonds	281	471	-
Other Bonds	50	1,211	-
Property	759	392	-
Cash and other liquid assets	74	247	-
Other	3,465	527	-
<b>Total market value of assets</b>	<b>8,250</b>	<b>11,213</b>	<b>-</b>

Fair Value at 31 August 2017:	LCPF	WYPF	WMPF
Equities	1,994	2,416	-
Government Bonds	86	301	-
Other Bonds	105	122	-
Property	473	141	-
Cash and other liquid assets	209	47	-
Other	1,677	107	-
<b>Total market value of assets</b>	<b>4,544</b>	<b>3,134</b>	<b>-</b>

The actual return on scheme assets was £358,000 (2017: £205,000).

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

	2018 £000	2017 £000
Current service cost (net of employee contributions)	(1,999)	(2,106)
Past service cost	-	(7)
Interest income	358	205
Interest cost	(596)	(325)
Administrative expenses	(33)	(22)
<b>Total operating charge</b>	<b>(2,270)</b>	<b>(2,255)</b>



## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 26. Pension and Similar Obligations (continued)

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

	2018 £000	2017 £000
<b>At 1 September 2017</b>	<b>18,415</b>	<b>9,236</b>
Conversion of academy trusts	11,319	6,085
Current service cost	3,278	2,106
Interest cost	596	325
Employee contributions	609	413
Actuarial (gain)/loss	(2,145)	369
Benefits paid	84	(126)
Past service cost	-	7
<b>At 31 August 2018</b>	<b>32,156</b>	<b>18,415</b>

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

	2018 £000	2017 £000
<b>At 1 September 2017</b>	<b>11,280</b>	<b>4,939</b>
Conversion of academy trusts	5,439	4,172
Interest income	358	205
Actuarial gain	447	746
Employer contributions	1,279	931
Employee contributions	609	413
Benefits paid	84	(126)
<b>At 31 August 2018</b>	<b>19,463</b>	<b>11,280</b>

#### 27. Related Party Transactions

Owing to the nature of the Academy Trust and the composition of the Board of Trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy Trust's financial regulations and normal procurement procedures.

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

##### Expenditure Related Party Transaction

Z Dasu who is the spouse of F Dasu, a trustee of Star, is employed at TIGHS. Z Dasu's appointment was made in open competition and F Dasu was not involved in the decision making process regarding appointment. Z Dasu is paid within the normal pay scale for her role and receives no special treatment as a result of her relationship to a trustee.

Z Dasu has been employed at TIGHS since 2009, before F Dasu became a Trustee of Star.



## Notes to the Financial Statements

### For the Year Ended 31 August 2018

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#### 27. Related Party Transactions (continued)

UK Kothia who is the son of KI Kothia, the Chair of trustees at Star, is employed at TIBHS. UK Kothia's appointment was made in open competition and KI Kothia was not involved in the decision making process regarding appointment. UK Kothia is paid within the normal pay scale for his role and receives no special treatment as a result of his relationship to a trustee.

In entering into the transactions listed above the Academy Trust has complied with the requirements of the ESFA's Academies Financial Handbook.

#### 28. Agency arrangements

The Academy Trust distributes 16-19 bursary funds to students as an agent for ESFA. In the accounting period ending 31 August 2018 the Academy Trust received £78,530 (2017: £77,383) and disbursed £78,530 (2017: £77,383) from the fund.

#### 29. Conversion to an academy status/academy transfers into the Trust

During the year ended 31 August 2018, five academies joined the Academy Trust. Small Heath Leadership Academy and Bay Leadership Academy converted from being maintained schools to academy status. Barkerend Primary Leadership Academy, High Craggs Primary Leadership Academy and Thornbury Primary Leadership Academy transferred to the Trust from Wakefield City Academies Trust. At the dates of conversion/transfer to the Trust, the operations and assets and liabilities were transferred for £nil consideration. There were no budget surpluses transferred with any academy.

The transfers have been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the Statement of Financial Activities as Donations – transfer from local authority on conversion.



## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 29. Conversion to an academy status/academy transfers into the Trust (continued)

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

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2018 £000
Tangible fixed assets				
– Freehold land and buildings	-	-	9,130	9,130
– Leasehold land and buildings	-	-	19,458	19,458
– Other tangible fixed assets	-	-	1,215	1,215
Budget surplus on LA funds	57	-	137	194
LGPS pension deficit	-	(5,880)	-	(5,880)
<b>Total net assets</b>	<b>57</b>	<b>(5,880)</b>	<b>29,940</b>	<b>24,117</b>

The individual academy conversion transactions are listed below.

#### Small Heath Leadership Academy

On 1 January 2018, Small Heath Leadership Academy converted to academy status and joined Star Academies. The conversion included freehold land and buildings from 1 January 2018.

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2018 £000
Tangible fixed assets				
– Freehold land and buildings	-	-	9,130	9,130
– Other tangible fixed assets	-	-	489	489
Budget surplus on LA funds	57	-	137	194
LGPS pension deficit	-	(2,712)	-	(2,712)
<b>Total net assets</b>	<b>57</b>	<b>(2,712)</b>	<b>9,756</b>	<b>7,101</b>

## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 29. Conversion to an academy status/academy transfers into the Trust (continued)

##### Bay Leadership Academy

On 1 June 2018, Bay Leadership Academy converted to academy status and joined Star Academies. The conversion included a 125 year lease of land and buildings from 1 June 2018 at a peppercorn rent.

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2018 £000
Tangible fixed assets				
– Leasehold land and buildings	-	-	9,920	9,920
– Other tangible fixed assets	-	-	434	434
LGPS pension deficit	-	(1,188)	-	(1,188)
<b>Total net assets</b>	-	(1,188)	10,354	9,166

The individual academy transactions that transferred from Wakefield City Academies Trust are listed below.

##### Barkerend Primary Leadership Academy

On 1 April 2018, Barkerend Primary Leadership Academy transferred to Star Academies. The transfer included a 125 year lease of land and buildings from 1 June 2016 at a peppercorn rent.

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2018 £000
Tangible fixed assets				
– Leasehold land and buildings	-	-	3,731	3,731
– Other tangible fixed assets	-	-	151	151
LGPS pension deficit	-	(570)	-	(570)
<b>Total net assets</b>	-	(570)	3,882	3,312

##### High Craggs Primary Leadership Academy

On 1 April 2018, High Craggs Primary Leadership Academy transferred to Star Academies. The transfer included a 125 year lease of land and buildings from 1 June 2016 at a peppercorn rent.

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2018 £000
Tangible fixed assets				
– Leasehold land and buildings	-	-	1,540	1,540
– Other tangible fixed assets	-	-	83	83
LGPS pension deficit	-	(681)	-	(681)
<b>Total net assets</b>	-	(681)	1,623	942



## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 29. Conversion to an academy status/academy transfers into the Trust (continued)

##### Thornbury Primary Leadership Academy

On 1 April 2018, Thornbury Primary Leadership Academy transferred to Star Academies. The transfer included a 125 year lease of land and buildings from 1 June 2016 at a peppercorn rent.

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2018 £000
Tangible fixed assets				
– Leasehold land and buildings	-	-	4,267	4,267
– Other tangible fixed assets	-	-	58	58
LGPS pension deficit	-	(729)	-	(729)
<b>Total net assets</b>	-	(729)	4,325	3,596

All following table sets out the fair value adjustments made in respect of the assets and liabilities transferred from Wakefield City Academies Trust:

	Value reported by Wakefield City Academies Trust £000	Fair value adjustments £000	Transfer in recognised £000
Tangible fixed assets			
– Leasehold land and buildings	9,538	-	9,538
– Other tangible fixed assets	292	-	292
LGPS pension deficit	(1,980)	-	(1,980)
<b>Total net assets</b>	7,850	-	7,850

## Notes to the Financial Statements

### For the Year Ended 31 August 2018

#### 30. Teaching school trading account

	2018 £000	2018 £000	2018 £000	2017 £000	2017 £000	2017 £000
<b>Income</b>						
<b>Direct Income</b>						
Fee income		33			25	
Grants		109			52	
<b>Total Income</b>			142			77
<b>Expenditure</b>						
<b>Direct costs</b>						
Direct staff costs	72			27		
Other direct costs	48			18		
<b>Total direct costs</b>		120			45	
<b>Other costs</b>						
Support staff costs	18			19		
Other indirect costs	7			8		
<b>Total other costs</b>		25			27	
<b>Total Expenditure</b>			(145)			(72)
<b>Surplus/(Deficit) from all sources</b>			(3)			5
<b>Teaching school balances at 1 September 2017</b>			16			11
<b>Teaching school balances at 31 August 2018</b>			13			16