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Financial Statements
School Improvement Liverpool Limited

For the year ended 31 March 2019

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Registered number: 08867114

Company Information

Directors	Ms S Tia Mr S Reddy Councillor B Murray
Registered number	08867114
Registered office	Toxteth Annexe Aigburth Road Liverpool L17 7BN
Independent auditor	Grant Thornton UK LLP Chartered Accountants and Statutory Auditor Royal Liver Building Liverpool L3 1PS
Bankers	Barclays 1st Floor 3 Hardman Street Spinningfields Manchester M3 3AX
Solicitors	Bevan Brittan LLP Interchange Place Edmund Street Birmingham B3 2TA

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Strategic report

For the year ended 31 March 2019

The Directors present their report together with the financial statements for the year ended 31 March 2019.

1 Introduction

Welcome to School Improvement Liverpool Limited's (SIL's) Strategic Report for 2018/19. This report provides a commentary on SIL's reported financial position and business performance for the year ended 31 March 2019 and identifies planned future developments.

SIL is a wholly owned company of Liverpool City Council (LCC) and is classified as a medium sized company under regulations 2008 due to the annual turnover and the number of staff employed. SIL has a reported turnover of £11.265m for 2018-19 which is an increase of 5% compared to the previous financial year. SIL employed 242fte (excluding Supply agency staff) as at 31 March 2019 this is an increase of 11 employees compared to 1 April 2018.

The Directors of the company during the year to 31 March 2019 were:

Malik Killen	Interim Chief Executive of SIL
Steve Reddy	Director of Children Services
Councillor B. Murray	Cabinet Member Schools & Education (Appointed 24 May 2018)
Sandra Tai	SIL Client officer

Resignations during the year to 31 March 2019 and to the date of approval of this report

Councillor N. Small	Cabinet Member Schools & Education (Resigned 23 May 2018)
Malik Killen	Interim Chief Executive of SIL (Resigned 1 April 2019)

2 Business Performance

SIL began trading with 137.4 (FTE) staff across the 21 service areas with running costs of circa £10.9m. This has now grown and is still growing with 242 staff on the payroll excluding supply staff as at 31 March 2019. SIL's annual revenue has increased to circa £11.2m.

The revenue performance of SIL before the Defined Benefit Pension adjustments is a favourable variance of £0.265m however after adjustments for the impact of the pension liabilities and tax the position as per the Statement of Comprehensive Income is a reported loss for the financial year of £0.498m. This is in comparison to a reported loss of £0.582m in the previous financial year 2017-18.

SIL has seen an overall increase in trading compared to the previous year of 12% (£0.728m). General trading (pay as you go traded services) increased by 7% with a further 5% (£0.270m) generated from new growth areas in early years and national professional qualifications.

3 Future Developments

SIL has set a number of strategic targets to be achieved by the summer of 2020/2021 to ensure the company remains sustainable and fit for purpose.

- Raise Standards across all phases moving Liverpool to the second quartile in the region (*rate of improvement for Liverpool schools has been greater than national averages in EYFSP and Primary phases. The rate of regression for KS4 has been less than the national average*)
- Establish SIL MAT(s) with up to 50 schools. (*on hold awaiting contract review*)
- Grow the customer base to 1,000 active settings. (*on target currently have 710 customers*)
- Increase the range of services provided to Liverpool and other LAs. (*continuous product development*)
- Increase turnover by £1m. (*on target to achieve by 20/21 currently £0.750m increase*)

Strategic report
For the year ended 31 March 2019

In order to achieve the strategic targets there are a number of areas which SIL is investing in during the next 3 financial years.

- Improvements to SIL's Marketing strategy, using data and information more strategically, helping to develop and increase the range of services offered.
- Implementation and further development of the new SIL website ensuring it is flexible, responsive and capitalising on all web based activity.
- Bespoke marketing plan for the SIL Recruitment and Education Agency.
- Improve the use of management information including the development of improved customer engagement, data and impact analysis.

This investment to date has had a significant positive impact on turnover and the on-going profitability for SIL.

In conjunction with the Board and the Executive Management Group a revised business plan will be developed identifying new methods of service delivery that will reduce the cost base and identify opportunities for growth whilst supporting the outcomes for Children.

4 Risk

Contract Agreement

SIL currently has a contractual relationship with LCC. The contract term is 5 years from November 2014 until October 2019, with the possibility of extending for a further 36 months. LCC have established a SIL Executive Management Group from 1 April 2019 to lead the contract review and report recommendations back to the Board in September. The Board on behalf of both SIL and LCC confirmed their agreement to extend the contract for the 36 month period at the board meeting on 4th October 2019.

School Funding
The Secretary of State for Education announced in July 2017 that the proposed National Funding Formula (NFF) would be implemented. Firstly via a soft formula for 2 years and then a hard formula from 2020-21.

The current financial trajectory for Liverpool Schools is reporting within 3 years 69% of schools will be facing deficit budgets. This presents significant risks to both Schools and SIL and underlines the huge challenge ahead in ensuring that any reduction in the Contract Agreement can be met by increases in traded services, whilst protecting the maximum revenue available to Liverpool Schools. SIL wish to continue to grow increasing turnover by £1m and re-invest in the common good rather than cut services. Consideration will be given to new products being developed and product diversification to ensure we continue to provide high quality affordable services to schools and LA's which have the biggest impact on the Children and young people of Liverpool.

Value for money
In order for SIL to demonstrate the services offered are value for money and can maximise impact on children's outcomes, SIL will be adopting a consistent benchmarking approach for all phases of education. This will involve a 3 year programme for roll out to schools both within Liverpool and the wider region. SIL will take children's published outcomes and use them both diagnostically and formatively to identify the support and CPD that will maximise the impact of children's learning.

SIL is committed to ensuring greater rates of attainment across schools whilst ensuring that pupil progress remains a key element of its approach for all pupils. The impact of this will be monitored through the distribution of schools across the national benchmark groups for progress. By targeting progress this will lead to sustained improvements in attainment. Which will help the company achieve its aim to move Liverpool into the second quartile in the Northwest by 2020-21.

Strategic report

For the year ended 31 March 2019

Pension review

Due to the significant re-measurement of the pension liabilities this has not been able to be absorbed within trading profit expectations, however SIL does have sufficient funds within its retained balances to cover the increases in current service costs. The current service cost is outside the control of the company, however the projection for next year is slightly lower, providing a level of stability.

SIL used the assumptions adopted in the bespoke actuary report and comparing this to the assumptions adopted at the end of the previous year we have seen an increase in accounting deficit to the fund of £1.9m leading to an overall pension deficit of £5.1m.

5 Cash Sufficiency

SIL's business model is based upon the following revenue streams for the Financial Year 2018/19:

1. 43% (£4.9m) generated from LCC Management Services Agreement which is for a 5-year period with the possibility of extending for a further 3 years effective from 1 November 2014. The contract is paid quarterly in advance and increased annually in line with the Public Sector Pay Award.

2. Circa 26% (£2.9m) generated from Annual Service Level Agreements which schools pay annually in advance. 100% of Liverpool Schools buy back some form of SLA with SIL.

3. Circa 31% (£3.5m) generated from pay as you go traded services from all educational establishments from within Liverpool and outside the City boundaries. SIL has 710 current customers that buy services.

As a result, SIL has to date enjoyed a strong cash position. From the outset, there has been no requirement for LCC to inject additional funds for operational purposes with cash in bank at 31 March 2019 being £2.1m. SIL's cash flow position has seen a net increase of cash of £0.417m

Looking forward, and as stated above, turnover is projected to grow giving assurances as to the sustainability of the current cash position.

The company has no borrowing and is a wholly owned company of Liverpool City Council.

This report was approved by the board on 31st October 2019 and signed on its behalf.

Mr S Reddy
Director

Directors' report

For the year ended 31 March 2019

The directors present their report and the financial statements for the year ended 31 March 2019.

Results and dividends

The loss for the year, after taxation, amounted to £497,538 (2018: loss of £581,650).

The directors did not recommend the payment of a dividend during the year or the prior year.

Directors

The directors who served during the year and to the date of approval of these financial statements were:

Mr M I Killen (resigned 1 April 2019)
Ms S Tai
Mr S Reddy
Councillor B Murray (appointed 24 May 2018)
Mr N M Small (resigned 23 May 2018)

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors 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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report

For the year ended 31 March 2019

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern

Not withstanding the loss for the year and deficit in reserves which has arisen as a result of the liability on the defined benefit pension scheme, the financial statements have been prepared on a going concern basis. This directors view on why the going concern basis of preparation of the financial statements remains appropriate is explained in the going concern policy in note 2.2.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 31st October 2019 and signed on its behalf.

Mr S Reddy
Director

Grant Thornton

Independent Auditor's Report to the Members of School Improvement Liverpool Limited

Opinion

We have audited the financial statements of School Improvement Liverpool Limited (the 'company') for the year ended 31 March 2019 which comprise the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity, the Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

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

GrantThornton

Independent Auditor's Report to the Members of School Improvement Liverpool Limited (continued)

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 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 directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 7, the directors 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 directors 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 directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Grant Thornton

Independent Auditor's Report to the Members of School Improvement Liverpool Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Grant Thornton UK LLP

Michael Lowe
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Liverpool

1 November 2019

Statement of comprehensive income

For the year ended 31 March 2019

	Note	2019 £	Restated 2018 £
Turnover - continuing operations	4	**11,265,591**	10,687,171
Cost of sales		**(8,729,538)**	(8,111,826)
Gross profit		**2,536,053**	2,575,345
Administrative expenses		**(1,485,439)**	(1,565,738)
Administrative expenses – defined benefit pension scheme		**(1,563,000)**	(1,529,000)
Total administrative expenses		**(3,048,439)**	(3,094,738)
Operating loss - continuing operations		**(512,386)**	(519,393)
Interest payable and expenses	9	**(75,000)**	(149,000)
Loss before tax		**(587,386)**	(668,393)
Tax on loss	10	**89,848**	86,743
Loss for the financial year		**(497,538)**	(581,650)
Other comprehensive income for the year			
Actuarial (losses)/gains on defined benefit pension scheme	20	**(1,064,000)**	3,937,000
Movement in deferred tax asset relating to pension deficit	17	**180,880**	(669,290)
Other comprehensive income for the year		**(883,120)**	3,267,710
Total comprehensive income for the year		**(1,380,658)**	2,686,060

See note 24 in respect of the restatement of the 2018 statement of comprehensive income.

Balance sheet

As at 31 March 2019

	Note	2019		2018	
		£	£	£	£
Fixed assets					
Intangible assets	11		4,678		9,357
Tangible assets	12		24,427		25,776
			29,105		35,133
Current assets					
Debtors: amounts falling due after more than one year	13	895,714		566,901	
Debtors due within one year	13	1,141,004		844,825	
Cash at bank and in hand	14	2,150,015		1,732,301	
		4,186,733		3,144,027	
Creditors: amounts falling due within one year	15	(2,161,563)		(1,670,227)	
Net current assets			2,025,170		1,473,800
Total assets less current liabilities			2,054,275		1,508,933
Pension liability	20		(5,101,000)		(3,175,000)
Net liabilities			(3,046,725)		(1,666,067)
Capital and reserves					
Called up share capital	18		1		1
Profit and loss account	19		(3,046,726)		(1,666,068)
			(3,046,725)		(1,666,067)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31st October 2019.

Mr S Reddy
Director

Company registration number: 08867114

Statement of changes in equity

For the year ended 31 March 2019

	Called up share capital £	Profit and Loss account £	Total equity £
At 1 April 2017	1	(4,352,128)	(4,352,128)
Comprehensive income for the year			
Loss for the year	-	(581,650)	(581,650)
Actuarial gain on pension scheme	-	3,937,000	3,937,000
Deferred tax movements	-	(669,290)	(669,290)
Other comprehensive income for the year	-	3,267,710	3,267,710
Total comprehensive income for the year	-	2,686,060	2,686,060
Total transactions with owners	-	-	-
At 31 March 2018	1	(1,666,068)	(1,666,067)
Comprehensive income for the year			
Loss for the year	-	**(497,538)**	**(497,538)**
Actuarial loss on pension scheme	-	**(1,064,000)**	**(1,064,000)**
Deferred tax movements	-	**180,880**	**180,880**
Other comprehensive income for the year	-	**(883,120)**	**(883,120)**
Total comprehensive income for the year	-	**(1,380,658)**	**(1,380,658)**
Total transactions with owners	-	-	-
At 31 March 2019	**1**	**(3,046,726)**	**(3,046,725)**

The notes on pages 16 to 34 form part of these financial statements

Statement of cash flows

For the year ended 31 March 2019

	2019	2018
	£	£
Cash flows from operating activities		
Loss for the financial year	**(497,538)**	(581,650)
Adjustment for:		
Taxation charge	**(89,848)**	(86,743)
Amortisation of intangible assets	**4,679**	4,678
Depreciation of tangible assets	**38,219**	19,784
(Increase)/decrease in debtors	**(296,179)**	436,666
Increase in creditors	**354,936**	81,813
Increase/(decrease) in amounts owed to group undertakings	**144,295**	(13,284)
Defined benefit pension scheme expenses	**862,000**	971,000
Corporation tax (paid)	**(65,980)**	(44,887)
Net cash generated from operating activities	**454,584**	787,377
Cash flow from investing activities		
Purchase of intangible assets	**-**	(14,035)
Purchase of tangible assets	**(36,870)**	(45,560)
Net cash used in investing activities	**(36,870)**	(59,595)
Cash flow from financing activities		
Receipts from share capital	**-**	1
Net cash generated from operating activities	**-**	1
Net increase in cash and cash equivalents	**417,714**	727,783
Cash and cash equivalents at beginning of year	**1,732,301**	1,004,518
Cash and cash equivalents at the end of the year	**2,150,015**	1,732,301
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**2,150,015**	1,732,301

The notes on pages 16 to 34 form part of these financial statements

Notes to the financial statements

For the year ended 31 March 2019

1. General information

School Improvement Liverpool Limited is a private company limited by shares incorporated in England & Wales. Its registered head office is located at Toxteth Annexe, Aigburth Road, Liverpool, L17 7BN.

The principal activity has been disclosed within the Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are presented in sterling (£).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

Notwithstanding the deficit in reserves which has arisen as a result of the liability on the defined benefit pension scheme, the financial statements have been prepared on a going concern basis. The directors believe the support available from the parent undertaking in the form of a £2.885m treasury facility to be sufficient for this basis to be used. The directors have prepared cash flow projections and forecasts and are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future. The parent undertaking also acts as guarantor for the local government pension scheme liability disclosed in note 20 of the financial statements.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue in respect of the provision of services to Schools is recognised on delivery of the service.

Annual service level agreement income and management fee income is recognised in the period to which it relates.

2.4 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Notes to the financial statements

For the year ended 31 March 2019

2. Accounting policies (continued)

2.5 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.6 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

Debt instruments (other than those wholly repayable or receivable within one year), including other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.7 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Notes to the financial statements

For the year ended 31 March 2019

2. Accounting policies (continued)

2.8 Operating leases

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard of 1 April 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.9 Intangible assets

Intangible assets being software are shown at cost and are amortised to the Statement of comprehensive income over its estimated useful economic life. This is currently estimated to be three years.

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, as set out below.

Depreciation is provided on the following basis:

Computer equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

Notes to the financial statements

For the year ended 31 March 2019

2. Accounting policies (continued)

2.11 Pensions

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the Company in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

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 plan and the contributions recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled. The net defined benefit liability reflects the impact of the McCloud judgement.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Actuarial gains/(losses) on defined benefit pension scheme'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

a) the increase in net pension benefit liability arising from employee service during the period; and

b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

Notes to the financial statements

For the year ended 31 March 2019

2. Accounting policies (continued)

2.12 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the financial statements

For the year ended 31 March 2019

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The directors consider the key judgements and estimates in the accounts to be as follows:

- the valuation of pension scheme liabilities and associated deferred tax asset
- doubtful debt provisions.

Defined benefit pension scheme liability
The present value of the defined benefit pension scheme depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 March 2019. 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.

Deferred tax asset recognised on the defined benefit pension scheme liability
Management have recognised a deferred tax asset in respect of the defined benefit scheme on the basis that they will obtain corporation tax relief in the future when the liability is paid down. This is considered a significant area of judgement given the length of time the liability will take to settle and the assessment that the company will be profitable in the future.

Doubtful debt provisions
Management review the recoverable amount of debtors at each financial year end and provide against any debts that management believe are non-recoverable in part or in full.

4. Turnover

An analysis of turnover by class of business is as follows:

	2019	2018
	£	£
Income	**11,265,591**	10,687,171

Analysis of turnover by country of destination:

United Kingdom	**11,265,591**	10,687,171

Notes to the financial statements

For the year ended 31 March 2019

5. Operating loss

The operating loss is stated after charging:

	2019 £	2018 £
Operating lease rentals - land and building	**27,600**	27,600
Defined benefit pension cost – Teachers' Pension Scheme	**148,846**	147,666

6. Auditor's remuneration

	2019 £	2018 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**16,275**	15,800
Fees payable to the Company's auditor in respect of:		
All other services	**2,210**	2,150

7. Employees

Staff costs, including directors' remuneration were as follows:

	2019 £	2018 £
Wages and salaries	**6,769,026**	6,237,694
Social security costs	**663,097**	624,422
Cost of defined benefit scheme	**1,737,846**	1,700,666
	9,169,969	8,562,782

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Employees	**178**	170

Notes to the financial statements

For the year ended 31 March 2019

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	**83,640**	82,000

During the year retirement benefits were accruing to 1 director (2018: 1) in respect of the defined benefit pension scheme. Contributions paid during the year amount to £12,881 (2018: £12,628).

9. Interest payable and similar charges

	2019 £	2018 £
Net interest on defined benefit liability	**75,000**	149,000

10. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on losses for the year	**58,085**	65,980
Adjustments in respect of previous periods	**-**	497
Total current tax	**58,085**	66,477
Deferred tax		
Origination and reversal of timing differences	**(1,393)**	11,850
On pension scheme deficit	**(146,540)**	(165,070)
Total deferred tax	**(147,933)**	(153,220)
Tax credit on loss on ordinary activities	**(89,848)**	(86,743)

Notes to the financial statements

For the year ended 31 March 2019

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax	**(587,386)**	(668,393)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	**(111,603)**	(126,995)
Effects of:		
Expenses not deductible for tax purposes	**169,688**	192,985
Other differences leading to an (decrease)/increase in the tax charge	**(1,393)**	11,840
Deferred tax on pension scheme deficit	**(146,540)**	(165,070)
Adjustment in respect of previous years	**-**	497
Total tax charge for the year	**(89,848)**	(86,743)

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income are credits of £180,880 (2018: debits of £669,290).

Factors that may affect future tax charges

The UK corporation tax rate was decreased to 19% from 1 April 2017. Following budget 2016 announcements the rate will fall to 17% in 2020.

11. Intangible assets

	Software £
Cost	
At 1 April 2018 and 31 March 2019	14,035
Amortisation	
At 1 April 2018	4,678
Charge for the year	4,679
At 31 March 2019	9,357
Net book value	
At 31 March 2019	**4,678**
At 31 March 2018	9,357

Notes to the financial statements

For the year ended 31 March 2019

12. Tangible fixed assets

	Computer equipment £
Cost	
At 1 April 2018	45,560
Additions	36,870
At 31 March 2019	82,430
Amortisation	
At 1 April 2018	19,784
Charge for the year	38,219
At 31 March 2019	58,003
Net book value	
At 31 March 2019	24,427
At 31 March 2018	25,776

13. Debtors

Due after more than one year	**2019 £**	2018 £
Deferred taxation (note 17)	**895,714**	566,901

Due within one year	**2019 £**	2018 £
Trade debtors	**847,318**	673,788
Amounts owed by group undertaking	**139,663**	50,527
Prepayments and accrued income	**154,023**	120,510
	1,141,004	844,825

An impairment loss of £4,114 (2018: £130,424) was recognised against trade debtors.

14. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	**2,150,015**	1,732,301

Notes to the financial statements

For the year ended 31 March 2019

15. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	**1,033,333**	744,778
Amounts owed to group undertaking	**426,862**	282,567
Corporation tax	**58,085**	65,980
Other taxation and social security	**354,415**	332,532
Other creditors	**119,365**	114,405
Accruals and deferred income	**169,503**	129,965
	2,161,563	1,670,227

16. Financial instruments

Financial assets	2019 £	2018 £
Financial assets that are debt instruments measured at amortised cost	**3,136,996**	2,456,616

Financial liabilities	2019 £	2018 £
Financial liabilities measured at amortised cost	**(1,749,063)**	(1,271,715)

Financial assets that are debt instruments measured at amortised cost comprise cash and other assets that have the contractual right to receive cash.

Financial liabilities measured at amortised cost comprise other liabilities which have the contractual obligation to deliver cash.

Notes to the financial statements

For the year ended 31 March 2019

17. Deferred taxation

	2019 £	2018 £
At beginning of year	**566,901**	1,082,971
Charged to profit or loss	**147,933**	153,220
Charged to other comprehensive income	**180,880**	(669,290)
At end of year	**895,714**	566,901

The deferred tax asset is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	**28,544**	27,151
On defined benefit pension scheme	**867,170**	539,750
	895,714	566,901

18. Share capital

Shares classified as equity	2019 £	2018 £
Allotted, called up and fully paid		
1 Ordinary share of £1	**1**	1

19. Reserves

Profit and loss account

Includes all current and prior periods retained profits and losses.

20. Pension commitments

The Company's employees belong to two principal post-employment benefit plans: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Merseyside Local Government Pension Scheme (LGPS) for non-teaching staff. Both are multi-employer defined-benefit plans.

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

Contributions amounting to £20,644 (2018: £20,655) were payable to the TPS at 31 March and are included within creditors.

Total amount paid into the TPS and changed to the Statement of Comprehensive Income for the year was £148,846 (2018: £147,666).

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS or scheme) is a statutory, unfunded, defined benefit occupational scheme, governed by the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pension Scheme Regulations 2014 (as amended). These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go 'basis – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

20. Pension commitments (continued)

Valuation of the Teachers' Pension Scheme

The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%). The timing of the implementation is to align its introduction with employers' budget planning cycles. Until then, employers will pay the current rate of 16.48%.

A copy of the latest valuation report can be found on the Teachers' Pension Scheme website at the following location:

https://www.teacherspensions.co.uk/news/employers/2019/04/teachers-pensions-valuation-report.aspx

Scheme Changes

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of a Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015.

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, have rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

20. Pension commitments (continued)

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The Company is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the Company has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The Company has set out above the information available on the plan and the implications for the Company in terms of the anticipated contribution rates.

Local government pension scheme

The Company operates a Defined benefit pension scheme.

The pension cost and provision for the year ended 31 March 2019 are based on the advice of a professionally qualified actuary. The most recent full actuarial valuation is dated 31 March 2016. The results of this valuation were based upon a set of assumptions and assumed that the experience of the fund will be in line with these assumptions.

The contribution made for the year ended 31 March 2019 was £802,000 (2018: £731,000). The agreed contribution rate for future years is 15%.

In June 2019 the government lost a legal challenge, "the McCloud judgement". The Court ruled that transitional protections afforded to older members, when public service pension schemes were amended, constituted unlawful age discrimination. The Actuary has assessed the potential impact within the valuation which is considered to be £Nil.

Reconciliation of present value of plan liabilities:

	2019	2018
	£	£
At the beginning of the year	**25,812,000**	27,102,000
Current service cost	**1,563,000**	1,529,000
Interest on pension liabilities	**699,000**	707,000
Actuarial losses/(gains)	**1,717,000**	(3,790,000)
Member contributions	**377,000**	349,000
Benefits paid	**(199,000)**	(85,000)
At the end of the year	**29,969,000**	25,812,000

Notes to the financial statements

For the year ended 31 March 2019

20. Pension commitments (continued)

Reconciliation of fair value of scheme assets	**2019** £	2018 £
At the beginning of the year	**22,637,000**	20,961,000
Administration expenses	**(26,000)**	(24,000)
Interest cost	**624,000**	558,000
Actuarial gains	**653,000**	147,000
Contributions by employer	**802,000**	731,000
Benefits paid	**(199,000)**	(85,000)
Members contributions	**377,000**	349,000
At the end of the year	**24,868,000**	22,637,000

Composition of plan assets	**2019** £	2018 £
Equities	**9,773,000**	9,553,000
Bonds	**7,361,000**	6,791,000
Cash	**1,343,000**	1,132,000
Property	**1,890,000**	1,607,000
Other	**4,501,000**	3,554,000
Total plan assets	**24,868,000**	22,637,000

Amounts recognised in Balance Sheet	**2019** £	2018 £
Fair value of plan assets	**24,868,000**	22,637,000
Present value of plan liabilities	**(29,969,000)**	(25,812,000)
Net pension scheme liability	**(5,101,000)**	(3,175,000)

Notes to the financial statements

For the year ended 31 March 2019

21. Commitments under operating leases

At 31 March 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019	2018
	£	£
Not later than 1 year	**16,100**	27,600
Later than 1 year and not later than 5 years	-	16,100
	16,100	43,700

There were no commitments under operating leases after 5 years.

22. Related party transactions

As a wholly owned subsidiary of Liverpool City Council, advantage has been taken of the exemption in FRS 102 (section 33) "Related Party Disclosure" in respect of disclosures of transactions and balances with other wholly owned group undertakings.

The individuals that are considered by the company to be key management personnel have received remuneration totalling £388,324 (2018: £377,881).

23. Controlling party

The immediate and ultimate parent undertaking and controlling party is Liverpool City Council. Liverpool City Council does not include School Improvement Liverpool Limited within its financial statements.

24. Prior year restatement

The comparatives in the statement of comprehensive income have been restated to correct a misclassification of expenditure amounting to £8,111,826 between cost of sales and administration costs. There has been no impact on the reported loss for the year and the net liabilities at 31 March 2018.