

Company Registration No. 09718257 (England and Wales)

**PA COMMUNITY TRUST**  
**(A COMPANY LIMITED BY GUARANTEE)**

**ANNUAL REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 AUGUST 2018**

# PA COMMUNITY TRUST

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# PA COMMUNITY TRUST

## REFERENCE AND ADMINISTRATIVE DETAILS

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### Members

N Razaq  
A Balson  
S Islam  
P Venables (resigned 09/09/2018)

### Trustees

Mrs M Rowley (Chair)  
Miss A Balson (Director of School Improvement)  
Mrs P Sherlock-Lewis (Deputy CEO)  
Mr S Gulzar (CEO)  
Mr P Hamilton (Director of Finance)  
Mr S Islam (Vice Chair)  
Ms S Knottenbelt  
Mr G Kelham  
Mr C Parker

### Senior management team

- Chief Executive Officer	S Gulzar
- Deputy Chief Executive Officer	P Sherlock-Lewis
- Head of School, Prince Albert Primary	M Davies
- Head of School, Heathfield Primary	S Amir-Baz
- Head of School, Highfield Primary	A Knibbs
- Head of School, Birchfield Primary	Z Thewlis

### Company secretary

Miss M Jones

### Company registration number

09718257 (England and Wales)

### Registered office

Unity House  
27 Trinity Road  
Birmingham  
B6 6AJ

### Academies operated

Heathfield Primary School  
Highfield J&I School  
Prince Albert Primary  
Birchfield Community School

### Location

Birmingham  
Birmingham  
Birmingham  
Birmingham

### Principal

S Amir-Baz  
A Knibbs  
M Davies  
Z Thewlis

### Independent auditor

Baldwins Audit Services  
Churchill House  
59 Lichfield Street  
Walsall  
West Midlands  
WS4 2BX

# PA COMMUNITY TRUST

## TRUSTEES' REPORT

**FOR THE YEAR ENDED 31 AUGUST 2018**

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The trustees present their annual report, together with the accounts and independent 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.

### **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 charitable company is known as Prince Albert Community Trust.

The trustees of PA Community Trust are also the directors of the charitable company for the purposes of company law. 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 1.

#### 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 the Trust has purchased insurance to protect Trustees and Officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover to the limit of £10,000,000.

#### Method of recruitment and appointment or election of trustees

The Trustees are recruited by the members who will determine the recruitment process, ensuring skills and experience of potential candidates are matched to the requirements of the board.

#### Policies and procedures adopted for the induction and training of trustees

The Trust Board subscribe to the National Governors Association, who provide advice and support to the Trust Board and/or an Academy Committees within the trust. The Chair of the Trust Board is a National Leader for Governance and with the Deputy CEO provides a training programme based on the needs from the governance skills audit.

Newly appointed representatives attend induction training and in addition notify the clerk of any training that they feel they need.

#### Organisational structure

The Board of Trustees assumes full responsibility for overseeing the strategic direction of the Multi-Academy Trust. The Trustees are accountable for the entire business of the MAT. Each school within the MAT will have an Academy Committee that has responsibility for the quality of teaching and learning, standards and safeguarding. Although the Board of Trustees will have overall control of the MAT, it is important that at the local level, schools have autonomy in these areas. Such local governance will include holding the school to account, challenge and support. Sponsored schools that are in 'special measures' at the time of conversion will not have an Academy Committee until the Trustees are satisfied that aspects of governance can safely be delegated away from the board. All details of organisational structure and persons responsible can be found in the scheme of delegation.

# PA COMMUNITY TRUST

## TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

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

Pay and remuneration for senior management personnel is set by the Trust Board, taking independent professional advice when necessary. Pay for the CEO (Executive Head Teacher), the Deputy CEO and Heads of School is subject to the School Teachers Pay & Conditions Document. Pay and remuneration for non-teaching senior management such as Trust Business Leads, is set based on the needs of the Trust, market conditions and independent professional advice where necessary.

### Trade Union Information

The Trust co-operates and communicates as appropriate with the relevant trade unions for both teaching and non-teaching staff. The main unions are NEU for teachers, GMB, Unite and Unison for support staff.

### Trade union facility time

#### *Relevant union officials*

Number of employees who were relevant union officials during the relevant period

4

Full-time equivalent employee number

3.87

#### *Percentage of time spent on facility time*

Percentage of time

Number of employees

0%

4

1%-50%

-

51%-99%

-

100%

-

#### *Percentage of pay bill spent on facility time*

Total cost of facility time

-

Total pay bill

9,129,074

Percentage of the total pay bill spent on facility time

-

#### *Paid trade union activities*

Time spent on paid trade union activities as a percentage of total paid facility time hours

-

#### *Percentage of time spent on facility time*

None of the Trusts employees spent any time inside of the working day on facility time, although had the need arose this time would have been granted.

### Related parties and other connected charities and organisations

Details of transactions with connected organisations or related parties are shown in the notes to these financial statements.

# PA COMMUNITY TRUST

## TRUSTEES' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### **Objectives and activities**

#### Objects and aims

- To provide a high quality education to all our pupils that not only prepares them for the next stage of their learning journey but for life beyond.
- To ensure that all member schools are outstanding, building a reputation for innovation and excellence.
- To transform failing schools in to high performing sponsored academies.

#### Objectives, strategies and activities

- To build school improvement capacity through high quality staff professional development at all levels including non-teaching staff.
- To develop a Central Support Team comprising of leaders for Site & Buildings, HR, Finance, ICT and Pastoral Care that will provide high quality school improvement input to all Trust schools.
- To ensure that special measures schools improve rapidly and are at least 'good' at first inspection post sponsorship.
- To continue to grow at a rate of 1 school per academic year up to a maximum of 5.
- To ensure that the Trust continues to develop leaders from within who will have the knowledge, skills and expertise to lead Trust schools in the future.
- To continue to work towards opening a secondary free school that will serve the same communities as the Trust primary schools. To continue to build links with key partners to this end.
- To ensure that the Trust remains financially viable through an appropriate top-slice that funds the Central Support Team and other services.
- To continue to develop the trust board through high quality training and CPD.

#### Public benefit

In setting our objectives and planning our activities, the trust board has given careful consideration to the Charity Commission's general guidance on public benefit.

# PA COMMUNITY TRUST

## TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

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### Strategic report

#### Achievements and performance

##### Heathfield Primary School

Heathfield Primary school was federated with Prince Albert School in February 2014 following a period of leadership support. Both schools were led by a single governing body from this point until conversion to a multi-academy trust in September 2016 when they became part of the PA Community Trust. The school was barely RI at this time and only avoided 'special measures' due to the planned hard federation. The school has improved significantly over the last three years and achieved a 'good' at its latest Ofsted inspection in June 2018.

##### Highfield Junior & Infant School

Highfield J&I was placed in 'special measures' by Ofsted in September 2014. Highfield joined the PA Community Trust as a sponsored academy in April 2016. Prior to conversion much of the teaching was inadequate, with very little that was good. The academy has received significant support from the MAT leading to rapid school improvement. All inadequate teaching has been eliminated and the proportion that is good is increasing.

##### Birchfield Community School

Birchfield was placed in 'special measures' by Ofsted in June 2017. This was also following an inspection in March 2015 rating the school as 'requires improvement'. Birchfield has since received a large amount of support from the PA Community Trust both prior to conversion, as a supporting trust, as well as post conversion. Significant changes have been made in safeguarding, leadership, teaching practice and many other areas to improve the school and work continues to enable Birchfield to achieve at least a rating of "good" at the next Ofsted inspection.

##### Prince Albert

The capacity developed at Prince Albert has enabled us to staff the leadership teams at the trusts other schools leading to significant school improvements.

# PA COMMUNITY TRUST

## TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### Key performance indicators

Achievements and Performance: Pupil Outcomes 2018:

Year group	Assessment Overview 2017-2018						National 2017 -2018
	Prince Albert School	Heathfield School	Highfield School				
EYFS – GLD	48% (+5%)	57% (+2%)	48% (+6%)				71%
Phonics – Y1	88% (+4%)	86% (+16%)	66% (+1%)				83%
<b>Year 2</b>	<b>Expected</b>	<b>Greater</b>	<b>Expected</b>	<b>Greater</b>	<b>Expected</b>	<b>Greater</b>	
	<b>+</b>	<b>Depth</b>	<b>+</b>	<b>Depth</b>	<b>+</b>	<b>Depth</b>	
Reading	75% (+1%)	10% (-3%)	75% (+15%)	10% (+2%)	48% (-%)	4% (-8%)	76%
Writing	72% (-2%)	9% (-4%)	66% (+4%)	2% (-8%)	42% (+8%)	1% (-5%)	70%
Maths	76% (-%)	11% (-2%)	74% (+9%)	7% (-8%)	48% (+3%)	4% (-7%)	76%
<b>Year 6</b>	<b>Expected</b>	<b>Greater</b>	<b>Expected</b>	<b>Greater</b>	<b>Expected</b>	<b>Greater</b>	
	<b>+</b>	<b>Depth</b>	<b>+</b>	<b>Depth</b>	<b>+</b>	<b>Depth</b>	
Reading	83% (+5%)	26% (+7%)	95% (+15%)	37% (+10%)	64% (+10%)	23% (+13%)	75%
Writing	84% (-2%)	13% (+1%)	86% (+6%)	13% (+10%)	62% (+8%)	7% (+4%)	78%
Maths	90% (-4%)	28% (+18%)	95% (+2%)	38% (+5%)	71% (+6%)	7% (-9%)	76%
Grammar	86% (-3%)	53% (+8%)	98% (+8%)	85% (+40%)	70% (-2%)	39% (+6%)	78%
Combined (R,W +,M)	73% (-1%)	7% (+4%)	86% (+14%)	8% (+6%)	54% (+5%)	2% (++) %	64%

### 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 the board of trustees continues to adopt the going concern basis in preparing the accounts. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies.



# PA COMMUNITY TRUST

## TRUSTEES' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### Financial review

#### Reserves policy

The academy's 'free' reserves are its funds after excluding restricted funds. 'Reserves' are therefore the resources the academy has or can make available to spend for any or all of the academy's purposes once it has met its commitments and covered its other planned expenditure. More specifically 'free reserves' represent income to the academy which is to be spent at the trustees' discretion in furtherance of any of the academy's objects but which is not yet spent, committed or designated.

The trustees review the reserve levels of the academy annually. This review encompasses the nature of income and expenditure streams. The trustees will ensure that an appropriate level of free reserves will be maintained across the MAT. This is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. The academy's current level of free reserves is £1,697,688.

#### Funding

Most of the Academy's income is obtained from the ESFA in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the ESFA during the year ended 31 August 2018 and the associated expenditure are shown as restricted funds in the statement of financial activities.

During the year, the Academy received total funding of £17,270,029 compared to total resources expended of £12,995,987 to give a surplus / deficit for the year of £4,274,042. This includes £5,144,243 of net assets donated from Birchfield School on joining PACT.

Taking into account the surplus brought forwards from last year and inherited from the former local authority school, the academy has £12,271,548 in accumulated reserves carried forwards.

The Trust receives the majority of its income monthly in advance from the ESFA and as such does not have to retain a large amount of reserves, as it believes the income received from the ESFA based on the pupils for that year, should be spent on these pupils for which it was intended. As such the trustees consider an appropriate level of reserves to be in the order of 5% of the total planned expenditure to cover any unexpected expenditure.

The deficit on restricted general funds is £8,199,931. This arises from an actuarial deficit on the pension scheme of £8,278,000. The pension scheme deficit will be dealt with as advised by the actuary. The Trustees intend to eliminate the remaining deficit through careful management of the Trust's reserves.

#### Investment policy

Any surplus funds are invested with Lloyds Bank in a deposit account. These investments are carried out in accordance with the powers vested in the trust board.

# PA COMMUNITY TRUST

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

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#### Principal risks and uncertainties

The financial results of the Trust are detailed in the following pages. It is considered that the finances are sound and well established. The principal financial management policies adopted are laid down by the Finance Handbook for Academies published by the DfE and requirements as laid down by the Academy's Financial Handbook.

The principal funding source is grant income from the DfE. All expenditure of this grant income is planned to fulfil the objectives and strategies of the Trust.

During the period ended 31st August 2018 total resources expended were £12,995,987. and the surplus of income over expenditure was £4,274,042 which included depreciation of £420,918.

At 31st August 2018 the net book value of fixed assets was £18,750,069. The assets were used exclusively for providing the education and the associated support services to the pupils of the PA Community Trust.

The Trust has a comprehensive Risk Register, which is used in conjunction with regular financial reporting to monitor the operational and financial performance of the trust.

# PA COMMUNITY TRUST

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

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The trustees have considered the major risks and uncertainties facing the Charitable Company which include changes in legislation and regulations and cash flow management and have put in place procedures to deal with these matters.

Outlined below is a description of the principal risk factors that may affect the trust. However, not all factors are within the trust's control and other factors besides those listed below may also adversely affect the trust.

#### 1. Government funding

The trust has considerable reliance on continued government funding through the Education Skills Funding Agency (ESFA) and the Local Authority.

This risk has and will be mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements;
- Considerable focus and investment is placed on maintaining and managing key relationships with the various funding bodies;
- Ensuring the Trust is focused on those priority sectors which will continue to benefit from public funding;
- Contingency planning embedded into the Trust budget process.

#### 2. Maintain adequate funding of pension liabilities

The financial statements report the share of the local government pension scheme deficit on the trust's balance sheet in line with the requirements of FRS 17.

The trust takes professional advice on this position and makes appropriate contributions on the basis of that advice to ensure the deficit does not become unmanageable.

#### 3. Pupil Strategy

The trust seeks to maintain its popularity with current and prospective pupils by:

- ensuring the academies deliver high quality education and training;
- maintaining outstanding success rates and good inspection outcomes; and
- investing in the its teaching staff and resources.

With ongoing commitment to quality, the academy now provides high quality learning environments. This places the trust in an excellent position to attract new pupils.

#### Fundraising

Each school within the trust can hold up to 6 main fundraising events each year. 3 of these are held for the benefit of the trust with the other 3 held for the benefit of external charities, all of which are events that operate within the schools. The charity also accepts voluntary contributions for school trips. The trust does not use professional fund raisers neither does it have any fundraising conducted by a 3rd party on its behalf. The Charity received no complaints for the 2017/18 financial year in relation to fundraising. When organising fundraising events the charity always considers the protection of the public, including vulnerable people, from unreasonably intrusive or persistent fundraising approaches, and undue pressure to donate. To further ensure this is the case the trust ensures prices set at charity events are fair and reasonable and events are open and free to attend for all.

# PA COMMUNITY TRUST

## TRUSTEES' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2018**

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### Plans for future periods

The Trust is expecting to grow from 4 primary schools to 5 primary schools (increasing to over 3000 pupils) within the next year.

The Trust will open a 6 form entry secondary Free School as part of Wave 12 of the Free School application process. The opening date for the proposed Free School is September 2021 and it will be located in Birmingham.

This year Highfield was one of two schools in Birmingham to successfully gain funding through the Healthy Pupils Capital Fund. Work will be done in 2018/19 to renovate and enhance the existing playground and outdoor learning facilities for the children.

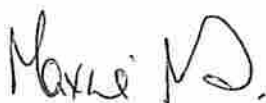
### Auditor

In so far 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.

A resolution proposing that Baldwins Audit Services be reappointed as auditor of the charitable company will be put to the members.

The trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 18 December 2018 and signed on its behalf by:



Mrs M Rowley  
Chair

# PA COMMUNITY TRUST

## GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2018

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### Scope of responsibility

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

The board of trustees has delegated the day-to-day responsibility to the Deputy CEO, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between PA Community Trust 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 board of trustees has formally met 7 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustees	Meetings attended	Out of possible
Mrs M Rowley (Chair)	5	7
Miss A Balson (Director of School Improvement)	2	7
Mrs P Sherlock-Lewis (Deputy CEO)	7	7
Mr S Gulzar (CEO)	6	7
Mr P Hamilton (Director of Finance)	3	7
Mr S Islam (Vice Chair)	7	7
Ms S Knottenbelt	7	7
Mr G Kelham	6	7
Mr C Parker	5	7

## **PA COMMUNITY TRUST**

### **GOVERNANCE STATEMENT (CONTINUED)**

#### **FOR THE YEAR ENDED 31 AUGUST 2018**

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Over the academic year 17/18 one Trustee with secondary school experience was appointed to commence their role from September 2017. This was recommended by the DfE to aid the free school process.

Due to the personal roles of Trustees it has been very difficult to get all Trustees to attend meetings.

The Trust has advertised for Academy Representatives throughout the year. It has been very difficult to find people with the desired skills to sit on the committees.

The PACT consisted of three schools until 30th June 2018, Birchfield School officially joined on 1st July 2018. All PACT schools apart from Birchfield School have their own Academy Committee, the Trust Board oversees Birchfield's governance. The Academy Representatives are:

##### **Prince Albert School**

Miss Mel Davies- HoS  
Mrs Sumayya Patel- DHT  
Mrs Madiha Naeem- Chair/Parent  
Mrs Ava Sturridge-Packer  
Mrs Penelope Venables (appointed 10.10.17)  
Mr Simon Bartlett (appointed 04.05.18)  
Miss Zaiga Jotcika (appointed 22.06.18)  
Mrs Nazma Meah (resigned 26.02.18)  
Mr Shahinul Islam (resigned 10.03.18)

##### **Heathfield Primary School**

Mrs Shabana Amir-Baz- HoS  
Ms Fiona Atherton- DHT  
Mr Anwar Karim- parent  
Cllr Waseem Zaffar  
Mrs Naila Tabassum- Parent  
Mr Martyn Bennett- Chair  
Mr Zahid Mahmood

##### **Highfield Primary School**

Mr Ashley Knibbs- HoS  
Mrs Stephanie Davies- DHT  
Mrs Clare Jackman- Chair  
Mr Peter Hopkins  
Mr Scott Banks (appointed 04.05.18)  
Mrs Farah Khan- Parent (appointed 21.09.17)  
Mrs Kate Ellis (appointed 20.10.17)  
Mr Shahinul Islam (resigned 10.03.18)

**Birchfield School governance is overseen by the Trust Board**

# PA COMMUNITY TRUST

## GOVERNANCE STATEMENT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2018

#### The Finance, Resource and Audit Committee (FRAC)

The finance and audit committee is a sub-committee of the main board of trustees. Its purpose is to:

- Oversee the annual budget setting, propose the budget and regularly report all financial matters to the Trust Board.
- Regularly monitor income and expenditure against the budget, including reporting of any significant budget amendments.
- To review and monitor all policies that fall under the finance remit.
- To ensure compliance with the Trusts financial policies and procedures and to ensure that the trusts financial control systems are robust.
- To ensure the annual report and accounts are produced in accordance with the academies financial handbook.
- To approve opening and operation of the academies bank accounts, authorise signatories, transfers between accounts, the operation of charge cards; payment system controls including BACs.
- To review the annual report and accounts and recommend to Members and the Trust Board approval.
- To approve improvement plans and actions relating to the finance and premises area.
- To ensure a strategic financial view of income, staffing, other expenditure and capital projects.
- To have a strategic view regarding forward planning of school finances through longer term financial plans and projections, including capital funding both for maintenance of existing facilities and for school improvement projects.
- To ensure that the school asset management plan is regularly updated and to monitor the progress of all facilities works.
- To review and approve all bought in service provision.
- To manage this program of risk review and checking of financial controls in a way that they deem more appropriate to their circumstances. Options include; internal audit, additional work by the external auditor, the work of the 'responsible officer' and/or by 'peer review'.

The adequacy of arrangements will be established as part of the process leading to the accounting officer's annual statement and, where appropriate, through the self-assessment review of financial management and governance, FGMS.

Other roles are to monitor the effectiveness of financial control, advise the trust board on risk management and audit and to report back to the trust board about audit requirements and outcomes. The audit committee feedback to the trust board at each meeting summarising their previous meeting outcomes and or raising any concerns. Information shared includes; an opinion of effectiveness of the internal control system and the pursuit of value for money together with an assurance on risk management.

Attendance at meetings in the year was as follows:

Trustees	Meetings attended	Out of possible
Mrs M Rowley (Chair)	2	3
Mr S Gulzar (CEO)	2	3
Mr S Islam (Vice Chair)	3	3
Ms S Knottenbelt	3	3

#### **Review of value for money**

As accounting officer the Deputy CEO 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.

# PA COMMUNITY TRUST

## GOVERNANCE STATEMENT (CONTINUED)

**FOR THE YEAR ENDED 31 AUGUST 2018**

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

- Ensuring that where goods and services are specific, and would be identical no matter which supplier is to be chosen, at least 3 quotes are obtained and the cheapest quote is proceeded with.
- Setting up a preferred suppliers list for orders over £10,000. This ensures that quotes are obtained from suppliers who are likely to give the best value for money and not from suppliers that might not have the trust's best interests in mind.
- Choosing a supplier who can give a more complete and comprehensive service.

### **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 PA Community Trust for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and accounts.

### **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 ongoing 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 accounts. 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;
- identification and management of risks.

The board of trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However the trustees have appointed Baldwins Audit Services, the external auditor, to perform additional checks. A whole system review was undertaken during the year, and a number of recommendations were made, none of which were significant matters.

The auditor's role includes giving advice on financial matters and performing a range of checks on the financial systems. On an annual basis, the auditor reports to the board of trustees on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

The board of trustees have also appointed external advisory companies. Their role includes giving advice and performing a range of checks on the financial systems.



## PA COMMUNITY TRUST

### GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

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#### Review of effectiveness

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

- the work of the external auditor;
- the financial management and governance self-assessment process;
- 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 finance and general purposes committee/audit committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the board of trustees on 18 December 2018 and signed on its behalf by:



Mrs M Rowley  
Chair



Mr S Gulzar  
CEO

## **PA COMMUNITY TRUST**

### **STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE FOR THE YEAR ENDED 31 AUGUST 2018**

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As accounting officer of PA Community Trust I have considered my responsibility to notify the academy trust board of trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, 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's 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 no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the board of trustees and ESFA.



Mrs P Sherlock-Lewis  
**Accounting Officer**

18 December 2018

# PA COMMUNITY TRUST

## STATEMENT OF TRUSTEES' RESPONSIBILITIES

**FOR THE YEAR ENDED 31 AUGUST 2018**

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The trustees (who are also the directors of PA Community Trust for the purposes of company law) are responsible for preparing the trustees' report and the accounts in accordance with the Annual Accounts Direction issued by the Education & 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 accounts for each financial year. Under company law the trustees must not approve the accounts 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 accounts, the trustees are required to:

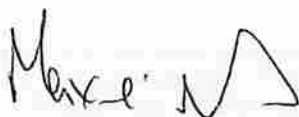
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 accounts 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 that 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 accounts may differ from legislation in other jurisdictions.

Approved by order of the board of trustees on 18 December 2018 and signed on its behalf by:



Mrs M Rowley  
Chair

# PA COMMUNITY TRUST

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PA COMMUNITY TRUST

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### Opinion

We have audited the accounts of PA Community Trust for the year ended 31 August 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the accounts, 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), the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education & Skills Funding Agency.

In our opinion the accounts:

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

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the accounts' 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 accounts 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 trustees' use of the going concern basis of accounting in the preparation of the accounts is not appropriate; or
- the trustees have not disclosed in the accounts 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 accounts are authorised for issue.

### Other information

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

In connection with our audit of the accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts 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 accounts 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 including the incorporated strategic report for the financial year for which the accounts are prepared is consistent with the accounts; and
- the trustees' report including the incorporated strategic report have been prepared in accordance with applicable legal requirements.

## PA COMMUNITY TRUST

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PA COMMUNITY TRUST (CONTINUED)

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#### 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 trustees' report, including the incorporated strategic report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts 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 statement of trustees' responsibilities, the trustees are responsible for the preparation of the accounts 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 accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, 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 charitable company, 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 accounts 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 accounts.

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

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



Mark McLean (Senior Statutory Auditor)  
for and on behalf of Baldwins Audit Services



Statutory Auditor

Churchill House  
59 Lichfield Street  
Walsall  
West Midlands  
WS4 2BX

## **PA COMMUNITY TRUST**

### **INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO PA COMMUNITY TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY**

**FOR THE YEAR ENDED 31 AUGUST 2018**

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In accordance with the terms of our engagement letter dated 28 March 2017 and further to the requirements of the Education & 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 PA Community Trust during the period 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to PA Community Trust and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the PA Community Trust 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 PA Community Trust and ESFA, for our work, for this report, or for the conclusion we have formed.

#### **Respective responsibilities of PA Community Trust's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of PA Community Trust's funding agreement with the Secretary of State for Education dated 28 August 2015 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.

## PA COMMUNITY TRUST

### INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO PA COMMUNITY TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY (CONTINUED)

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.



#### Reporting Accountant

Baldwins Audit Services  
Churchill House  
59 Lichfield Street  
Walsall  
West Midlands  
WS4 2BX

Dated: 18/12/18

# PA COMMUNITY TRUST

## STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2018

	Notes	Unrestricted Funds £	Restricted funds: General £ Fixed asset £	Total 2018 £	Total 2017 £
<b>Income and endowments from:</b>					
Donations and capital grants	3	1,891	618	36,283	38,792
Donations - transfer from local authority on conversion	26	85,793	(1,291,000)	6,349,450	5,144,243
Charitable activities:					
- Funding for educational operations	4	-	11,627,830	-	11,627,830
Other trading activities	5	241,116	216,196	-	457,312
Investments	6	1,852	-	-	1,852
<b>Total</b>		<b>330,652</b>	<b>10,553,644</b>	<b>6,385,733</b>	<b>17,270,029</b>
<b>Expenditure on:</b>					
Charitable activities:					
- Educational operations	8	243,007	12,332,062	420,918	12,995,987
<b>Total</b>	7	<b>243,007</b>	<b>12,332,062</b>	<b>420,918</b>	<b>12,995,987</b>
<b>Net income/(expenditure)</b>		<b>87,645</b>	<b>(1,778,418)</b>	<b>5,964,815</b>	<b>4,274,042</b>
Transfers between funds	18	-	(27,026)	27,026	-
<b>Other recognised gains/(losses)</b>					
Actuarial gains/(losses) on defined benefit pension schemes	19	-	1,494,000	-	1,494,000
<b>Net movement in funds</b>		<b>87,645</b>	<b>(311,444)</b>	<b>5,991,841</b>	<b>5,768,042</b>
<b>Reconciliation of funds</b>					
Total funds brought forward		1,610,043	(7,888,487)	12,781,950	6,503,506
Total funds carried forward		1,697,688	(8,199,931)	18,773,791	12,271,548



# PA COMMUNITY TRUST

## STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED) INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2018

Comparative year information Year ended 31 August 2017		Unrestricted Funds	Restricted funds:		Total 2017
	Notes	£	General	Fixed asset	£
<b>Income and endowments from:</b>					
Donations and capital grants	3	1,060	83,107	26,342	110,509
Charitable activities:					
- Funding for educational operations	4	-	10,675,590	-	10,675,590
Other trading activities	5	361,198	-	-	361,198
Investments	6	2,023	-	-	2,023
<b>Total</b>		<b>364,281</b>	<b>10,758,697</b>	<b>26,342</b>	<b>11,149,320</b>
<b>Expenditure on:</b>					
Charitable activities:					
- Educational operations	8	335,544	10,931,389	275,295	11,542,228
<b>Total</b>	7	<b>335,544</b>	<b>10,931,389</b>	<b>275,295</b>	<b>11,542,228</b>
<b>Net income/(expenditure)</b>		<b>28,737</b>	<b>(172,692)</b>	<b>(248,953)</b>	<b>(392,908)</b>
Transfers between funds	18	-	(26,411)	26,411	-
<b>Other recognised gains/(losses)</b>					
Actuarial losses on defined benefit pension schemes	19	-	(304,000)	-	(304,000)
<b>Net movement in funds</b>		<b>28,737</b>	<b>(503,103)</b>	<b>(222,542)</b>	<b>(696,908)</b>
<b>Reconciliation of funds</b>					
Total funds brought forward		1,581,306	(7,385,384)	13,004,492	7,200,414
Total funds carried forward		1,610,043	(7,888,487)	12,781,950	6,503,506

# PA COMMUNITY TRUST

## BALANCE SHEET

AS AT 31 AUGUST 2018

	Notes	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	13	18,750,069	12,755,607
<b>Current assets</b>			
Stocks	14	2,260	16,322
Debtors	15	788,754	428,514
Cash at bank and in hand		4,076,181	5,131,557
		4,867,195	5,576,393
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	16	(3,067,716)	(3,499,494)
<b>Net current assets</b>		1,799,479	2,076,899
<b>Net assets excluding pension liability</b>		20,549,548	14,832,506
Defined benefit pension scheme liability	19	(8,278,000)	(8,329,000)
<b>Net assets</b>		12,271,548	6,503,506
<b>Funds of the academy trust:</b>			
<b>Restricted funds</b>	18		
- Fixed asset funds		18,773,791	12,781,950
- Restricted income funds		78,069	440,513
- Pension reserve		(8,278,000)	(8,329,000)
<b>Total restricted funds</b>		10,573,860	4,893,463
<b>Unrestricted income funds</b>	18	1,697,688	1,610,043
<b>Total funds</b>		12,271,548	6,503,506

The accounts set out on pages 22 to 47 were approved by the board of trustees and authorised for issue on 18 December 2018 and are signed on its behalf by:



Mrs M Rowley  
Chair

Company Number 09718257

# PA COMMUNITY TRUST

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2018

	Notes	2018 £	£	2017 £	£
<b>Cash flows from operating activities</b>					
Net cash provided by (used in) operating activities	21	(1,113,372)		1,929,483	
Cash funds transferred on conversion		85,793		-	
		(1,027,579)		1,929,483	
<b>Cash flows from investing activities</b>					
Dividends, interest and rents from investments		1,852		2,023	
Capital grants from DfE and ESFA		36,283		12,133	
Capital funding from sponsors and others		-		14,209	
Payments to acquire tangible fixed assets		(65,932)		(26,412)	
		(27,797)		1,953	
<b>Change in cash and cash equivalents in the reporting period</b>		(1,055,376)		1,931,436	
Cash and cash equivalents at 1 September 2017		5,131,557		3,200,121	
<b>Cash and cash equivalents at 31 August 2018</b>		4,076,181		5,131,557	

# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2018

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### 1 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.

#### 1.1 Basis of preparation

The accounts 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 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

PA Community Trust meets the definition of a public benefit entity under FRS 102.

#### 1.2 Going concern

The trustees assess whether the use of going concern is appropriate, ie whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charitable company to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the accounts 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 accounts.

#### 1.3 Conversion to an academy trust

The conversion from a state maintained school to an academy trust involved 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 it has been accounted for on that basis as set out below.

The assets and liabilities transferred on conversion from Birchfield Community School to the academy trust have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in Donations – transfer from local authority on conversion in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. The fixed assets comprised £66,950 of Fixtures & Fittings, £56,500 of ICT equipment, £15,000 of motor vehicles, £1,626,000 of land, and £4,585,000 of buildings. There were other assets of £85,793 and LGPS Pension Liabilities of £1,291,000. Further details of the transaction are set out in note 26.

#### 1.4 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 period for which it is receivable, and any abatement in respect of the period is deducted from income and recognised as a liability.

# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 1 Accounting policies

(Continued)

Capital grants are recognised in full when there is an unconditional entitlement to the grant. Unspent amounts of capital grants are reflected in the balance sheet 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.

#### Sponsorship income

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

#### Donations

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

#### Other income

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

#### Donated goods, facilities and services

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

#### Donated fixed assets

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

### 1.5 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 are allocated on the portion of the asset's use.

All resources expended are inclusive of irrecoverable VAT.

#### Expenditure on raising funds

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

# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 1 Accounting policies

(Continued)

#### 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.

#### 1.6 Tangible fixed assets and depreciation

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

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding that require the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the statement of financial activities and carried forward in the balance sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the statement of financial activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset on a straight-line/reducing balance basis over its expected useful life. A full year's charge is made on all additions during the year. The rates used are as follows:

Long term Leasehold	Land - lease term / Buildings - 50 years
Computer equipment	Over 3 years straight line
Fixtures, fittings & equipment	Over 10 years straight line
Motor vehicles	25% reducing balance

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.

#### 1.7 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.

#### 1.8 Leased assets

Rentals payable under operating leases are charged against income on a straight line basis over the period of the lease.

#### 1.9 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. Prepayments are not financial instruments.

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

# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 1 Accounting policies

(Continued)

#### Financial liabilities

Trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost. 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.

#### 1.10 Stock

Stock is valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less further costs to completion and disposal. Provision is made for obsolete and slow moving stock.

#### 1.11 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.

#### 1.12 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 and the assets are held separately from those of the academy trust.

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 projected unit method. The TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions are recognised in the period to which they relate.

The LGPS is a funded multi-employer 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.

#### 1.13 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 funders where the asset acquired or created is held for a specific purpose.



# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 1 Accounting policies

(Continued)

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/Department for Education.

### 2 Critical accounting estimates and areas of judgement

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

#### Critical accounting estimates and assumptions

The academy trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, 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.

### 3 Donations and capital grants

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Capital grants	-	36,283	36,283	26,342
Other donations	1,891	618	2,509	84,167
	<u>1,891</u>	<u>36,901</u>	<u>38,792</u>	<u>110,509</u>



# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 4 Funding for the academy trust's educational operations

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
<b>DfE / ESFA grants</b>				
General annual grant (GAG)	-	9,111,163	9,111,163	8,539,864
Start up grants	-	59,079	59,079	-
Other DfE group grants	-	2,089,005	2,089,005	1,629,360
	-	11,259,247	11,259,247	10,169,224
<b>Other government grants</b>				
Local authority grants	-	368,583	368,583	506,366
<b>Total funding</b>	-	11,627,830	11,627,830	10,675,590

### 5 Other trading activities

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Catering income	171,167	-	171,167	157,741
Trip income	14,044	-	14,044	14,142
Uniforms income	29,134	-	29,134	27,805
Other income	26,771	216,196	242,967	161,510
	241,116	216,196	457,312	361,198

### 6 Investment income

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Short term deposits	1,852	-	1,852	2,023

### 7 Expenditure

	Staff costs £	Non Pay Expenditure		Total 2018 £	Total 2017 £
		Premises £	Other £		
Academy's educational operations					
- Direct costs	7,093,146	-	713,836	7,806,982	7,510,865
- Allocated support costs	2,035,928	1,574,035	1,579,042	5,189,005	4,031,363
	9,129,074	1,574,035	2,292,878	12,995,987	11,542,228

# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 7 Expenditure

(Continued)

Net income/(expenditure) for the year includes:	2018	2017
	£	£
Fees payable to auditor for:		
- Audit	9,300	9,300
- Other services	3,000	2,850
Operating lease rentals	71,527	135,398
Depreciation of tangible fixed assets	420,918	275,295
Net interest on defined benefit pension liability	207,000	162,000

# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 8 Charitable activities

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Direct costs - educational operations	71,552	7,735,430	7,806,982	7,510,865
Support costs - educational operations	171,455	5,017,550	5,189,005	4,031,363
	<u>243,007</u>	<u>12,752,980</u>	<u>12,995,987</u>	<u>11,542,228</u>
			2018 £	2017 £
Analysis of support costs				
Support staff costs			2,035,928	1,742,643
Depreciation and amortisation			420,918	275,295
Technology costs			54,903	49,370
Premises costs			1,068,457	1,028,890
Other support costs			1,591,204	921,221
Governance costs			17,595	13,944
			<u>5,189,005</u>	<u>4,031,363</u>

### 9 Central services

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

- human resources;
- financial services;
- legal services;
- educational support services.

The academy trust charges for these services on the following basis:

- Heathfield - flat percentage of GAG 8%
- Highfield - flat percentage of GAG 12%
- Prince Albert - flat percentage of GAG 8%
- Birchfield - flat percentage of GAG 12%

The amounts charged during the year were as follows:

	2018 £	2017 £
Heathfield Primary School	150,585	150,212
Highfield J&I School	443,531	726,661
Prince Albert Primary	227,354	228,865
Birchfield Community School	58,098	
	<u>879,568</u>	<u>1,105,738</u>

# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 10 Staff

#### Staff costs

Staff costs during the year were:

	2018 £	2017 £
Wages and salaries	6,530,771	6,406,442
Social security costs	563,379	560,518
Pension costs	1,701,638	1,375,788
Staff costs	8,795,788	8,342,748
Agency staff costs	227,383	223,162
Staff development and other staff costs	105,903	124,559
Total staff expenditure	9,129,074	8,690,469

#### Non statutory/non-contractual staff severance payments

Included in staff costs are non contractual severance pay costs totalling £24,935 (2017: £69,340). Individually, the payments were £8,997, £6,000, £7,764 and £2,174.

#### Staff numbers

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

	2018 Number	2017 Number
Teachers	188	187
Administration and support	130	111
Management	36	29
	354	327

#### Higher paid staff

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

	2018 Number	2017 Number
£60,001 to £70,000	4	1
£70,001 to £80,000	2	-
£110,001 to £120,000	-	1
£140,001 to £150,000	-	1
£150,001 to £160,000	2	-

The above employees participated in the Teachers' Pension Scheme. The pension costs during the year for the above employees was £94,412 (2017 £51,758).

## PA COMMUNITY TRUST

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

#### 10 Staff

(Continued)

##### Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £586,586.

#### 11 Trustees' remuneration and expenses

One or more of the trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The principal and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment, and not in respect of their services as trustees.

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

S Gulzar, CEO

Remuneration £140,000 to £144,999

Pension contributions £20,000 to £24,999

P Sherlock-Lewis, Deputy CEO

Remuneration £130,000 to £134,999

Pension contributions £20,000 to £24,999

During the period, no trustees received any benefits in kind. Expenses of £391 were reimbursed to trustees.

#### 12 Trustees and officers insurance

In accordance with normal commercial practice, the academy trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy trust business. The insurance provides cover up to £10,000,000 on any one claim. It is not possible to quantify the cost of this insurance as it is part of the RPA scheme.

# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 13 Tangible fixed assets

	Long term Leasehold	Computer equipment	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 September 2017	12,956,068	161,927	149,003	32,000	13,298,998
Additions	6,211,000	86,505	102,877	15,000	6,415,382
Disposals	-	(5,600)	-	-	(5,600)
At 31 August 2018	19,167,068	242,832	251,880	47,000	19,708,780
<b>Depreciation</b>					
At 1 September 2017	399,922	99,891	29,578	14,000	543,391
On disposals	-	(5,600)	-	-	(5,600)
Charge for the year	304,670	82,812	25,188	8,250	420,920
At 31 August 2018	704,592	177,103	54,766	22,250	958,711
<b>Net book value</b>					
At 31 August 2018	18,462,476	65,729	197,114	24,750	18,750,069
At 31 August 2017	12,556,146	62,036	119,425	18,000	12,755,607

### 14 Stocks

	2018 £	2017 £
School uniform	2,260	16,322

### 15 Debtors

	2018 £	2017 £
Trade debtors	44,923	86,041
VAT recoverable	108,192	70,419
Other debtors	90,805	6,101
Prepayments and accrued income	544,834	265,953
	788,754	428,514

### 16 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	1,835,531	2,636,612
Accruals and deferred income	1,232,185	862,882
	3,067,716	3,499,494

# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

17 Deferred income	2018 £	2017 £
Deferred income is included within:		
Creditors due within one year	307,574	474,539
Deferred income at 1 September 2017	474,539	143,544
Released from previous years	(474,539)	(143,544)
Amounts deferred in the year	307,574	474,539
Deferred income at 31 August 2018	307,574	474,539

For both years, the deferred income relates to income received from the ESFA.

18 Funds	Balance at 1 September 2017 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2018 £
<b>Restricted general funds</b>					
General Annual Grant (GAG)	436,406	9,111,163	(9,442,474)	(27,026)	78,069
Start up grants	-	59,079	(59,079)	-	-
Other DfE / ESFA grants	-	2,089,005	(2,089,005)	-	-
Other government grants	-	368,583	(368,583)	-	-
Other restricted funds	4,107	216,814	(220,921)	-	-
Pension reserve	(8,329,000)	(1,291,000)	(152,000)	1,494,000	(8,278,000)
	<u>(7,888,487)</u>	<u>10,553,644</u>	<u>(12,332,062)</u>	<u>1,466,974</u>	<u>(8,199,931)</u>
<b>Restricted fixed asset funds</b>					
Transfer on conversion	12,704,334	6,349,450	(370,519)	-	18,683,265
DfE group capital grants	51,205	36,283	(23,988)	-	63,500
Capital expenditure from GAG	26,411	-	(26,411)	27,026	27,026
	<u>12,781,950</u>	<u>6,385,733</u>	<u>(420,918)</u>	<u>27,026</u>	<u>18,773,791</u>
<b>Total restricted funds</b>	<u>4,893,463</u>	<u>16,939,377</u>	<u>(12,752,980)</u>	<u>1,494,000</u>	<u>10,573,860</u>
<b>Unrestricted funds</b>					
General funds	<u>1,610,043</u>	<u>330,652</u>	<u>(243,007)</u>	<u>-</u>	<u>1,697,688</u>
<b>Total funds</b>	<u>6,503,506</u>	<u>17,270,029</u>	<u>(12,995,987)</u>	<u>1,494,000</u>	<u>12,271,548</u>

# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 18 Funds

(Continued)

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

#### Restricted General Funds

This fund represents grants and other income received for the multi academy trust's operational activities and development.

#### Pension Reserve

The pension reserve included within restricted general funds represents the multi academy trust's share of the pension liability arising on the LGPS pension fund.

#### Restricted Fixed Asset Funds

This fund represents grants and other income received to carry out works of a capital nature.

Under the funding agreement with the Secretary of State, the multi academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31st August 2018.

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

	Balance at 1 September 2016 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2017 £
<b>Restricted general funds</b>					
General Annual Grant (GAG)	37,531	8,539,864	(8,114,578)	(26,411)	436,406
Other DfE / ESFA grants	-	1,629,360	(1,629,360)	-	-
Other government grants	-	506,366	(506,366)	-	-
Other restricted funds	76,085	83,107	(155,085)	-	4,107
Pension reserve	(7,499,000)	-	(526,000)	(304,000)	(8,329,000)
	<u>(7,385,384)</u>	<u>10,758,697</u>	<u>(10,931,389)</u>	<u>(330,411)</u>	<u>(7,888,487)</u>
<b>Restricted fixed asset funds</b>					
Transfer on conversion	12,965,826	-	(261,492)	-	12,704,334
DfE group capital grants	38,666	26,342	(13,803)	-	51,205
Capital expenditure from GAG	-	-	-	26,411	26,411
	<u>13,004,492</u>	<u>26,342</u>	<u>(275,295)</u>	<u>26,411</u>	<u>12,781,950</u>
<b>Total restricted funds</b>	<u>5,619,108</u>	<u>10,785,039</u>	<u>(11,206,684)</u>	<u>(304,000)</u>	<u>4,893,463</u>
<b>Unrestricted funds</b>					
General funds	<u>1,581,306</u>	<u>364,281</u>	<u>(335,544)</u>	<u>-</u>	<u>1,610,043</u>
<b>Total funds</b>	<u>7,200,414</u>	<u>11,149,320</u>	<u>(11,542,228)</u>	<u>(304,000)</u>	<u>6,503,506</u>



# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 18 Funds

(Continued)

A current year 12 months and prior year 12 months combined position is as follows:

	Balance at 1 September 2016 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2018 £
<b>Restricted general funds</b>					
General Annual Grant (GAG)	37,531	17,651,027	(17,557,052)	(53,437)	78,069
Start up grants	-	59,079	(59,079)	-	-
Other DfE / ESFA grants	-	3,718,365	(3,718,365)	-	-
Other government grants	-	874,949	(874,949)	-	-
Other restricted funds	76,085	299,921	(376,006)	-	-
Pension reserve	(7,499,000)	(1,291,000)	(678,000)	1,190,000	(8,278,000)
	<u>(7,385,384)</u>	<u>21,312,341</u>	<u>(23,263,451)</u>	<u>1,136,563</u>	<u>(8,199,931)</u>
<b>Restricted fixed asset funds</b>					
Transfer on conversion	12,965,826	6,349,450	(632,011)	-	18,683,265
DfE group capital grants	38,666	62,625	(37,791)	-	63,500
Capital expenditure from GAG	-	-	(26,411)	53,437	27,026
	<u>13,004,492</u>	<u>6,412,075</u>	<u>(696,213)</u>	<u>53,437</u>	<u>18,773,791</u>
<b>Total restricted funds</b>	<u>5,619,108</u>	<u>27,724,416</u>	<u>(23,959,664)</u>	<u>1,190,000</u>	<u>10,573,860</u>
<b>Unrestricted funds</b>					
General funds	<u>1,581,306</u>	<u>694,933</u>	<u>(578,551)</u>	<u>-</u>	<u>1,697,688</u>
<b>Total funds</b>	<u>7,200,414</u>	<u>28,419,349</u>	<u>(24,538,215)</u>	<u>1,190,000</u>	<u>12,271,548</u>

# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 18 Funds

(Continued)

#### Total funds analysis by academy

	2018 £	2017 £
Fund balances at 31 August 2018 were allocated as follows:		
Heathfield Primary School	378,958	463,536
Highfield J&I School	944,887	1,034,791
Prince Albert Primary	351,067	379,336
Birchfield Community School	9,717	
Central services	91,128	172,893
Total before fixed assets fund and pension reserve	1,775,757	2,050,556
Restricted fixed asset fund	18,773,791	12,781,950
Pension reserve	(8,278,000)	(8,329,000)
Total funds	12,271,548	6,503,506

#### Total cost analysis by academy

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

	Teaching and educational support staff £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total £
Heathfield Primary School	1,565,775	196,754	144,893	775,069	2,682,491
Highfield J&I School	2,719,373	325,878	272,444	1,138,534	4,456,229
Prince Albert Primary	2,318,383	241,605	198,157	664,460	3,422,605
Birchfield Community School	342,690	24,313	10,464	211,945	589,412
	6,946,221	788,550	625,958	2,790,008	11,150,737

### 19 Pensions 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 Birmingham City Council. Both are multi-employer defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012, and that of the LGPS related to the period ended 31st August 2016.

Contributions amounting to £102,166 (2017: £98,333) were payable to the schemes at 31 August 2018 and are included within creditors.

# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 19 Pensions and similar obligations

(Continued)

#### Teachers' Pension Scheme

##### Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed 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

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.

The employer's pension costs paid to the TPS in the period amounted to £835,000 (2017: £501,000).

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

#### Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are 17.2% for employers and 5.5 to 12.5% for employees.

# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 19 Pensions and similar obligations

(Continued)

The LGPS obligation relates to the employees of the academy trust who were employees transferred as part of the conversion from the maintained school (as described in note 26) together with new employees who joined the scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy trust at the balance sheet date.

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.

Total contributions made	2018 £	2017 £
Employer's contributions	866,000	338,000
Employees' contributions	116,000	112,000
Total contributions	982,000	450,000

Principal actuarial assumptions	2018 %	2017 %
Rate of increases in salaries	3.8	4.2
Rate of increase for pensions in payment	2.3	2.7
Discount rate	2.7	2.6
Inflation assumption (CPI)	2.3	2.7

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

	2018 Years	2017 Years
Retiring today		
- Males	21.9	21.8
- Females	24.4	24.3
Retiring in 20 years		
- Males	24.1	24.0
- Females	26.7	26.6

# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 19 Pensions and similar obligations

(Continued)

Scheme liabilities would have been affected by changes in assumptions as follows:

	2018	2017
	£	£
Discount rate + 0.1%	(258,000)	(253,000)
Discount rate - 0.1%	266,000	261,000
Mortality assumption + 1 year	305,000	218,000
Mortality assumption - 1 year	(296,000)	(214,000)
Long Term Salary + 0.1%	53,000	67,000
Long Term Salary - 0.1%	(52,000)	(67,000)
Pension Increases + 0.1%	213,000	176,000
Pension Increases - 0.1%	(207,000)	(169,000)

#### The academy trust's share of the assets in the scheme

	2018	2017
	Fair value	Fair value
	£	£
Equities	1,517,000	956,000
Gilts	172,000	111,000
Other Bonds	89,000	58,000
Property	195,000	111,000
Other assets	425,000	276,000
Total market value of assets	2,398,000	1,512,000

Actual return on scheme assets - gain/(loss)	22,000	(4,000)
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#### Amounts recognised in the statement of financial activities

	2018	2017
	£	£
Current service cost	760,000	702,000
Past service cost	51,000	-
Interest income	(50,000)	(28,000)
Interest cost	257,000	190,000
Total operating charge	1,018,000	864,000

# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 19 Pensions and similar obligations

(Continued)

Changes in the present value of defined benefit obligations	2018 £	2017 £
Obligations at 1 September 2017	9,841,000	8,568,000
Obligations acquired on conversion	1,291,000	-
Current service cost	760,000	702,000
Interest cost	257,000	190,000
Employee contributions	116,000	112,000
Actuarial (gain)/loss	(1,522,000)	272,000
Benefits paid	(118,000)	(3,000)
Past service cost	51,000	-
At 31 August 2018	10,676,000	9,841,000

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

	2018 £	2017 £
Assets at 1 September 2017	1,512,000	1,069,000
Interest income	50,000	28,000
Actuarial loss	(28,000)	(32,000)
Employer contributions	866,000	338,000
Employee contributions	116,000	112,000
Benefits paid	(118,000)	(3,000)
At 31 August 2018	2,398,000	1,512,000

### 20 Analysis of net assets between funds

	Unrestricted Funds £	Restricted funds: General £	Fixed asset £	Total Funds £
<b>Fund balances at 31 August 2018 are represented by:</b>				
Tangible fixed assets	-	-	18,750,069	18,750,069
Current assets	1,697,688	3,115,766	53,741	4,867,195
Creditors falling due within one year	-	(3,037,697)	(30,019)	(3,067,716)
Defined benefit pension liability	-	(8,278,000)	-	(8,278,000)
<b>Total net assets</b>	<b>1,697,688</b>	<b>(8,199,931)</b>	<b>18,773,791</b>	<b>12,271,548</b>

# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 20 Analysis of net assets between funds

(Continued)

	Unrestricted Funds £	Restricted funds: General £	Fixed asset £	Total Funds £
<b>Fund balances at 31 August 2017 are represented by:</b>				
Tangible fixed assets	-	-	12,755,607	12,755,607
Current assets	1,610,043	3,940,007	26,343	5,576,393
Creditors falling due within one year	-	(3,499,494)	-	(3,499,494)
Defined benefit pension liability	-	(8,329,000)	-	(8,329,000)
<b>Total net assets</b>	<b>1,610,043</b>	<b>(7,888,487)</b>	<b>12,781,950</b>	<b>6,503,506</b>

### 21 Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2018 £	2017 £
Net income/(expenditure) for the reporting period (as per the Statement of Financial Activities)	4,274,042	(392,908)
Adjusted for:		
Net surplus on conversion to academy	(5,144,243)	-
Capital grants from DfE/ESFA and other capital income	(36,283)	(26,342)
Investment income receivable	(1,852)	(2,023)
Defined benefit pension costs less contributions payable	(55,000)	364,000
Defined benefit pension net finance cost	207,000	162,000
Depreciation of tangible fixed assets	420,920	275,295
Decrease/(increase) in stocks	14,062	(16,322)
(Increase)/decrease in debtors	(360,240)	153,356
(Decrease)/increase in creditors	(431,778)	1,412,427
<b>Net cash (used in)/provided by operating activities</b>	<b>(1,113,372)</b>	<b>1,929,483</b>

### 22 Commitments under operating leases

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

	2018 £	2017 £
Amounts due within one year	47,481	39,312
Amounts due in two and five years	133,521	150,582
	<b>181,002</b>	<b>189,894</b>

# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 23 Related party transactions

The following related party transactions took place in the period of account over and above trustees' remuneration and expenses already disclosed in note 11.

C Parker, a Trustee of PA Community Trust, is also Head Teacher at King Edward VI Aston School. During the year, PA Community Trust purchased goods and services totalling £10,500 from King Edward VI Aston School.

A Balson, a Trustee of PA Community Trust, is the Head Teacher of Mere Green Primary School, which is part of the Arthur Terry Learning Partnership. During the year, PA Community Trust sold goods and services totalling £550 to Arthur Terry Learning Partnership.

These transactions took place at arm's length and are compliant with the Academies Financial Handbook.

### 24 Post balance sheet events

There are no post balance sheet events that require disclosure in the financial statements.

### 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 or she is a member, or within one year after he or she ceases to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he or she ceases to be a member.

### 26 Conversion to an academy

On 1st July 2018 the Birchfield Community School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to PA Community Trust from the Local Authority for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair values 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.

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

Academy	Location	Date of conversion
Birchfield Community School	Birmingham	1 July 2018
Net assets transferred:		2018 £
Leasehold land and buildings		6,211,000
Other tangible fixed assets		138,450
Cash		85,793
LGPS pension surplus/(deficit)		(1,291,000)
		<u>5,144,243</u>



# PA COMMUNITY TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

### 26 Conversion to an academy

(Continued)

	Unrestricted Funds £	Restricted funds: General £	Fixed asset £	Total 2018 £
Funds surplus/(deficit) transferred:				
Fixed assets funds	-	-	6,349,450	6,349,450
LA budget funds	85,793	-	-	85,793
LGPS pension funds	-	(1,291,000)	-	(1,291,000)
	<u>85,793</u>	<u>(1,291,000)</u>	<u>6,349,450</u>	<u>5,144,243</u>