

Annual Report and Financial Statements

Bright Futures Educational Trust
(A company limited by guarantee)

For the year ended 31 August 2016

Company No: 07695771

Charitable Company limited by guarantee exempt from registration

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Reference and Administrative Details

Company registration number:	07695771												
Registered office:	The Lodge Cavendish Road Altrincham Cheshire WA14 2NL												
Members	Dame Dana Ross-Wawrzynski Justin Kelly Yakub Patel												
Trust Directors (charity trustees and directors of the company)	Alan Foster Wendy Jenkins (Acting Chairman 6 February 2016 – 11 April 2016, resignation from Board with effect from 18 April 2016) Justin Kelly Anthony Leon (resignation with effect from 18 April 2016) Stephen Lindemann (Chairman 11 September 2015 - 6 February 2016, resignation from Board with effect from 6 February 2016) Jonathan Poole Dame Dana Ross-Wawrzynski Daniel Rubin (appointed 01 July 2016) Caroline Shaw Yakub Patel (appointed 01 January 2016, Chairman from 11 April 2016) Selva Pankaj (appointed 01 January 2016)												
Company Secretary:	Eversecretary Limited												
Senior Management Team	<table><tr><td>Chief Executive Officer:</td><td>Dame Dana Ross-Wawrzynski</td></tr><tr><td>Chief Finance Officer</td><td>Jonathan Poole</td></tr><tr><td>HR Manager</td><td>Lynette Beckett</td></tr><tr><td>Director of Secondary Education</td><td>Elizabeth Allen</td></tr><tr><td>Director of Primary Education</td><td>Gary Handforth</td></tr><tr><td>Head of Governance</td><td>Linda Samuel</td></tr></table>	Chief Executive Officer:	Dame Dana Ross-Wawrzynski	Chief Finance Officer	Jonathan Poole	HR Manager	Lynette Beckett	Director of Secondary Education	Elizabeth Allen	Director of Primary Education	Gary Handforth	Head of Governance	Linda Samuel
Chief Executive Officer:	Dame Dana Ross-Wawrzynski												
Chief Finance Officer	Jonathan Poole												
HR Manager	Lynette Beckett												
Director of Secondary Education	Elizabeth Allen												
Director of Primary Education	Gary Handforth												
Head of Governance	Linda Samuel												
Bankers	Lloyds Bank 223 Finney Lane Heald Green Cheadle Cheshire SK8 3PY												
Solicitors:	<table><tr><td>Wrigleys Solicitors LLP 19 Cookridge Street Leeds LS2 3AG</td><td>Eversheds LLP 70 Great Bridgewater Street Manchester M1 5ES</td></tr></table>	Wrigleys Solicitors LLP 19 Cookridge Street Leeds LS2 3AG	Eversheds LLP 70 Great Bridgewater Street Manchester M1 5ES										
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Independent Auditor	Grant Thornton UK LLP Chartered Accountants Statutory Auditors 4 Hardman Square Spinningfields Manchester M3 3EB												

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 2015 to 31 August 2016. 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. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust. The trustees of Bright Futures Educational Trust are also the directors of the charitable company for the purposes of company law.

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

Details of the trustees who served during the year are included in the Reference and Administrative details on page 3.

Members' Liability

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

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.

Method of Recruitment and Appointment or Election of Trustees

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 Trustees

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, 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.

Trustees' Report (continued)

From September 2015 the number of Board Committees was reduced 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.

Arrangements for setting pay and remuneration of key management personnel

Setting the pay on appointment

- We use the School Teachers Pay and Conditions Document as the benchmark and guide for school leadership posts
- For central Trust Leadership posts, we use external salary benchmarking as the guide to pay.

Annual Pay Reviews

Any pay review is dependent upon the successful outcome of an appraisal process.

- For leadership posts in schools, up to Vice Principal level, pay recommendations from Principals are moderated and approved by the local governing body
- For Principals, pay recommendations made by the Directors of Education, are moderated and approved by a committee chaired by the CEO of the Trust
- For the central Trust leadership posts, the recommendations made by the CEO are moderated and approved by the Chair of the Board.

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.

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
- Youth Sports Trust

In addition, the CEO of the Trust was a member of the Ofqual Board during the financial year.

Trustees' Report (continued)

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 fifty partner organisation that make up the Alliance.

Objectives and Activities

Objects and Aims

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

The Trust achieves this by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum.

The vision is to create a world class education which enables 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 Community, Integrity and Passion.

Objectives, Strategies and Activities

The Trust's mission statement underpins the Objects and Aims of the organisation and is as follows: -

As a diverse family of schools we place young people at the heart of everything we do. We are a true community with shared responsibility and common core values which create a culture of collaboration, opportunity, respect and innovation.

We inspire excellence and believe in nurturing the abilities of all within our schools and communities. We empower our young people to build purposeful lives and have the courage and confidence to make a positive contribution to society.

Through excellence in education all of our young people will have a Bright Future.

The strategic objectives for the year are: -

- Working Towards Excellence
- To ensure Financial Viability
- To Create an Environment where our People are Valued and Developed
- To Improve Internal and External Communication
- To Establish and Implement the Structure and Direction of the Trust
- To have a Consistent and Coherent Single Learning Journey across our Community

School Development Plans and a Central Support Services action plan provide the detailed narrative explaining how these objectives are achieved and measured; however, the broad areas that are to be developed and measured are: -

Working towards Excellence

- Pupil outcomes
- Pupil destinations
- Pupil numbers
- Ofsted judgements – all schools Good or better
- Impact of support services
- Removal of DfE Pause

Trustees' Report (continued)

Ensure Financial Viability

- All schools working within their agreed budget
- Achieve financial targets within Financial Notice to Improve

To Create an Environment where our People are Valued and Developed

- Recruitment and retention
- Professional Development
- Employee Surveys

To Improve Internal and External Communication

- Meetings
- Reporting of school activities to Trust and vice versa
- Internal school communication
- Media links
- ICT Infrastructure
- Communication to external bodies

To Establish and Implement the Structure and Direction of the Trust

- Current structure fit for purpose
- Strategy for future growth
- Strategy for future direction

To have a Consistent and Coherent Single Learning Journey across our Community

- Curriculum / Pedagogy
- Transition

The significant activities that have taken place in pursuit of these objectives are: -

- The Board of Trustees has been reorganised with a skillset that is a better fit.
- The Trust continues to work closely with the Education Funding Agency (EFA) to agree action plans and work towards removal of the Financial Notice to Improve.
- Staffing structures have been reorganised (both educational and for support services) to ensure greater cohesiveness between schools and head office and more effective leadership.
- New builds have taken place at Rushbrook Primary (formerly Gorton Mount) and Stanley Grove Primary, with South Shore to follow in 2017.
- IT systems have been developed with central strategic oversight under the aegis of the Trust's Head of IT.
- Governance processes have been strengthened, with a full review taking place. An action plan for further improvement has been agreed with the EFA.

Public Benefit

The Trustees of Bright Futures Educational Trust are committed to ensuring that the Trust's activities are for the public benefit and have complied with their statutory duties.

In particular, Trustees have been provided with the Public Benefit guidance published by the Charity Commission and public benefit is properly taken into account in exercising their powers and duties.

Trustees' Report (continued)

STRATEGIC REPORT

Achievements and performance

The financial year provided stability of school numbers with nine educational establishments within the Trust for the whole of the period.

The Trust's capital programme resulted in a new build of one of our primary schools and a build/refurbishment at another primary school. The new school for Gorton Mount Primary Academy was completed during the year on the Gorton Education Village site, and the school was rebranded as Rushbrook Primary Academy. The site of the old school reverted back to Manchester City Council. Stanley Grove Primary Academy underwent a considerable build and refurbishment programme.

The Trust's central staffing team was stable throughout the period, and this allowed a further restructuring of finance, facilities, HR and IT staff at school and hub level.

Key performance indicators

Financial:

- income (percentage of general funds income derived from the GAG) – 79.4% (2015: 84.9%)
- staff costs as a percentage of general funds income – 80.4% (2015: 80.2%)
- cash balance – £3,037,000 (2015: £200,000)

Non-financial:

The Trust's key educational performance indicators are as follows:

Secondary Schools:						
	% pupils >5 A*-C GCSEs		Pupil Attendance (%)		Pupil Numbers	
	2016	2015	2016	2015	2016	2015
AGGS	100	100	90.6	91.2	1,311	1,274
Cedar Mount	31	24	91.3	92.0	602	564
South Shore	34	28	92.7	89.1	766	812

Primary Schools:								
	ARE (new measure from 2016)		% pupils Achieving 2 or more levels of progress		Pupil Attendance (%)		Pupil Numbers (excl nursery)	
	2016	2015	2016	2015	2016	2015	2016	2015
Gorton Mount	15	N/A	92	95	93.7	94.2	623	634
Stanley Grove	28	N/A	98	97	95.2	95.8	595	593
Marton Primary Academy & Nursery	36	N/A	97	95	95.0	95.0	324	348

Trustees' Report (continued)

Special School:	2016	2015	2016	2015	2016	2015
	% KS4 pupils on track to achieve EKS targets in English & Maths combined		Pupil Attendance (%)		Pupil Numbers	
Melland	93	96	91.7	92.6	154	145

Sixth Form Colleges including UTC:						
	% pupils A*-C grade A Levels		Pupil Attendance (%)		Pupil Numbers	
	2016	2015	2016	2015	2016	2015
AGGS	98	98	91	91	Incl in above	Incl in above
Connell	70	47	84	90	323	340
Wigan UTC	0	75	94	96	109	61

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 further. Dialogue is ongoing with the Education Funding Agency and the Trust has submitted a revised plan for EFA consideration. The plan comprised income and expenditure forecasts and cashflows, and in broad terms proposed to the EFA that the following four areas are considered when finalising the agreed plan: -

- Deferral of PNA payments to the EFA.
- Deferral of capital payments to the EFA.
- Additional savings by the Trust.
- Consideration of providing some or all of the lagged funding due.

Verbal assurance from the EFA has been received to confirm that they are committed to work with the Trust and agree a suitable way forward. It is the Trust's expectation that an agreement with the EFA will be reached and dialogue will continue with the new CEO in January 2017. If an agreed action plan is not achieved, this would cast doubt on the ability to proceed on a Going Concern basis.

Financial Review

For the financial period ended 31 August 2016, 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), Rushbrook Primary Academy (RPA), 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 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, Rushbrook and Stanley Grove are currently oversubscribed, and pupil numbers at Cedar Mount Academy have started to increase, predominantly due to demographic factors. This trend is expected to continue over the next five years.

Trustees' Report (continued)

Although the increase in pupil numbers at Cedar Mount is a positive factor, as funding for additional pupils is not received until the following financial year this has caused a significant additional financial strain in the short-term with 2016/17 particularly affected. The main area of concern is at Connell Sixth Form College with student numbers not achieving targets set, and not increasing from the previous year. As funding at Connell has been based on overestimated student numbers, the amount of funding overadvanced is owed back to the Education Funding Agency (EFA). This is the biggest single contributing factor to the current financial position of the Trust, with circa £2 million owed with respect to Connell as at 31 August 2016.

Wigan UTC has continued with low student numbers, and as described elsewhere within this document, it has been agreed with the EFA that Wigan UTC will be removed from Bright Futures Educational Trust and transferred to an alternative Multi-Academy Trust.

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.

The Trust continues to operate under a Financial Notice to Improve, and to date has complied with the conditions of this FNtI including the repayment of cashflow support and Pupil Number Adjustments within agreed timescales.

However, as the current financial situation is difficult, discussions with the Education Funding Agency have re-opened with a view to agreeing a new action plan for achieving long-term sustainability of the Trust.

Reserves Policy

The level of net liabilities held at 31 August 2016 totals £2,430,000 (2015 net liabilities: £785,000). This excludes the fixed asset and pension liability reserves.

The deficit on the Local Government Pension Scheme (£12,153,000 at 31 August 2016) 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.

Investment Policy

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

As levels of cash increase, 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.

Trustees' Report (continued)

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.

The Trust continues to be subject to a Financial Notice to Improve (FNtI), which was issued in 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.

To date, the conditions of the FNtI have been complied with, however ongoing financial difficulties as at December 2016 has resulted in renewed dialogue with the EFA with a view to agreeing a new package of financial support. Although the Trust is working to comply with the ongoing conditions of the FNtI, the Trust is unable to submit unqualified financial statements for the financial year ended 31 August 2016.

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.

Trustees' Report (continued)

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 102 section 28. A deficit has been recognised at 31 August 2016. 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 December 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. As highlighted elsewhere, the rebrokerage of Wigan UTC has been agreed with the EFA, and it is expected that the transfer of Wigan UTC to an alternative Trust will take place on 1 January 2017.

One of the key changes to the Trust is the appointment of the new Chief Executive Officer, Dr John Stephens, with effect from 1 January 2017. Other plans for the future include the centralisation of the finance function.

Funds Held as Custodian Trustee on Behalf of Others

No funds are held on behalf of other organisations.

Trustees' Report (continued)

Auditor

Insofar as the trustees are aware:

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

Grant Thornton UK LLP will retire as external auditors to Bright Futures Educational Trust on completion of the audited accounts. Following an independent tender process, the successor auditors will be appointed for the next financial year in accordance with the applicable legislation for the Trust.

Trustees' report, incorporating a strategic report, approved by order of the board of trustees, as the company directors, on 21 December 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 agreements between the academy trust and the Secretary of State for Education. The Chief Executive Officer is also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' report and in the Statement of Trustees' responsibilities. The Board of Trustees body has formally met ten times during the period. Attendance during the year at meetings of the governing body was as follows:

Trustee	Meetings Attended	Out of a possible
Mr Alan Foster	10	10
Mrs Wendy Jenkins	8	8
Mr Justin Kelly	9	10
Mr Anthony Leon	8	8
Mr Stephen Lindemann	3	5
Mr Selva Pankaj	4	6
Mr Yakub Patel	5	6
Mr Jonathan Poole	10	10
Dame Dana Ross-Wawrzynski	10	10
Mr Daniel Rubin	1	1
Mrs Caroline Shaw	7	10

The Audit and Risk Committee is a sub-committee of the main Board of Trustees. 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 2015 to 31 August 2016.

Audit and Risk Committee	Meetings Attended	Out of a possible
Mr Anthony Leon – Trustee	2	2
Mr Selva Pankaj	1	1
Mr Michael Prior – Co-opted	2	2
Mrs Caroline Shaw – Trustee	2	3

Governance statement (continued)

The Operations Board is a sub-committee of the main Board of Trustees. It is responsible for all the operational aspects of running and managing the Trust and covers the areas of Education, Finance, HR, Legal and Governance.

	Meetings Attended	Out of a possible
Operations Board		
Mrs Elizabeth Allen	10	11
Mrs Lynette Beckett	11	11
Mr Gary Handforth	10	11
Mr Jonathan Poole - Trustee	11	11
Dame Dana Ross-Wawrzynski – Trustee	11	11
Mrs Linda Samuel	11	11

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:

- Reducing teaching staff numbers where appropriate to match against student numbers across the Trust.
- The reorganisation of associate staffing across the Trust under a new structure. This has both reduced cost and increased effectiveness, with more cohesion between schools and the centre. The staffing areas covered are finance, facilities, HR, IT and clerking of local governing bodies.
- The development of the SCITT (School Centred Initial Teacher Training) provides in-house training of teachers; several of whom have since been appointed to Trust roles. This has ensured that training of teachers is fit for purpose and has reduced recruitment costs.
- A new cost model for Teaching School courses has been developed with a wider offer of programmes.

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 for the period 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

Governance statement (continued)

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 1 September 2015 to 31 August 2016 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:

- 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.

Areas of weakness have been identified within the framework of internal financial controls and the Trust is committed to improving controls and systems in line with audit recommendations.

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 2016, which covered review of:

- governance;
- general ledger; and
- budget monitoring

Governance statement (continued)

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:

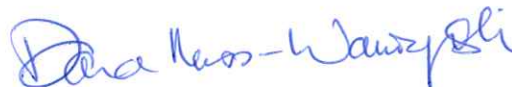
- the work of the internal auditor;
- the work of the external auditor;
- the financial management and governance self-assessment process; and
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by 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 21 December 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 for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

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 2015.

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 2015 states that regular management information should be prepared. This requirement has not been met for the period from September 2015 to December 2015.

Internal Controls and Key Reconciliations: The Academies Financial Handbook 2015 requires Multi-Academy Trusts to have sound internal control, risk management and assurance processes. Although improvements to internal control procedures have been made during the year, there have been instances where particular control accounts have not always been reconciled on a monthly basis. This includes payroll reconciliations, bank reconciliations, fixed assets, VAT and purchase ledger control.

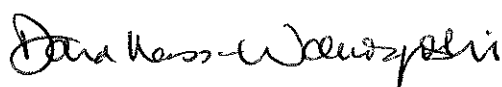
Authorisation of Payments: The Academies Financial Handbook 2015 requires invoices to be evidenced as authorised for payment. A number were found to be unauthorised.

Procurement Process: The Academies Financial Handbook 2015 requires procurement to be performed in line with internally set limits. It was identified that the Trust's internal procurement process had not been followed for purchases over £10,000 in that one invoice was found where three formal quotes had not been obtained, but costs had been benchmarked against websites. This purchase was confirmed to be genuine business expenditure.

Credit Card Approvals: The Academies Financial Handbook 2015 requires Trusts to ensure efficiency and value for money in their organisation's activities. Testing identified that policies in relation to approvals had been applied inconsistently across the Trust. The Trust is confident that all payments made were a correct and appropriate use of public funds.

Statement on Regularity, Propriety and Compliance

Purchase ledger fraud: In the year the Trust suffered an instance of fraud perpetrated by a third party. The Trust paid a valid, appropriately approved purchase invoice for £15,999 into a fraudulent bank account. On identification of the fraud the Trust subsequently recovered £10,702 via the Trust's bankers. The remaining £5,297 has not been recovered. This matter was fully investigated by the Trust, and the EFA were fully informed and consulted with. Subsequent to this issue being identified, additional controls have been implemented to prevent a recurrence of this type of incident. The main control is that any changes to bank accounts are independently verified by telephoning the supplier to confirm the change in details on a known number previously used.



Dame Dana Ross-Wawrzynski
Accounting officer

21 December 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 2015 and the Academies Accounts Direction 2015-2016.
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

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 were engaged to audit the financial statements of Bright Futures Educational Trust for the year ended 31 August 2016 which comprise the Statement of Financial Activities (including the income and expenditure account), the Balance Sheet, the Statement of Cash Flows 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Academies Accounts Direction 2015 to 2016 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 the charitable company's 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 Statement of trustees' responsibilities set out on page 20, 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. As a result of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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.

Basis for disclaimer of opinion on financial statements

In seeking to form an opinion on the financial statements, we considered the implications of the significant uncertainties disclosed in the financial statements concerning the following matters:

- As explained in the Trustee's Report on page 9, the trustees have concerns regarding the financial situation of the charitable company, and have identified material uncertainties which may cast significant doubt upon the charitable company's ability to continue as a going concern. The charitable company recorded a net operating deficit on restricted general funds of £2.2m prior to actuarial movements of £4.9m during the year ended 31 August 2016 and, at that date, the charitable company had net current liabilities of £2.4m. Cash flow forecasts present a deficit in cash at a number of points within the next 12 months, should the charitable company be required to make all of its contractual payments to the funding body during this period. The trustees have asked the Department for Education for assistance, and have outlined a number of options for their consideration, including, but not limited to, the deferment of capital and or revenue payments due to the funding body. The trustees however, do not expect a decision to be made by the funding body until the new CEO of the charitable company is in office from January 2017.



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

- Depending on the outcome of negotiations with the Department for Education, there is a risk that a number of the balances within the financial statements could be materially misstated as a result of underlying uncertainties. As at the balance sheet date, amounts due to funding bodies includes £2.5m for capital projects and £2.1m for pupil number adjustments. The Trustees are seeking agreement from the Department for Education that the repayment terms of this liability are amended. Consequently, at the date of this report it is not known whether this liability is stated correctly, and the presentation of and / or disclosures relating to this amount could change materially should agreement be reached with the Department for Education such that this balance is either no longer repayable by the charitable company or the repayment terms are subject to material alteration.
- In addition to the above items, as explained in the Trustees' Report, Cedar Mount Academy was issued with a Pre-Termination Notice by the Department for Education in November 2015. This notice remains in force and there is uncertainty over what action the Department of Education may take in relation to this academy. In the event that the Department for Education issues a Final Termination Notice, the removal of Cedar Mount Academy from the charitable company would result in the amounts recognised in respect of certain material fixed assets, current assets and liabilities currently included within the financial statements being subject to material adjustment.

There is potential for the uncertainties listed above to interact with one another such that we have been unable to obtain sufficient appropriate audit evidence regarding the possible effect of uncertainties when taken together.

Disclaimer of opinion on financial statements

Because of the significance of the possible impact of the uncertainties, described in the Basis for Disclaimer of Opinion on Financial Statements paragraph, to the financial statements, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Opinion on other matter prescribed by the Companies Act 2006

Notwithstanding our disclaimer of an opinion on the financial statements, 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.



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

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.

A handwritten signature in black ink that reads "Fiona Baldwin".

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

21 December 2016



Independent reporting accountant'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 2015 to 2016, 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 2015 to 31 August 2016 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 2015, 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 2015 to 2016. 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 2015 to 31 August 2016 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 2015 to 2016 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 academy trust's income and expenditure



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

The work undertaken to draw our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the Bright Futures Educational 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
- limited 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 2015 to 31 August 2016 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 2015 states the board of trustees, and any separate committee responsible for finance, must ensure good financial management and effective controls. This requirement has not been met for the period 1 September 2015 to 31 December 2015 as no management accounts were prepared during this period.

Internal controls: The Academies Financial Handbook 2015 sets out what must be included within the trust's internal control framework. We identified key control account reconciliations including; bank, payroll, VAT, fixed assets and purchase ledger were not being performed on a timely basis throughout the year.

Procurement process: The Academies Financial Handbook 2015 requires procurement to be performed in line with internally set limits. We identified that Bright Futures Educational Trust's internal procurement process had not been followed for a purchase over £10,000.

Authorisation of payments: The Academies Financial Handbook 2015 requires invoices to be evidenced as authorised for payment. We identified that of a sample of 50 invoices, there were 18 instances where full and formal approval was not obtained prior to payment, as required by the internal procurement policy.

Credit card authorisation: The Academies Financial Handbook 2015 requires payments to be approved in line with internally set policies. We identified that authorisation policies for credit card were not being applied consistently at all schools. We identified that at one school, authorisation was not required for credit card transactions under £50, whilst at another, of the five items sampled no authorisation was obtained for credit card transactions.



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

Purchase ledger fraud: In the year, Bright Futures Educational Trust suffered an instance of fraud perpetrated by a third party. Bright Futures Educational Trust paid a valid, appropriately approved purchase invoice for £15,999 into a fraudulent bank account. On identification of the fraud, Bright Futures Educational Trust subsequently recovered £10,702. As these funds have not been applied for the purposes intended and the internal controls in place were insufficient to prevent the fraud, this represents a breach in regularity under the requirements of the Academies Accounts Direction 2015 to 2016.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
Manchester

21 December 2016

Statement of Financial Activities for the year ended 31 August 2016 (including Income and Expenditure Account)

	Note	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	2016 Total £'000	2015 Total £'000
Income and endowments from:						
Donations and capital grants	2	-	212	7,176	7,388	858
Transfer from local authority on conversion		-	-	-	-	7,480
Charitable activities:						
Funding for the academy trust's educational operations	3	-	32,253	-	32,253	28,133
Other trading activities	4	401	243	-	644	1,270
Investments	5	-	3	-	3	2
Total		401	32,711	7,176	40,288	37,743
Expenditure on:						
Raising funds	6	-	-	-	-	-
Charitable activities:						
Academy trust educational operations	7	401	34,928	3,508	38,837	35,455
Other		-	-	-	-	-
Total		401	34,928	3,508	38,837	35,455
Net (expenditure) / income		-	(2,217)	3,668	1,451	2,288
Transfers between funds	16	-	-	-	-	-
Other recognised gains losses						
Actuarial losses on defined benefit pension schemes	16,26	-	(4,881)	-	(4,881)	(166)
Net movement in funds		-	(7,101)	3,668	(3,433)	2,122
Reconciliation of funds						
Total funds brought forward		-	(7,485)	45,254	37,769	35,647
Total funds carried forward		-	(14,583)	48,922	34,339	37,769

The accompanying notes form part of these financial statements.

Balance Sheet as at 31 August 2016

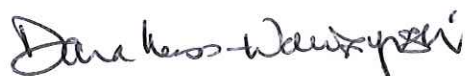
Company Number 07695771

	Notes	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Tangible assets	12		48,922		45,254
Current assets					
Debtors	13	1,457		1,193	
Cash at bank and in hand		<u>3,037</u>		<u>200</u>	
		4,494		1,393	
Liabilities					
Creditors: Amounts falling due within one year	14	<u>(6,924)</u>		<u>(2,178)</u>	
Net current assets			<u>(2,430)</u>		<u>(785)</u>
Total assets less current liabilities			46,492		44,469
Creditors: Amounts falling due after more than one year			<u>-</u>		<u>-</u>
Net assets excluding pension liability			<u>46,492</u>		<u>44,469</u>
Defined benefit pension scheme liability	26		<u>(12,153)</u>		<u>(6,700)</u>
Total net assets			<u>34,339</u>		<u>37,769</u>
Funds of the academy trust:					
Restricted funds					
Fixed asset fund	15	48,922		45,254	
Restricted income fund	15	(2,430)		(785)	
Pension reserve	15	<u>(12,153)</u>		<u>(6,700)</u>	
Total restricted funds			34,339		37,769
Unrestricted income funds	15		<u>-</u>		<u>-</u>
Total funds	15		<u>34,339</u>		<u>37,769</u>

The financial statements were approved by the Trustees and authorised for issue on 21 December 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.

Statement of Cash Flows for the year ended 31 August 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Net cash provided by (used in) operating activities	19	2,729	(1,866)
Cash flows from investing activities	21	108	55
Cash flows from financing activities	20	-	-
Change in cash and cash equivalents in the reporting period		<u>2,837</u>	<u>(1,811)</u>
Cash and cash equivalents at 1 September 2015		200	2,011
Cash and cash equivalents at 31 August 2016	22	<u>3,037</u>	<u>200</u>

The accompanying notes form part of these financial statements.