

Financial Statements  
Bright Futures Educational Trust  
(A company limited by guarantee)

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**For the year ended 31 August 2015**

**Company No: 07695771**

**Charitable Company limited by guarantee exempt from registration**

**Bright Futures Educational Trust**  
**Financial statements for the year ended 31 August 2015**

## Reference and Administrative Details

<b>Company registration number:</b>	07695771
<b>Registered office:</b>	The Lodge Cavendish Road Altrincham Cheshire WA14 2NL
<b>Members</b>	Dame Dana Ross-Wawrzynski Baron Bernstein (deceased 24 August 2015) Justin Kelly Yakub Patel (appointed 01 January 2016)
<b>Trust Directors (charity trustees and directors of the company)</b>	Amanda Bailey (resigned 31 August 2015) Baron Bernstein (Chairman, deceased 24 August 2015) Alan Foster Wendy Jenkins (Acting Chairman 6 February 2016 – 11 April 2016) Justin Kelly Anthony Leon Stephen Lindemann (Chairman 11 September 2015 - 6 February 2016) Jonathan Poole Dame Dana Ross-Wawrzynski Caroline Shaw Yakub Patel (appointed 01 January 2016, Chairman from 11 April 2016) Selva Pankaj (appointed 01 January 2016)
<b>Company Secretary:</b>	Eversecretary Limited
<b>Bankers:</b>	Lloyds Bank 223 Finney Lane Heald Green Cheadle Cheshire SK8 3PY
<b>Solicitors:</b>	Hill Dickinson LLP No 1 St Paul's Square Liverpool L3 9SJ  Wrigleys Solicitors LLP 19 Cookridge Street Leeds LS2 3AG  Eversheds LLP 70 Great Bridgewater Street Manchester M1 5ES

**Bright Futures Educational Trust**  
**Financial statements for the year ended 31 August 2015**

## Reference and Administrative Details

**Independent Auditor:**

Grant Thornton UK LLP  
Chartered Accountants  
Statutory Auditors  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

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## Trustees' Report

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 1 September 2014 to 31 August 2015. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The trust operates nine academies in the north-west of England. These comprise three primary schools, two 11-16 secondary schools, one 11-18 grammar school, one 11-18 special school, one sixth form college and a University Technical College.

### **Structure, governance and management**

#### **Constitution**

Bright Futures Educational Trust is a company limited by guarantee (No. 07695771) and an exempt charity in accordance with the Academies Act 2010. The charitable company was incorporated on 6 July 2011.

On 19 April 2012, the trust changed its name from AGGS Academy Trust to Bright Futures Educational Trust.

The Company was incorporated on 6 July 2011 and the fully transitioned operations of Altrincham Girls Grammar School commenced on 17 August 2011 following a decision by the governing body and acceptance by the Secretary of State for Education that the School become an academy as of this date.

On 1 August 2012, the operations of Melland High School and Cedar Mount High Academy were fully transitioned into the Trust following a decision by their respective governing bodies and acceptance by the Secretary of State for Education that they become academies as of this date.

On 1 September 2012, the operations of Stanley Grove Primary Academy and Gorton Mount Primary Academy were fully transitioned into the Trust following a decision by their respective governing bodies and acceptance by the Secretary of State for Education that they become academies as of this date.

On 1 September 2013, Connell Sixth Form College opened in Beswick as part of the regeneration of East Manchester. The College was created via the Free Schools' Programme in partnership with Manchester City Council and Manchester City Football Club. The College moved into new, purpose built premises in August 2014 ahead of the year commencing September 2014.

On 1 December 2013, South Shore Academy (formerly Palatine Sports College) joined the Trust. This Academy is an 11 - 16 High School located in Blackpool.

During the year 2014-15, two new schools joined the trust: Wigan UTC on 1 March 2015 and Marton Primary Academy and Nursery on 1 July 2015. Wigan UTC is a 14-19 University Technical College and Marton becomes the second school in Blackpool to join the Trust.

There was sad news during the year when the Trust's Chairman, Barrie Bernstein, passed away after a long illness in the summer of 2015. Stephen Lindemann was elected Chairman at the first meeting of the Board following this on 11 September 2015, but for personal reasons resigned his stewardship in February 2016. Details of the trustees who served during the year are included in the Reference and Administrative details on page 1.

## Trustees' Report (continued)

### **Members' liability**

Every member of the Charitable Company undertakes to contribute to the assets of the Charitable Company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a member and to pay such amounts as may be required not exceeding £10 for the debt and liabilities contracted before he/she ceased to be a member. The Secretary of State for Education can direct the trustees of the Trust in certain circumstances where the quality of education is deemed unsatisfactory.

### **Trustees' indemnities**

The Trust has purchased insurance to cover trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. Details of the costs can be found in note 11 of the accounts.

### **Principal activities**

The Trust's principal activities are to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum.

### **Method of recruitment and appointment of directors**

The Members of the Trust are responsible for the appointment of Trust Directors.

The number of appointed Directors shall be a minimum of seven up to a maximum of ten with the number of Executive Directors not exceeding one third.

### **Policies and procedures adopted for the induction and training of directors**

No formal policy has been adopted. Training requirements are discussed at directors' board meetings.

### **Organisational structure**

The governance of the Trust is defined in the Memorandum and Articles of Association together with the funding agreements with the Department of Education. In addition to the trustees (see above), Local Governing Bodies have been appointed for each school within the Trust. At Cedar Mount, the LGB has been dissolved and replaced by a School Improvement Board. These bodies report to the Board of Directors. There has been a change to the committee structure beneath the Board which has taken effect in September 2015. The previous structure consisted of the following committees:

- Education Committee;
- HR & Legal Committee;
- Finance Committee;
- Facilities & Estates Committee; and
- Audit & Risk Committee.

From September 2015 this has been streamlined to an Operations Board and Audit and Risk Committee. The Operations Board consists of the CEO, CFO, Head of HR, Head of Governance and the Directors of Education.

The Committees report to the full Board of Directors.

The Board of Directors meets on at least six occasions per year.

The day to day running of the Trust is delegated by the trustees to management under the leadership of the Chief Executive Officer, who is the Accounting Officer.

## Trustees' Report (continued)

### **Related Parties and other Connected Charities and Organisations**

Although there are a number of professional links to other schools and third party organisations, the Trust is an independent company with no affiliation to outside bodies.

The Trust works closely with a wide variety of organisations in the field of education, including but not restricted to:

- The Prince's Teaching Institute
- National College for School Leadership
- The British Council
- Challenge Partners
- Future Leaders
- Teaching Leaders
- Teach First

In addition, the CEO of the Trust is a member of the Ofqual Board.

Altrincham Grammar School for Girls has established a Teaching School Alliance, which sits within the Trust. As well as the nine BFET schools, there are an additional forty one local schools that make up the Alliance.

### **Objectives and activities**

#### **Objects and aims**

The Trust's object is to advance for public benefit education in the United Kingdom.

Our vision is to create a world class education within our academies to enable every young person to realise their full potential, and in particular, their full academic potential. The vision is based on the core Trust values of Passion, Integrity and Hard Work.

This vision is underpinned by the following values and strategies: -

#### **VALUES**

- |                   |   |
|-------------------|---|
| <b>Integrity:</b> | We are honest, remaining open and fair in our mission to support and challenge colleagues and help pupils to be the best they can be. This helps us to ensure all our pupils have real choices open to them. We stand up for our mission, passionately believing in achieving these goals while always acting in a responsible way. |
| <b>Passion:</b>   | We are enthusiastic, driven and energetic in our unwavering pursuit of excellence for our pupils and our staff. We believe in taking part and listening to others, showing warmth, kindness and empathy whilst thoroughly enjoying our work.  |
| <b>Hard Work:</b> | We are highly motivated, committed and reliable, going the extra mile for our pupils, our colleagues and our schools. We are constantly striving to develop communication and collaboration with everyone we work with.   |

## Trustees' Report (continued)

### STRATEGY

**We will create a teaching and learning ethos which will enable pupils to fulfil their full academic potential.**

We will do this by:

- Working collaboratively to create an outstanding cadre of teaching and associate staff achieved through a challenging performance management and professional development process, robust talent spotting and effective succession planning.
- Offering a predominately academic curriculum, appropriate to the age and ability of pupils, which leads to successful progression into higher education, training or employment.
- Understanding each pupil's learning needs to enable them to access their curriculum fully with pace and significant progress matched to their ability.
- Ensuring any pupil falling behind is given timely, appropriate and relevant catch-up support.
- Ensuring a wide variety of teaching methods are understood by staff and used appropriately for most effective learning.
- Providing data and assessment of the highest quality to inform staff effectively of their pupils' progress for their lesson planning.

**We will create a working environment which is safe, fosters wellbeing and collaboration, promotes values of democracy, rule of law, individual liberty, mutual respect and tolerance and enables pupils to develop their full potential in every sense: personally, morally, spiritually, culturally and physically as well as academically.**

We will do this by:

- Providing strategic direction from the Central Trust Team on all operational matters, i.e. Information Technology, Facilities and Estates, Human Resources and Finance; allowing our schools to focus on providing world class teaching and learning.
- Developing a culture which encourages all staff to engage in their own professional development, to work collaboratively with other BFET schools and with other educational establishments.
- Creating an environment where all staff feel valued and respected.
- Encouraging employee engagement and communication.

**We will ensure the Trust remains financially viable with effective management and resources.**

We will do this by:

- Generating and maintaining sound financial systems leading to a physical environment with excellent facilities.
- Generating additional revenue streams and creating efficiencies which will result in cost savings.
- Developing sustainable processes which balance environmental and social factors with economic limitations.



## Trustees' Report (continued)

**We will engage with stakeholders to create a common purpose in the development of a world class education.**

We will do this by:

- Fully engaging with all members of the community, including pupils, parents, staff, Governors, Directors and neighbours.
- Working collaboratively with other educational bodies including Local Authorities, central government and other professional organisations.

### **Strategic report**

#### **Achievements and performance**

The financial year started with seven educational establishments within the Trust, with the additions of Wigan UTC on 1 March 2015 and Marton Primary Academy and Nursery on 1 July 2015 bringing the total number up to nine.

Connell Sixth Form College has completed the first year in its new home, while at the Gorton Education Village, work commenced in August 2015 to pave the way for Gorton Mount Primary Academy to move onto this site.

The Trust's central staffing team saw some reorganisation during the year with Des McIvor being appointed as the inaugural IT Manager in April 2015. Amanda Bailey, the Trust's Chief Operating Officer, resigned with effect from 31 August 2015 to move across to Teaching Leaders, and there has been a subsequent reorganisation of roles and responsibilities. One notable change has been for Linda Samuel to take on the role of Head of Governance.

Two major projects co-ordinated centrally have been the consolidation of several payroll providers into a new, common provider, through a rigorous tender process, and the implementation of a new Trust-wide finance software system. The networking groups established during the previous Academic Year continue to flourish.

Ofsted inspections at four Trust schools have taken place during the year. Wigan UTC was rated Good (grade 2), and Connell Sixth Form College as Requiring Improvement (grade 3). Both Cedar Mount Academy and South Shore Academy were deemed Inadequate (grade 4).

#### **Key performance indicators**

##### Financial:

- income (percentage derived from the GAG) – 84.9% (2014: 81.3%)
- staff costs as a percentage of income – 80.2% (2014: 74.6%)
- cash balance – £200,000 (2014: £2,011,000)

## Trustees' Report (continued)

### Key performance indicators (continued)

#### Non-financial:

The Trust's key non-financial performance indicators are assigned to the following four areas:

- Progress and Achievement.
- Teaching.
- Behaviour and Care.
- Leadership, Management and Governance.

Secondary Schools:						
	% pupils >5 A*-C GCSEs		Pupil Attendance (%)		Pupil Numbers	
	2015	2014	2015	2014	2015	2014
AGGS	100	100	91.18*	98	1,274	1,294
Cedar Mount	24	33	92.00*	94	564	561
South Shore	28	36	89.14*	93	812	749

\*It should be noted that from September 2014 study leave is recorded as authorised absence – hence the reduction to attendance figures.

Primary Schools:								
	% pupils achieving level 4+ (combined reading, writing, maths)		% pupils Achieving 2 or more levels of progress		Pupil Attendance (%)		Pupil Numbers (excl nursery)	
	2015	2014	2015	2014	2015	2014	2015	2014
Gorton Mount	87	68	95	93	94.2	95	634	492
Stanley Grove	82	72	97	93	95.8	96	593	532
Marton Primary Academy & Nursery	85	N/A	95	N/A	95.0	N/A	348	N/A

Special School:						
	% KS4 pupils on track to achieve EKS targets in English & Maths combined		Pupil Attendance (%)		Pupil Numbers	
Melland	96	96	92.6	92.0	145	149

Sixth Form Colleges including UTC:						
	% pupils A*-C grade A Levels		Pupil Attendance (%)		Pupil Numbers	
	2015	2014	2015	2014	2015	2014
Connell	47	N/A	90	87	340	323
Wigan UTC	75	N/A	96	N/A	61	N/A

## Trustees' Report (continued)

### **Going Concern**

The board of trustees has a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. There are, however, material uncertainties regarding the future of the Trust and it is clear that the Trust will need to restructure. The view of the board is that a financial solution with respect to Wigan UTC will need to be agreed with the DfE via the Regional Schools' Commissioner. The solution may be the removal of this college from the Trust or a further package of financial support. The financial situation without Wigan UTC will remain difficult but the board remains confident that the Trust will continue operations for the foreseeable future. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies (note 1 in the financial statements).

### **Financial review**

For the financial period ended 31 August 2015, financial performance has been analysed across the operating divisions of the Trust which are largely responsible for managing delegated budgets. These are: Altrincham Grammar School for Girls (AGGS), Melland High School (Melland), Cedar Mount Academy (CMA), Gorton Mount Primary Academy (GMPA), Stanley Grove Primary Academy (SGPA), Connell Sixth Form College (CSFC), South Shore Academy (SSA), Marton Primary Academy and Nursery (MPA), Wigan UTC (WUTC) and Head Office.

The value of the Trust has increased with the incorporation of Wigan UTC and Marton Primary Academy into the Trust. However, occupancy of both the Gorton Mount and Stanley Grove sites is still via a Tenancy at Will arrangement and therefore the valuations of these sites are not included on the Trust's Balance Sheet.

The main source of income for the Trust is revenue grant funding for individual academies. Funding is based largely on pupil numbers, and the key risk moving forward is a reduction in the number of pupils at schools within the Trust. AGGS, Melland, Gorton Mount and Stanley Grove are currently oversubscribed, but there are current reductions to pupil numbers at Cedar Mount and South Shore. The age demographic in East Manchester is likely to result in increased pupil numbers at CMA over the next five years. The main area of concern is at Connell Sixth Form College with student numbers not achieving targets set.

Expenditure across the Trust is typical for the education sector with the main area of expenditure being staff costs.

The trustees' policy on reserves is to strike a balance between financial prudence and achieving the Trust's educational objectives. It is acknowledged both that available assets should remain at a financially secure level and that current year government funding is to meet the educational needs of current year pupils.

### **Reserves Policy**

The level of net current liabilities held at 31 August 2015 totals £785,000 (2014 net assets: £1,180,000). This excludes the fixed asset and pension liability reserves.

The deficit on the Local Government Pension Scheme (£6,700,000 at 31 August 2015) does not mean that an immediate liability crystallises. The deficit results in a cash flow effect for the Academy Trust in the form of possible future increases in pension contributions, which, if required, will be met from the budgeted annual income. There is therefore considered to be no material impact on free reserves of the Academy Trust because of recognising the deficit.

## Trustees' Report (continued)

### **Investment Policy**

In line with the low levels of cash reserves across the Trust, all cash reserves are currently held in standard current accounts.

However, a formal investment policy will be proposed for adoption by the Board of Directors. The aim of the policy will be to ensure funds that the Trust does not immediately need to cover anticipated expenditure are invested in such a way as to maximise the Trust's income but with minimal risk. The aim is to research where funds may be deposited applying prudence in ensuring there is minimum risk. The Trust does not consider the investment of surplus funds as a primary activity, rather as a result of good stewardship and as and when circumstances allow.

The Trust will, after constructing and reporting forecasts versus budgets, consider whether it is prudent to deposit funds into an account where improved terms are offered. As improved terms are generally only offered where funds are invested for a fixed term, it may be prudent for the Trust not to invest funds in this manner.

### **Principal Risks and Uncertainties**

Risks across Trust Schools are managed via individual School Risk Registers, which are reviewed regularly at Senior Management level. The Risk Registers are updated by School Leadership and forwarded to the Trust's Chief Finance Officer.

There are significant risks at the present time relating to both education and finance. Educationally, poor performance and weaknesses identified via OFSTED inspections has resulted in a pre-warning termination letter with respect to Cedar Mount Academy. There is ongoing dialogue with the Regional Schools' Commissioner regarding the quality of provision, with the risk that a failure to improve will result in sanctions imposed on the Trust.

The financial position of the Trust, in particular the debts to the EFA for both Connell Sixth Form College and Wigan UTC, allied to concerns over governance, has resulted in the EFA assigning a Financial Notice to Improve (FNtI) on the Trust with effect from February 2016. The conditions attached to the FNtI are: -

- A recovery plan which:
  - achieves a sustainable balanced budget by 2017/18
  - repays the advance of funds for Connell and Wigan UTC in 2015/16
  - repays the 2013/14 and 2014/15 Pupil Number Adjustments (PNAs) for Connell in 2016/17
  - takes account of the repayment of 2015/16 PNA for Connell once the amount has been calculated in August 2016
  - ensures that unqualified financial statements and management letter for 2015/16 are submitted by 31 December 2016.
- Provision of details of governance structure and external review into governance, the Terms of Reference to be agreed by the EFA.
- The findings of the review to be shared with the EFA and incorporated into an action plan by 30 June 2016.

## Trustees' Report (continued)

In April 2016, the Trust advised the EFA that revised forecasts showed a more pessimistic view of the financial situation and that decisions need to be made by the Trust in conjunction with the EFA and Regional Schools' Commissioner (RSC) to safeguard the Trust's future. Dialogue with the EFA and RSC is ongoing.

Other key risks are the loss of reputation through falling standards, falling student rolls and failure to safeguard the students.

Key controls in place are:

- an organisational structure with defined roles, responsibilities and authorisation levels;
- terms of reference for the committees of the Governing Body;
- financial planning, budgeting and regular management reporting highlighting areas of financial risk;
- formal written and published policies for employees; and
- vetting procedures as required by law for the protection of the vulnerable.

The Trust's employees are members of two defined benefit pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). The Trust has recognised its share of the LGPS assets and liabilities in accordance with Financial Reporting Standard no. 17. A deficit has been recognised at 31 August 2015. The TPS has been accounted for as a defined contribution scheme. Further details of the accounting policy adopted for each scheme are included in note 1 to the financial statements.

Due to the nature of the two pension schemes there is an underlying risk to the Trust which relates primarily to the uncertainty of the future funding requirements of each scheme, the results of which impact on the contribution rates for future employer contributions to each scheme.

### **Plans for future periods**

The two key areas of focus relate to the principal risks of education and finance. Educationally, the Trust must demonstrate improvements, particularly in the secondary sector. The Trust is working closely with the HMI inspectors and other key stakeholders. The recent HMI visits have shown that two of the three underperforming schools are already showing great improvement. Financially the aim is to achieve financial sustainability and remove the Financial Notice to Improve as soon as practically possible. This will provide a significant challenge, particularly against the backdrop of sustained real-terms cuts to funding.

As at May 2016, the Trust comprises nine educational establishments, of which all are located in the North West of England. Five are in East Manchester area; one is south of Manchester; one is in Wigan and two are in Blackpool.

Plans for the future include the development of support services provided to our schools. Support services have been developed throughout the year, and there are now senior head office posts overseeing finance, facilities, IT, HR and governance. These services will be further developed with the expectation that there will be greater centralisation.

## Trustees' Report (continued)

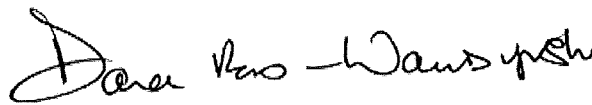
### **Auditor**

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the charitable company receives notice under section 488(1) of the Companies Act 2006.

Trustees' report, incorporating a strategic report, approved by order of the board of trustees, as the company directors, on 20 May 2016 and signed on its behalf by



Mr Yakub Patel  
Chairman



Dame Dana Ross-Wawrzynski  
Accounting Officer

## Governance statement

### Scope of responsibility

As trustees, we acknowledge we have overall responsibility for ensuring that Bright Futures Educational 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 only provide reasonable and not absolute assurance against material misstatement or loss.

The Board of Trustees has delegated the day-to-day responsibility to the Chief Executive Officer, 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 the academy trust and the Secretary of State for Education. They are also responsible for reporting to the governing body 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 body has formally met nine times during the period. Attendance during the year at meetings of the governing body was as follows:

Trustee	Meetings Attended	Out of a possible
Ms Amanda Bailey	8	9
Mr Baron Bernstein	7	9
Mr Alan Foster	8	9
Mrs Wendy Jenkins	9	9
Mr Justin Kelly	8	9
Mr Anthony Leon	9	9
Mr Stephen Lindemann	9	9
Mr Jonathan Poole	8	9
Dame Dana Ross-Wawrzynski	8	9
Mrs Caroline Shaw	3	9

The Audit and Risk Committee is a sub-committee of the main Board of Directors. Its purpose is to advise the board on all strategic risk-related issues, in particular financial risk. There were three meetings during the period 1 September 2014 to 31 August 2015.

Audit and Risk Committee	Meetings Attended	Out of a possible
Ms Amanda Bailey – Trustee*	1	1
Mr Anthony Leon – Trustee	4	4
Mr Jonathan Poole – Trustee*	1	1
Mr Michael Prior – Co-opted	4	4
Mrs Caroline Shaw – Trustee	2	4

\*from December 2014 Mr Poole and Ms Bailey were in attendance at the Audit and Risk Committee meetings but were no longer members.

## Governance statement (continued)

In addition to the Audit and Risk Committee and Local Governing Bodies, meetings of the following sub-committees were held during the year: -

- Education Committee
- HR and Legal Committee
- Finance Committee
- Facilities and Estates Committee

	Meetings Attended	Out of a possible
<b>Education Committee</b>		
Ms Amanda Bailey - Trustee	9	10
Mr Gary Handforth	9	10
Mrs Judith O'Kane	7	10
Miss Sarah Boyse	8	10
Dame Dana Ross-Wawrzynski – Trustee	6	10
Mrs Elizabeth Allen	9	10

	Meetings Attended	Out of a possible
<b>HR and Legal Committee</b>		
Mrs Lynette Beckett	6	6
Mrs Wendy Jenkins - Trustee	6	6
Mr Justin Kelly - Trustee	4	6
Dame Dana Ross-Wawrzynski – Trustee	5	6

	Meetings Attended	Out of a possible
<b>Finance Committee</b>		
Ms Amanda Bailey - Trustee	7	8
Dame Dana Ross-Wawrzynski – Trustee	8	8
Mr Jonathan Poole - Trustee	6	8

	Meetings Attended	Out of a possible
<b>Facilities and Estates Committee</b>		
Mr Alan Foster – Trustee	4	4
Mr Stephen Lindemann – Trustee	4	4
Mr Gary Handforth	4	4
Mr Gerard Mitchell	4	4

### Review of Value for Money

As accounting officer, the Chief Executive Officer has responsibility for ensuring that the academy trust delivers good value in the use of public resources. The accounting officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

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



## Governance statement (continued)

- Centrally co-ordinated tenders for goods and services. Examples include managed print services, payroll, catering, cleaning, waste management and pest control. In addition to greater value for money achieved from suppliers, this has also streamlined internal procedures leading to increased cost savings.
- The implementation of a Trust-wide accounting system which will provide greater oversight of purchasing decisions, and allow for better co-ordination of suppliers.
- A number of senior teachers have commenced training programmes such as NLE (National Leader in Education) and LLE (Local Leader in Education), which will enhance the quality of internal staff and reduce the requirement for third-party engagement.
- In some Trust schools, there has been a move towards an Executive Principal and Head of School model, which provides economies of scale over a number of establishments.
- The growth of the Teaching School has increased the breadth and depth of in-house training opportunities reducing the need for external support and thereby reducing costs across the Trust.

### **The purpose of the system of internal financial controls**

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 ongoing 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 Bright Futures Educational Trust throughout the financial period and up to the date of approval of the annual report and financial statements.

### **Capacity to Handle Risk**

The board of trustees has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for period from 1 September 2014 to 31 August 2015 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

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

The 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 Audit and Risk Committee who report to the full governing body;
- regular reviews by the Audit and Risk Committee of reports which indicate financial performance against forecasts, capital expenditure plans and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset and general expenditure purchase) guidelines;
- delegation of authority and segregation of duties; and
- identification and management of risks.

## Governance statement (continued)

The board of trustees has considered the need for a specific internal audit function and has appointed RSM (formerly Baker Tilly Risk Advisory Services LLP) as internal auditor.

The internal auditor's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. On a termly basis, the internal auditor reports to the board of trustees, through the audit and risk committee on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

The internal auditor has delivered their schedule of planned work for the financial year ending 31 August 2015, which covered review of:

- governance structure;
- school improvement; and
- safeguarding

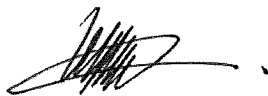
### Review of Effectiveness

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

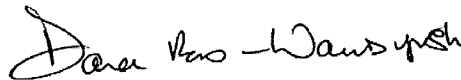
- the work of the internal auditor;
- the work of the external auditor;
- the financial management and governance self-assessment process; and
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control and together with the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on 20 May 2016 and signed on its behalf by:



Mr Yakub Patel  
Chairman



Dame Dana Ross-Wawrzynski  
Accounting Officer

## Statement on Regularity, Propriety and Compliance

As accounting officer of Bright Futures Educational Trust I have considered my responsibility to notify the Trust board of trustees and the Education Funding Authority of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2014.

I confirm that I and the Trust board of trustees are able to identify any material irregular or improper use of funds by the Trust, or material non-compliance with the terms and conditions of funding under the Trust's funding agreement and the Academies Financial Handbook 2014.

I confirm that the following instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the board of trustees and EFA. If any instances are identified after the date of this statement, these will be notified to the board of trustees and EFA.

### Financial issues

**Management accounts:** The Academies Financial Handbook 2014 states that regular management information should be prepared. This requirement has not been met for the period from February 2015 to December 2015.

**Authorisation of payments:** The Academies Financial Handbook 2014 requires invoices to be evidenced as authorised for payment 27 out of 40 invoices selected for testing were found to be unauthorised.

**Procurement process:** The Academies Financial Handbook 2014 requires procurement to be performed in line with internally set limits. We identified that the Trust's internal procurement process had not been followed for purchases over £10,000 in that one invoice was posted in three separate smaller amounts which did not require additional levels of authorisation.

**Key reconciliations:** The Academies Financial Handbook 2014 requires that the general control environment has regard to the regularity of transactions. We identified that in some schools, bank reconciliations and payroll reconciliations were not performed on a regular basis during the year.

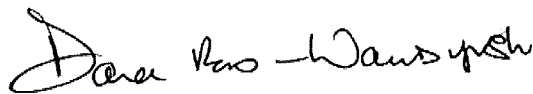
**Connected party transactions:** The Trust incurred expenditure of £27,500 in respect of legal services procured from a Trustee of the Trust during the period ended 31 August 2015 as disclosed in Note 26 to the financial statements. However, this transaction was incurred without the "at cost" assessment being performed. In our opinion, this expenditure is a connected party transaction and should follow the requirements of the Academies Handbook 2014.

### Non-financial issues

**Register of interests:** The Academies Financial Handbook 2014 requires a register of interests to be maintained throughout the year. During the year from 1 September 2014 to 31 August 2015, declarations of interest for local governors and school senior managers were maintained at individual establishments but only registers for the Trustees were maintained centrally.

## Statement on Regularity, Propriety and Compliance (continued)

**Submission of audited financial statements:** The preparation of the Trust's financial statements was delayed due to the ongoing considerations of the Trust in respect of its ability to continue as a going concern. As a consequence, the Trust was unable to meet the requirements of the Academies Financial Handbook 2014 to 2015 to submit audited financial statements by 31 December 2015.



Dame Dana Ross-Wawrzynski  
Accounting officer

20 May 2016

## Statement of trustees' responsibilities

The trustees (who are also directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with the Annual Accounts Direction published by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (2005);
- make judgments 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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


The trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform to the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the EFA/DfE have been applied for the purposes intended.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

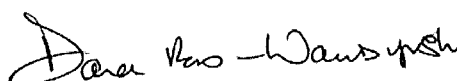
Insofar as the trustees are aware:

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

Approved by order of the members of the board of trustees on and signed on its behalf by:



Mr Yakub Patel  
Chairman



Dame Dana Ross-Wawrzynski  
Accounting Officer



## Independent auditor's report to the members of Bright Futures Educational Trust

We have audited the financial statements of Bright Futures Educational Trust for the year ended 31 August 2015 which comprise the Statement of Financial Activities (incorporating the income and expenditure account), the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2014 to 2015 issued by the Education Funding Agency.

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 its members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditor**

As explained more fully in the trustees' responsibilities statement set out on page 16, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2015 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 Academies Accounts Direction 2014 to 2015 issued by the Education Funding Agency.

### **Emphasis of matter - Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the charitable company's ability to continue as a going concern. The charitable company incurred a net incoming resources of £2,430,000 during the year ended 31 August 2015 and, at that date, the company's total assets exceeded its current liabilities by £44,469,000 and it had net current liabilities of £785,000.



## Independent auditor's report to the members of Bright Futures Educational Trust (continued)

The trustees have concerns relating to the financial situation and have asked the Department for Education to consider the options regarding one specific educational establishment. The board of trustees is confident that a financial solution will be found and that long-term financial viability of the charitable company will be secured.

These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the trustees' report (incorporating the strategic report) for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

*Grant Thornton UK LLP*

Fiona Baldwin  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Manchester

*20 May 2016*

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006



## Independent reporting auditor's assurance report on Regularity to Bright Futures Educational Trust and the Education Funding Agency

In accordance with the terms of our engagement letter dated 27 October 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2014 to 2015, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by the Bright Futures Educational Trust during the period 1 September 2014 to 31 August 2015 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 Bright Futures Educational Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Bright Futures Educational Trust and the EFA those matters we are required to state to them 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 Bright Futures Educational Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of Bright Futures Educational Trust's Accounting Officer and the reporting accountant**

The accounting officer is responsible, under the requirements of Bright Futures Educational Trust's funding agreement with the Secretary of State for Education dated 29 August 2013 and the Academies Financial Handbook, extant from 1 September 2014, 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 2014 to 2015. 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 2014 to 31 August 2015 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 2014 to 2015 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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





## Independent reporting auditor's assurance report on Regularity to Bright Futures Educational Trust and the Education Funding Agency (continued)

The work undertaken to draw our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the Trust's activities;
- evaluation of the processes and controls established and maintained in respect of regularity, propriety and compliance of the use of public funds through observation and testing of the arrangements in place and enquiry of the Accounting Officer;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance; and
- detailed testing on a sample basis of income and expenditure for the areas identified as high risk.

### Qualified Conclusion

In the course of our work, except for matters listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2014 to 31 August 2015 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

**Management accounts:** The Academies Financial Handbook 2014 states that regular management information should be prepared. This requirement has not been met for the period from February 2015 to August 2015.

**Register of interests:** The Academies Financial Handbook 2014 requires a register of interests to be maintained throughout the year. During the year from 1 September 2014 to 31 August 2015, declarations of interest for local governors and school senior managers were maintained at individual establishments but only a register of interests for Trustees was maintained centrally.

**Authorisation of payments:** The Academies Financial Handbook 2014 requires invoices to be evidenced as authorised for payment, 27 out of 40 invoices selected for testing were found to be unauthorised.

**Procurement process:** The Academies Financial Handbook 2014 requires procurement to be performed in line with internally set limits. We identified that the Trust's internal procurement process had not been followed for purchases over £10,000 in that one invoice was posted in three separate smaller amounts such that it did not require additional levels of authorisation.

**Key reconciliations:** The Academies Financial Handbook 2014 requires that the general control environment has regard to the regularity of transactions. We identified that in some schools, bank reconciliations and payroll reconciliations were not performed on a regular basis during the year.

**Connected party transactions:** The Trust incurred expenditure of £27,500 in respect of legal services procured from a Trustee of the Trust during the year ended 31 August 2015 as disclosed in Note 26 to the financial statements. However, this transaction was incurred without the "at cost" assessment being performed. In our opinion, this expenditure is a connected party transaction and should follow the requirements of the Academies Handbook 2014.



## Independent reporting auditor's assurance report on Regularity to Bright Futures Educational Trust and the Education Funding Agency (continued)

**Submission of audited financial statements:** The preparation of the Trust's financial statements was delayed due to the ongoing considerations of the Trust in respect of its ability to continue as a going concern. As a consequence, the Trust was unable to meet the requirements of the Academies Financial Handbook 2014 to 2015 to submit audited financial statements by 31 December 2015.

*Grant Thornton UK LLP*

Grant Thornton UK LLP  
Chartered Accountants  
Statutory auditor  
Manchester

20 May 2016

## Statement of financial activities (including income and expenditure account and statement of total recognised gains and losses)

	Note	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	2015 Total £'000	2014 Total £'000
<b>Incoming resources</b>						
<b><i>Income from generated funds</i></b>						
Voluntary income	2	95	-	-	95	9,772
Voluntary income – transfers on conversion	2	125	219	7,809	8,153	7,009
Activities for generating funds	3	849	475	-	1,324	1,547
Investment income	4	-	2	-	2	2
<b><i>Income from charitable activities</i></b>						
Funding for the academies' educational operations	5	-	28,134	762	28,896	26,469
<b>Total incoming resources</b>		<u>1,069</u>	<u>28,830</u>	<u>8,571</u>	<u>38,470</u>	<u>44,799</u>
<b>Resources expended</b>						
<b><i>Cost of generating funds:</i></b>						
Costs of generating voluntary income		-	-	-	-	-
Fundraising trading		-	-	-	-	-
<b><i>Charitable activities</i></b>						
Academies' educational operations	7	164	31,385	3,252	34,801	30,932
<b>Governance costs</b>	8	-	566	-	566	318
<b><i>Other resources expended</i></b>						
Local Government Pension Scheme liability assumed on conversion	25	-	673	-	673	841
<b>Total resources expended</b>		<u>164</u>	<u>32,624</u>	<u>3,252</u>	<u>36,040</u>	<u>32,091</u>
<b>Net incoming/(outgoing) resources before transfers</b>		905	(3,794)	5,319	2,430	12,708
Transfers between funds		(1,793)	1,843	(50)	-	-
<b>Net (outgoing) / incoming resources for the year</b>		(888)	(1,951)	5,269	2,430	12,708
<b>Other recognised gains and losses</b>						
Actuarial losses on defined benefit pension schemes	15,25	-	(308)	-	(308)	(1,237)
<b>Net movement in funds</b>		(888)	(2,259)	5,269	2,122	11,471
<b>Reconciliation of funds</b>						
Funds brought forward at 1 September	15	888	(5,226)	39,985	35,647	24,176
<b>Funds carried forward at 31 August</b>	15	<u>-</u>	<u>(7,485)</u>	<u>45,254</u>	<u>37,769</u>	<u>35,647</u>

All the above results are derived from continuing activities in both financial periods.

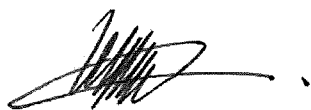
A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities.

**The accompanying notes form part of these financial statements.**


## Balance sheet

	Note	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Tangible assets	12	45,254	39,985
<b>Current assets</b>			
Stock		-	-
Debtors	13	1,193	863
Cash at bank and in hand		200	2,011
		<u>1,393</u>	<u>2,874</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(2,178)</u>	<u>(1,694)</u>
<b>Net current assets</b>		<u>(785)</u>	<u>1,180</u>
<b>Total assets less current liabilities and net assets excluding pension liability</b>		44,469	41,165
<b>Pension scheme liability</b>	25	<u>(6,700)</u>	<u>(5,518)</u>
<b>Net assets including pension liability</b>		<u><u>37,769</u></u>	<u><u>35,647</u></u>
<b>Funds</b>			
Restricted fixed asset fund	15	45,254	39,985
Restricted general fund	15	(785)	292
Pension reserve	15	<u>(6,700)</u>	<u>(5,518)</u>
Total restricted funds	15	37,769	34,759
Unrestricted funds	15	-	888
<b>Total funds</b>		<u><u>37,769</u></u>	<u><u>35,647</u></u>

The financial statements were approved by the Trustees and authorised for issue on 20 May 2016 and signed on their behalf by:



Mr Yakub Patel  
Chairman



Dame Dana Ross-Wawrzynski  
Accounting Officer

**The accompanying notes form part of these financial statements.**

## Cash flow statement

	Note	2015 £'000	2014 £'000
Net cash (outflow) / inflow from operating activities	19	(1,866)	9,187
<b>Returns on investments and servicing of finance</b>			
Interest received	20	2	2
Cash assumed on conversion	20	-	421
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(711)	(10,445)
Capital grants from DfE/EFA		764	142
<b>Net cash inflow / (outflow) from capital expenditure and financial investment</b>		53	(10,303)
		<hr/>	<hr/>
<b>(Decrease) in cash</b>	20	<b>(1,811)</b>	<b>(693)</b>

### Reconciliation of net cash flow to movement in net funds

	2015 £'000	2014 £'000
Net funds at 1 September 2014	2,011	2,704
(Decrease) in cash	(1,811)	(693)
	<hr/>	<hr/>
Net funds at 31 August 2015	<b>200</b>	<b>2,011</b>

**The accompanying notes form part of these financial statements.**

## Notes to the financial statements

### 1 Principal accounting policies

#### Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards (United Kingdom Generally Accepted Accounting Practice), the Charity Commission Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005), the Academies Accounts Direction issued by the EFA and the Companies Act 2006.

The principal accounting policies are set out below.

#### Going concern

The board of trustees assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The board of trustees make this assessment in respect of a year of at least one year from the date of approval of these financial statements.

In undertaking their review the trustees have taken into account various factors including the Trust's relative youth and the ongoing organisational and operational challenges. Such ongoing changes take place in a general environment of reduced public sector funding which in the medium to long-term is likely to reduce.

The trustees have identified material uncertainties which may cast significant doubt about the entity's ability to continue as a going concern from their review but believe that the application of the going concern basis in preparing these financial statements is correct. The trustees have concerns relating to the financial situation and have asked the DfE to consider the options regarding one specific educational establishment: Wigan UTC. The board is confident that a financial solution will be found and that long-term financial viability of the Trust will be secured.

#### Incoming resources

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

#### Grants receivable

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 year is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt its recognition is deferred and it is included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued. General Annual Grant is recognised in the year to which it relates as part of restricted general funds. Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance sheet.

#### Sponsorship income

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the statement of financial activities in the year in which it is receivable, where there is certainty of receipt.

#### Donations

Donations are recognised on a receivable basis or on an accruals basis where there is certainty of receipt and the amount can be reliably measured.

## Notes to the financial statements (continued)

### **Other income**

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

### **Donated services and gifts in kind**

The value of donated services and gifts in kind provided to the academy trust is recognised as incoming resources at open market value in the year in which they are receivable, where the benefit to the academy trust can be reliably measured. An equivalent amount is included as expenditure under a relevant heading in the statement of financial activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over its useful economic life in accordance with the academy trust's policy.

### **Resources expended**

All expenditure is recognised in the year in which a liability is incurred and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

### **Costs of generating funds**

These are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

### **Charitable activities**

These are costs incurred on the academy trust's educational operations.

### **Governance costs**

These include the costs attributable to the academy trust's compliance with constitutional and statutory requirements, including audit, strategic management and governors' meetings and reimbursed expenses.

All resources expended are net of recoverable VAT.

### **Tangible fixed assets**

Tangible fixed assets acquired since the trust was established are included in the accounts at cost.

In the case of fixed assets transferred from predecessor schools these are treated as acquired at fair value, calculated by reference to either:

- net book value at date of transfer; or
- in the absence of reliable net book value data, an estimate of fair value calculated by reference to an assumed value of fixed assets as compared to the pupil roll.

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. 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 such assets is charged to the restricted fixed asset fund in the statement of financial activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the academy trust's depreciation policy.

## Notes to the financial statements (continued)

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

### **Depreciation**

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write down the cost of each asset to its estimated residual value on a straight line, reducing balance basis over their expected useful lives. No depreciation is provided on freehold land or assets under construction.

The rates generally applicable are:

Freehold property	50 years
Long leasehold land and buildings	50 years
Furniture and equipment	10 years
Plant and machinery	10 years
Computers	3 years
Motor vehicles	4 years

In addition, freehold property for South Shore is being depreciated over a period of 45 months, being the UEL of the assets to the expected demolition date of 31 August 2017. The change in UEL was effective from 1 December 2013 and this resulted in accelerated depreciation of £1,669k in 2014/15.

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

### **Leased assets**

Rentals under operating leases are charged to the statement of financial activities on a straight line basis over the lease term.

### **Taxation**

The academy trust is considered to pass the tests set out in Paragraph 1 of Schedule 6 to 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 Taxes 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.

### **Retirement Benefits**

Retirement benefits to employees of the academy trust are provided by the Teachers' Pensions 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.

#### *Teachers' Pension Scheme*

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 payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 25, the TPS is a multi-employer scheme and the academy trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.



## Notes to the financial statements (continued)

### *Local Government Pension Scheme*

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on high quality corporate bonds 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 as part of staff costs are the current service costs and gains and losses on settlements and curtailments. Past service costs are recognised immediately in the statement of financial activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the year until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount. Actuarial gains and losses are recognised immediately in other gains and losses.

### **Fund accounting**

Unrestricted income funds those resources which may be used towards meeting any of the charitable objects of the academy trust at the discretion of the governors.

Restricted fixed assets are resources which are to be applied to specific capital purposes imposed by the Education Funding Agency and the Department for Education where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received and include grants received from the Education Funding Agency and the Department for Education.

### **Conversion to an academy trust**

The conversion of predecessor schools to academies involved the transfer to the trust of identifiable assets and liabilities and the operation of the schools for £nil consideration and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion to academies trust have been valued at their fair value, being a reasonable estimate of the current market value that the board of trustees would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for the Trust.

The two schools that joined the Trust during the financial year 2012/13 are still occupied via a Tenancy at Will arrangement. As such, ownership of the land and buildings currently remains with Manchester City Council, and no value has transferred onto the Balance Sheet.

The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income or other resources expended in the Statement of Financial Activities and analysed as appropriate under unrestricted funds, restricted general funds (pension liability) and restricted fixed asset funds (buildings, fixtures and fittings).

## Notes to the financial statements (continued)

### 2 Voluntary income

	Unrestricted funds £'000	Restricted funds £'000	2015 Total £'000	2014 Total £'000
Capital grants	–	–	–	–
Other donations	220	8,028	8,248	16,781
	<u>220</u>	<u>8,028</u>	<u>8,248</u>	<u>16,781</u>

Included within other donations is £8,153,000 (2014: £7,009,000) in relation to funds received on conversion.

### 3 Activities for generating funds

	Unrestricted Funds £'000	Restricted funds £'000	2015 Total £'000	2014 Total £'000
Hire of facilities	140	–	140	89
Catering income	–	279	279	207
Other generated income	709	196	905	1,251
	<u>849</u>	<u>475</u>	<u>1,324</u>	<u>1,547</u>

### 4 Investment income

	Unrestricted funds £'000	Restricted funds £'000	2015 Total £'000	2014 Total £'000
Bank interest receivable	–	2	2	2

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

	Unrestricted funds £'000	Restricted Funds £'000	2015 Total £'000	2014 Total £'000
<b>DfE/EFA revenue grants</b>				
General Annual Grant	–	25,098	25,098	23,104
Start-up grants	–	304	304	435
Capital grants	–	764	764	142
Other DfE/EFA grants	–	2,730	2,730	2,788
	<u>–</u>	<u>28,896</u>	<u>28,896</u>	<u>26,469</u>

## Notes to the financial statements (continued)

### 6 Analysis of total resources expended

	Staff Costs £'000	None pay expenditure Premises costs £'000	Other costs £'000	2015 Total £'000	2014 Total £'000
Costs of generating voluntary income	—	—	—	—	—
Costs of activities for generating funds	—	—	—	—	—
Academy's educational operations					
- direct costs	20,645	—	2,696	23,341	19,657
- allocated support costs	3,589	1,525	6,346	11,460	11,275
Governance costs	420	—	146	566	318
	<u>24,654</u>	<u>1,525</u>	<u>9,188</u>	<u>35,367</u>	<u>31,250</u>

Total resources expended include:

	2015 £'000	2014 £'000
Operating lease rentals	315	315
Auditor's remuneration		
- Audit Fee	23	21
- Other Audit Services	7	7
- Internal Audit	4	5
Depreciation	<u>3,251</u>	<u>2,182</u>

There were no separately identifiable costs in excess of £5,000 which require separate disclosure.

## Notes to the financial statements (continued)

### 7 Charitable activities

	2015 Total £'000	2014 Total £'000
<b>Direct costs</b>		
Teaching and educational support staff	20,645	16,921
Educational supplies	770	1,655
Examination fees	291	233
Staff development	310	369
Educational consultancy	947	313
Other direct costs	378	166
	<hr/> 23,341	<hr/> 19,657
<b>Allocated support costs</b>		
Support staff costs	3,589	4,284
Depreciation	3,251	2,182
Recruitment and support	227	169
Maintenance of premises and equipment	860	1,095
Cleaning	372	245
Rent and rates	294	159
Insurance	214	236
Catering	762	382
Other support costs	1,891	2,523
	<hr/> 11,460	<hr/> 11,275
<b>Total direct and support costs</b>	<hr/> 34,801	<hr/> 30,932

### 8 Governance costs

	2015 Total £'000	2014 Total £'000
Legal and professional fees	112	285
Auditor's remuneration		
- audit of financial statements	30	28
- other audit costs	4	5
Support staff costs	420	-
	<hr/> 566	<hr/> 318

## Notes to the financial statements (continued)

### 9 Staff costs

Staff costs during the year were as follows:

	2015 £'000	2014 £'000
Wages and salaries	18,982	17,037
Social security costs	1,455	995
Other pension costs	2,592	2,372
	<u>23,029</u>	<u>20,404</u>
Supply teacher costs	1,000	771
Compensation payments	205	30
	<u>24,234</u>	<u>21,205</u>

Included in compensation payments are non-statutory/non-contractual severance payments totalling £103,000 (2014: £30,000). Individually, the payments were: £3,000, £1,000, £4,000, £4,000, £10,000, £21,000, £9,000, £5,000, £13,000, £30,000 and £3,000.

The average number of persons employed by the academy during the year, expressed as full time equivalents, was as follows:

	2015 Number	2014 Number
Teachers	277	244
Administration and support	266	228
Management	66	47
	<u>609</u>	<u>519</u>

The number of employees whose emoluments fell within the following bands was:

	2015 Number	2014 Number
£60,001 to £70,000	8	10
£70,001 to £80,000	5	6
£80,001 to £90,000	5	6
£90,001 to £100,000	3	2
£100,001 to £110,000	0	1
£120,001 to £130,000	1	0
£220,001 to £230,000	1	1

Seventeen of the above employees participated in the Teachers' Pension Scheme (2014: twenty four). During the year ended 31 August 2015 employer's pension contributions for these staff amounted to £189,000 (2014: £337,000). Two employees participated in the Local Government Pension Scheme (2014: one); employer's pension contributions amounted to £27,000 (2014: £22,000).

## Notes to the financial statements (continued)

### **10 Related Party Transactions – Trustees' remuneration and expenses**

One or more trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The Chief Executive Officer and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of Chief Executive Officer and staff and not in respect of their services as trustees. The value of trustees'/directors' remuneration was as follows:

Dame Dana Ross-Wawrzynski (Chief Executive Officer and trustee):		
Remuneration	£225,000 - £230,000	(2014: £225,000 - £230,000)
Employer's pension contributions	£Nil	(2014: Nil)
Ms Amanda Bailey (staff trustee):		
Remuneration	£80,000 - £85,000	(2014: £80,000 - £85,000)
Employer's pension contributions	£10,000 - £15,000	(2014: £10,000 - £15,000)
Mr Jonathan Poole (staff trustee):		
Remuneration	£70,000 - £75,000	(2014: £70,000 - £75,000)
Employer's pension contributions	£10,000 - £15,000	(2014: £10,000 - £15,000)

During the period ended 31 August 2015, travel and subsistence expenses totalling £3,700 were reimbursed or paid directly to 4 trustees. An additional payment of £2,000 was made to one trustee in relation to time and other costs incurred.

Other related party transactions involving the trustees are set out in note 26.

### **11 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 the academy trust's business. The insurance provides cover up to £2,000,000 on any one claim. The cost for the year ended 31 August 2015 was included within a combined policy and has not been specified separately.

The charitable company will also insure against any losses of money or goods resulting from fraud or dishonesty by the charitable company's employees.

## Notes to the financial statements (continued)

### 12 Tangible fixed assets

	Freehold Land £'000	Freehold Buildings £'000	Leasehold Land & Buildings £'000	Furniture & Equipment £'000	Plant and Machinery £'000	Computer Equipment £'000	Total £'000
Cost							
At 1 September 2014	1,781	12,765	27,914	527	-	462	43,449
Reclassification	(549)	-	-	165	-	384	-
Prior year adjustments	-	-	-	(11)	-	(16)	(27)
At 1 September (post reclass)	1,232	12,765	27,914	681	-	830	43,422
Assets transferred on conversion	-	-	7,031	146	457	175	7,809
Additions	-	-	-	549	-	162	711
At 31 August 2015	1,232	12,765	34,945	1,376	457	1,167	51,942
Depreciation							
At 1 September 2014	-	1,235	1,864	166	-	199	3,464
Prior year adjustments	-	-	-	(11)	-	(16)	(27)
Provided in the year	-	2,035	644	200	27	345	3,251
At 31 August 2015	-	3,270	2,508	355	27	528	6,688
Net book value at:							
31 August 2015	1,232	9,495	32,437	1,021	430	639	45,254
31 August 2014	1,781	11,530	26,050	361	-	263	39,985

The reclassification of costs relates to construction work undertaken at Connell Sixth Form College. In the previous financial statements costs had been incorrectly represented and this has been corrected for in the period.

## Notes to the financial statements (continued)

### **13 Debtors**

	2015 £'000	2014 £'000
Trade debtors	50	76
VAT recoverable	393	300
Other debtors	21	91
Prepayments	333	146
Accrued income	396	250
	<u>1,193</u>	<u>863</u>

### **14 Creditors: amounts falling due within one year**

	2015 £'000	2014 £'000
Trade creditors	285	502
Other creditors	122	200
Accruals	1,680	907
Deferred income	91	85
	<u>2,178</u>	<u>1,694</u>

Deferred income	£'000
At 1 September 2014	85
Resources deferred in the year	6
Amounts released from previous year	-
At 31 August 2015	<u>91</u>

At the balance sheet date the academy trust was holding grant funding carried over to be spent within the subsequent financial period. This comprised £41k of Teaching School funding and £50k of Universal Infant Free School Meals funding.



## Notes to the financial statements (continued)

### 15 Funds

	Balance at 31 August 2014 £'000	Incoming resources £'000	Resources expended £'000	Gains, Losses & Transfer £'000	Balance at 31 August 2015 £'000
<b>Restricted general funds</b>					
General Annual Grant	292	25,577	(28,497)	1,843	(785)
Start-Up Grant	–	304	(304)	–	–
Other DfE/EFA grants	–	2,730	(2,730)	–	–
Pensions reserve	(5,518)	219	(673)	(728)	(6,700)
	(5,226)	28,830	(32,204)	1,115	(7,485)
<b>Restricted fixed asset funds</b>					
DfE/EFA capital grants	–	–	–	–	–
Capital expenditure from GAG	10,164	762	(576)	(50)	10,300
Donated on conversion	29,821	7,809	(2,676)	–	34,954
	39,985	8,571	(3,252)	(50)	45,254
<b>Total restricted funds</b>	34,759	37,401	(35,456)	1,065	37,769
<b>Unrestricted funds</b>	888	1,069	(164)	(1,793)	–
<b>Total funds</b>	35,647	38,470	(35,620)	(728)	37,769

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2015.

The trust is carrying a deficit of £785k on restricted general funds (excluding pension reserve) due to the low student numbers at Connell Sixth Form College and Wigan UTC and the associated cashflow support from the EFA which needs to be repaid. The debt at Connell will increase significantly in 2015/16 due to a large variation between actual and estimated student numbers and by August 2016 the debts to the EFA will be circa £2,097,000 at Connell and £524,000 at Wigan UTC, resulting in a total amount owed of £2,621,000. The Trust has agreed new recovery plans for these two institutions with the EFA. The agreement is for £807,000 to be repaid in August 2016, £532,000 to be repaid in August 2017 and £1,282,000 to be repaid in August 2018.

## Notes to the financial statements (continued)

### 16 Analysis of net assets between funds

Fund balances at 31 August 2015 are represented by:

	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	Total funds £'000
Tangible fixed assets	–	–	45,254	45,254
Current assets	–	1,393	–	1,393
Current liabilities	–	(2,178)	–	(2,178)
Pension scheme liability	–	(6,700)	–	(6,700)
Total	–	(7,485)	45,254	37,769

### 17 Capital commitments

	2015 £'000	2014 £'000
Contracted for but not provided in the financial statements	12,380	–
	<u>12,380</u>	<u>–</u>

Contracts for building work have been entered into for the two Manchester Primary schools: Stanley Grove Primary Academy and Gorton Mount Primary Academy. The building works are to be funded by Manchester City Council as a basic need entitlement, together with a contribution of up to £500,000 from future School Conditions Allocations to be received by the Trust.

The rebuild of Stanley Grove will be at the existing school site. Gorton Mount is to be rebuilt on the Gorton Education Village site, which currently hosts Cedar Mount Academy and Melland High School. The school will be renamed as Rushbrook Academy.

### 18 Operating lease commitments

At 31 August 2015 the academy trust had annual commitments under non-cancellable operating leases as follows:

	Land & buildings		Other	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Expiring within one year	107	35	73	8
Expiring within two and five years inclusive	–	6	191	365

## Notes to the financial statements (continued)

### 19 Reconciliation of net income to net cash inflow from operating activities

	2015 £'000	2014 £'000
Net income	2,430	12,708
Depreciation	3,251	2,182
Capital grants from DfE and other capital income	(764)	(142)
Assets donated	(7,809)	(7,009)
Interest receivable	(2)	(2)
FRS 17 liability assumed on conversion	454	841
FRS 17 pension finance income/cost	420	345
Increase in debtors	(330)	(161)
Increase in creditors	484	425
Net cash (outflow) / inflow from operating activities	<u>(1,866)</u>	<u>9,187</u>

### 20 Returns on investments and servicing of finance

	2015 £	2014 £
Interest received	2	2
	<u>2</u>	<u>2</u>

### 21 Capital expenditure and financial investment

	2015 £'000	2014 £'000
Purchase of tangible fixed assets	(711)	(10,455)
Capital grants from DfE/EFA	764	142
Capital funding from sponsors and others	-	-
Receipts from sale of tangible fixed assets	-	-
Net cash outflow from capital expenditure and financial investment	<u>(53)</u>	<u>(10,313)</u>

### 22 Analysis of changes in net funds

	At 31 August 2014 £'000	Cash flows 2015 £'000	At 31 August 2015 £'000
Cash at bank and in hand	<u>2,011</u>	<u>(1,811)</u>	<u>200</u>

## Notes to the financial statements (continued)

### **23 Contingent liabilities**

If a capital asset acquired by the academy trust for market value using a capital grant made available to the academy trust by the Department for Education, is disposed of during the currency of the relevant funding agreement between the charitable company and the Secretary of State, the academy trust is required to repay to the Secretary of State the same proportion of the proceeds of the disposal as equates with the proportion of the agreed costs met by the Secretary of State, unless the Secretary of State agrees to all proceeds being retained by the academy trust for its charitable purposes.

### **24 Members' liability**

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

### **25 Pension and similar obligations**

The Trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Schemes (LGPS) for non-teaching staff, which is managed by both the Greater Manchester Pension Fund and Lancashire County Pension Fund. Both are multi-employer defined benefit schemes.

As described in notes 1 and 25 the LGPS obligation relates to employees of the Trust who were employees transferred as part of the conversion from the maintained schools and new employees who were eligible to, and did, join the scheme in the year. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor schools and the Trust at the balance sheet date.

The pension costs are assessed in accordance with the recommendations of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period end 31 March 2012 and of the LGPS 31 March 2013.

There were no outstanding or prepaid contributions at the end of the financial year.

#### **Teachers' Pension Scheme (TPS)**

##### **Introduction**

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

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

## Notes to the financial statements (continued)

### Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%))
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%

During the year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015, which will be payable during the implementation period until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the period amounted to £1,661,000 (2014: £1,590,000).

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

Under the definitions set out in Financial Reporting Standard (FRS17) Retirement Benefits, the TPS is a multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust has set out above the information available on the scheme.

### Local Government Pension Scheme (LGPS) – Greater Manchester Pension Fund

The academy trust is one of several employing bodies included within the Greater Manchester Pension Fund (GMPF) part of the Local Government Pension Scheme (LGPS).

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 August 2015 was £1,029,000, of which employer's contributions totalled £766,000 and employees contributions totalled £263,000. The agreed contribution rates for future years are 18.3% per cent for employers and average 7.4% per cent for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

## Notes to the financial statements (continued)

The following information is based upon full actuarial valuations of the funds at 31 August 2015. Disclosures have been consolidated to facilitate an understanding of the overall position as permitted by Financial Reporting Standard 17. Once employees are transferred they are classed as one admitted body and the same assumptions are applied across all employees.

The principal actuarial assumptions used by the actuaries were as follows:

	2015 %	2014 %
Discount rate for scheme liabilities at 31 August 2015	3.7	3.7
Expected return on plans' assets at 31 August 2015	3.7	5.5
Rate of increase in pensions in payment	2.6	2.6
Rate of increase in salaries	3.8	3.7
Inflation assumption	0.0	1.0

The post retirement mortality assumptions used to value the benefit obligation at 31 August 2015 and 31 August 2014 are based on the Fund's VitaCurves with improvement in line with the CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	At 31 August 2015	At 31 August 2014
<i>Retiring today</i>		
Males	21.4	21.4
Females	24.0	24.0
<i>Retiring in 20 years</i>		
Males	24.0	24.0
Females	26.6	26.3

\*Figures assume members aged 45 as at the last formal valuation date

## Notes to the financial statements (continued)

The academy trust's share of the assets and liabilities in the scheme and the expected rates of return were:

	Expected return at 31 August 2015	Fair value at 31 August 2015 £'000	Expected return at 31 August 2014	Fair value at 31 August 2014 £'000
Equities	3.7%	5,649	6.3%	4,657
Bonds	3.7%	1,412	3.2%	1,180
Property	3.7%	471	4.5%	393
Cash	3.7%	314	3.3%	328
<b>Total market value of assets</b>		<b>7,846</b>		<b>6,558</b>
<b>Present value of scheme liabilities</b>				
- Funded		(13,105)		(11,073)
<b>Deficit in the scheme</b>		<b>(5,259)</b>		<b>(4,515)</b>

The expected return on plans' assets is based on market expectations for investment returns over the life of the related obligation.

The actual return on scheme assets was £153,000 (2014: £606,000).

The amounts charged or (credited) in the statement of financial activities in calculating net incoming resources are as follows:

	2015 £'000	2014 £'000
Current service cost (net of employee contributions)	1,065	820
<b>Total operating charge</b>	<b>1,065</b>	<b>820</b>
<b>Analysis of pension finance income/(costs)</b>		
Expected return on plans' assets	(392)	(334)
Interest on obligation	438	408
Losses on Curtailments and Settlements	16	-
<b>Pension finance income</b>	<b>62</b>	<b>74</b>
<b>Total</b>	<b>1,127</b>	<b>894</b>

The amounts charged or credited in the statement of financial activities are included in staff costs.

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative actuarial losses recognised in the statement of financial activities at 31 August 2015 was £1,795,000 (2014: £1,420,000).

## Notes to the financial statements (continued)

The amounts recognised in the statement of financial activities after net incoming resources are as follows:

	2015 £'000	2014 £'000
Actuarial losses	<u>295</u>	<u>1,101</u>

Changes in the present value of the defined benefit obligation are as follows:

	2015 £'000	2014 £'000
Opening defined benefit obligation	11,113	8,443
Current service cost	1,065	820
Interest cost	438	408
Actuarial losses	56	1,347
Losses on Curtailments	16	-
Liabilities Assumed in a Business Combination	295	-
Contributions by plan participants	263	207
Benefits paid	<u>(141)</u>	<u>(152)</u>
Closing defined benefit liabilities at 31 August	<u>13,105</u>	<u>11,073</u>

Movements in the fair value of the academy trust's share of scheme plan assets are as follows:

	2015 £'000	2014 £'000
Opening fair value of employer assets	6,586	5,348
Expected return	392	334
Actuarial (losses) / gains	(239)	246
Contributions by employer	766	575
Contributions by plan participants	263	207
Assets Acquired in a Business Combination	219	-
Benefits paid	<u>(141)</u>	<u>(152)</u>
Closing fair value of plans' assets at 31 August	<u>7,846</u>	<u>6,558</u>

The estimated value of employer contributions for the year ended 31 August 2016 is £779,000.



## Notes to the financial statements (continued)

The three-year history of experience adjustments is as follows:

	2015 £'000	2014 £'000	2013 £'000
Present value of defined benefit obligations	(13,105)	(11,073)	(8,443)
Fair value of share of scheme assets	7,846	6,558	5,348
Deficit in the scheme	<u>(5,259)</u>	<u>(4,515)</u>	<u>(3,095)</u>
Experience adjustments on share of scheme assets	(239)	246	
Experience adjustments on share of scheme liabilities	<u>14</u>	<u>(210)</u>	

### **Local Government Pension Scheme (LGPS) – Lancashire County Pension Fund (South Shore Academy)**

The academy trust is one of several employing bodies included within the Lancashire County Pension Fund (LCPF) part of the Local Government Pension Scheme (LGPS).

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 August 2015 was £191,000, of which employer's contributions totalled £146,000 and employees' contributions totalled £45,000. The agreed employer's contribution rate for 2015/16 is 12.3% per cent plus a lump sum of £50,800.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

The following information is based upon full actuarial valuations of the funds at 31 August 2015.

The principal actuarial assumptions used by the actuaries were as follows:

	2015 %	2014 %
Discount rate for scheme liabilities at 31 August 2015	4.0	4.0
Expected return on plans' assets at 31 August 2015	5.92	5.74
Rate of increase in pensions in payment	2.2	2.2
Rate of increase in salaries	3.7	3.7
Inflation assumption	2.2	2.2

Based on the Fund's assumptions, the average future life expectancies at age 65 are summarised below:

	At 31 August 2015	At 31 August 2014
<i>Retiring today</i>		
Males	22.9	22.7
Females	25.4	25.2
<i>Retiring in 20 years</i>		
Males	25.1	24.9
Females	27.8	27.6

\*Figures assume members aged 45 as at the last formal valuation date

## Notes to the financial statements (continued)

The academy's share of the assets and liabilities in the scheme and the expected rates of return were:

	Expected return at 31 August 2015	Fair value at 31 August 2015	Expected return at 31 August 2014	Fair value at 31 August 2014
		£'000		£'000
Equities	6.5%	223	7.0%	219
Government Bonds	2.5%	36	2.9%	1
Other Bonds	3.6%	17	3.8%	118
Property	6.1%	59	6.2%	42
Cash/liquidity	0.5%	8	0.5%	11
Other	6.5%	306	7.0%	51
<b>Total market value of assets</b>		<b>649</b>		<b>442</b>
<b>Present value of scheme liabilities</b>				
- Funded		(1,712)		(1,445)
<b>deficit in the scheme</b>		<b>(1,063)</b>		<b>(1,003)</b>

The expected return on plan assets is based on market expectations for investment returns over the life of the related obligation.

The actual return on plan assets during the year was £19,000.

The amounts charged or (credited) in the statement of financial activities in calculating net incoming resources are as follows:

	2015 £'000	2014 £'000
Current service cost (net of employee contributions)	163	89
<b>Total operating charge</b>	<b>163</b>	<b>89</b>
<b>Analysis of pension finance income / (costs)</b>		
Expected return on plans' assets	(32)	(15)
Interest on obligation	62	43
<b>Pension finance income</b>	<b>30</b>	<b>28</b>
<b>Total</b>	<b>193</b>	<b>117</b>

The amounts charged or credited in the statement of financial activities are included in staff costs.

## Notes to the financial statements (continued)

The amounts recognised in the statement of financial activities after net incoming resources are as follows:

	2015 £'000	2014 £'000
Actuarial losses	13	136

The actuarial gains and losses for the current year are recognised in the statement of financial activities.  
The cumulative actuarial losses recognised in the statement of financial activities at 31 August 2015 was £149,000.

Changes in the present value of the defined benefit obligation are as follows:

	2015 £'000	2014 £'000
Opening defined benefit obligation	1,445	—
Defined benefit liabilities assumed on conversion of South Shore Academy	-	1,137
Current service cost	163	89
Interest cost	62	43
Actuarial losses	-	147
Benefits paid	(3)	-
Contributions by plan participants	45	29
Closing defined benefits liabilities at 31 August	1,712	1,445

Changes in the fair value of the academy trust's share of scheme plan assets are as follows:

	2015 £'000	2014 £'000
Opening fair value of employer assets	442	—
Fair value of employer assets acquired on conversion of South Shore Academy	-	296
Expected return	32	15
Actuarial (losses) / gains	(13)	11
Contributions by employer	146	91
Benefits paid	(3)	-
Contributions by plan participants	45	29
Closing fair value of plans' assets at 31 August	649	442

The estimated value of employer contributions for the year ended 31 August 2015 is £146,000.

## Notes to the financial statements (continued)

The one-year history of experience adjustments is as follows:

	2015 £'000	2014 £'000
Present value of defined benefit obligations	(1,712)	(1,445)
Fair value of share of scheme assets	649	442
Deficit in the scheme	<u>(1,063)</u>	<u>(1,003)</u>
Experience adjustments on share of scheme assets	-	11
Experience adjustments on share of scheme liabilities	<u>-</u>	<u>-</u>

### **Local Government Pension Scheme (LGPS) – Lancashire County Pension Fund (Marton Primary Academy and Nursery)**

Marton Primary Academy and Nursery joined the Trust on 1 July 2015, and due to the later transfer in the year, an FRS17 statement has not been produced by the Pension Fund. However, a report has been produced by the fund which documents the deficit attributable to the Academy at inception as £378,000. This value has been used within these financial statements, and a view has been taken that movements over the two-month period to 31 August 2015 are immaterial to the accounts.

## **26 Related party transactions**

Owing to the nature of the academy trust's operations and the composition of the board of governors being drawn from local public and private sectors organisations, transactions may take place with organisations in which the trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the academy trust's financial regulations and normal procurement procedures. The following related party transactions took place in the period of account.

Arcahu Limited – a company in which Mrs Wendy Jenkins (a trustee of the trust) is a partner:

- The trust purchased legal advice from Arcahu Limited totalling £27,500 (2014: £16,800) during the period. There were no amounts outstanding at 31 August 2015 (2014: £nil)
- The provision of these services was discussed with the EFA in December 2014 during a validation visit, and a decision was made to use external third parties for this type of advice.

MC2 – a company whose Managing Director joined the local governing body at Gorton Mount Primary Academy during the period. It should be noted, however, that no decisions regarding the provision of services by MC2 have been made at Gorton Mount, and that MC2 had been successful in tendering for services across the group prior to that appointment:

- The trust purchased marketing and other professional services totalling £72,000.

Stephen Lindemann – a trustee whose background and expertise is in relation to the construction industry:

- Stephen Lindemann was paid £2,000 in November 2014 for advice and services with respect to three major construction programmes undertaken by the Trust.

## Notes to the financial statements (continued)

### 27 Events after the balance sheet date

Recovery Plans for both Connell Sixth Form College and Wigan UTC had been agreed in 2014. This consisted of cash support being provided by the EFA until the newly-formed institutions were financially viable. However, the low intake of students into both Connell Sixth Form College and Wigan UTC in Autumn 2015 combined with a number of existing students performing below the required standard at Connell and therefore leaving the College, meant that it became apparent that these Recovery Plans would need to be revisited. Discussions with the EFA commenced later in Autumn, and a new Recovery Plan agreed from March 2016. This Plan was accompanied by a Financial Notice to Improve, which will involve greater monitoring of the Trust finances by EFA and a reduction in delegated authority. A detailed Going Concern paper was presented to the Board in April 2016 and risks over the achievability of the agreed plans highlighted. The Board resolved that ongoing viability would only be achieved if an alternative to the current arrangements at Wigan UTC was found. As at May 2016, the three possibilities under discussion with the EFA, Regional Schools' Commissioner and Baker Dearing Trust are the rebrokerage of Wigan UTC into a Wigan-based MAT, the conversion of Wigan UTC into a secondary school and the possibility of additional funding.

