

Notes to the financial statements

1 Principal accounting policies

Basis of preparation

First time adoption of FRS 102

These financial statements are the first financial statements of Bright Futures Educational Trust prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities SORP 2015 (SORP 2015). The financial statements of Bright Futures Educational Trust for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the trustees have amended certain accounting policies to comply with FRS 102 and SORP 2015.

Reconciliations to previous UK GAAP for the comparative figures are included in note 23.

Explanation of transition to FRS 102

It is the first year that the Academy Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards. Comparative figures have been restated to reflect the adjustments made.

Bright Futures Educational Trust meets the definition of a public benefit entity under FRS 102.

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 charitable company to continue as a going concern. The board of trustees make this assessment in respect of at least 12 months from the date of approval of these financial statements.

In undertaking their review the trustees have taken into account various factors including the charitable company'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 upon the charitable company's ability to continue as a going concern. The trustees have concerns relating to the financial situation and have asked the Department for Education to consider the options regarding financial support for the charitable company. The board is confident that a financial solution will be found and that long-term financial viability of the Trust will be secured. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

Dialogue is ongoing with the Education Funding Agency (EFA) and the charitable company has submitted a revised plan for EFA consideration. Verbal assurance from the EFA has been received to

Notes to the financial statements

confirm that they are committed to work with the charitable company and agree a suitable way forward. It is the charitable company's expectation that an agreement with the EFA will be reached. However, notification has been received that the agreement will not be reached until the appointment of the new CEO in January 2017.

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.

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 goods, facilities and services

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

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

Notes to the financial statements (continued)

Expenditure

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

Expenditure on Raising Funds

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

Charitable activities

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

All resources expended are net of recoverable VAT.

Tangible fixed assets

Tangible fixed assets acquired since the trust was established are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

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.

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.

Notes to the financial statements (continued)

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 and 2015/16.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

Provisions

Provision are recognised when the academy trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

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.

Notes to the financial statements (continued)

Pensions 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 26, 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.

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.

Agency arrangements

The academy trust acts as an agent in distributing 16-19 bursary funds from EFA. Payments received from EFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The trust can use up to 5% of the allocation towards its own administration costs and this is recognised in the statement of financial activities. The funds received and paid and any balances held are disclosed in note 28.

Fund accounting

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

Critical accounting estimates and areas of judgement

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

Notes to the financial statements (continued)

Critical accounting estimates and assumptions

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

As the Trust has adopted a Going Concern basis for the accounts, no adjustments to assets and liabilities have been made.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Donations and capital grants

	Unrestricted funds £'000	Restricted funds £'000	2016 Total £'000	2015 Total £'000
Capital grants	–	7,281	7,281	764
Donated fixed assets	-	-	-	-
Other donations	-	107	107	94
	-	7,388	7,388	858

3 Funding for the Academy Trust's educational operations

	Unrestricted funds £'000	Restricted Funds £'000	2016 Total £'000	2015 Total £'000
DfE/EFA revenue grants				
General Annual Grant	-	26,294	26,294	24,867
Start-up grants	-	9	9	304
Other DfE/EFA grants	-	3,007	3,007	624
	-	29,310	29,310	25,795
Other Government grants				
Local authority grants	-	2,943	2,943	2,338
Special educational projects	-	-	-	-
	-	2,943	2,943	2,338
Other income from the academy trust's educational operations	-	-	-	-
	-	32,253	32,253	28,133

Notes to the financial statements (continued)

4 Other trading activities

	Unrestricted funds £'000	Restricted Funds £'000	2016 Total £'000	2015 Total £'000
Hire of facilities	168	-	168	141
Catering income	-	125	125	279
Other generated income	233	118	351	891
	401	243	644	1,270

5 Investment Income

	Unrestricted funds £'000	Restricted Funds £'000	2016 Total £'000	2015 Total £'000
Short term deposits	-	3	3	2
	-	3	3	2

6 Expenditure

Included within expenditure are the following transactions.

	Total £	Individual items above £5,000 Amount £	Reason
Compensation payments	138,029	9,000 13,625 14,000 9,500 20,000 8,000 11,000 8,000 15,000 13,024	Settlement Agreement - capability Settlement Agreement - capability Settlement Agreement - capability Settlement Agreement – long-term sickness Redundancy with a Settlement Agreement Settlement Agreement – restructuring Settlement Agreement – long-term sickness Settlement Agreement – capability/sickness Settlement Agreement – capability Redundancy
Unrecoverable debts	3,890	-	
Cash losses	5,297	5,297	Payment made due to supplier fraud – EFA notified

For details of the items included in compensation payments, see also note 8b below.

Notes to the financial statements (continued)

7 Charitable activities

	Total 2016 £'000	Total 2015 £'000
Direct costs – educational operations	25,668	23,341
Support costs – educational operations	13,169	12,114
	<u>38,837</u>	<u>35,455</u>

Analysis of support costs	Educational Operations £'000	Total 2016 £'000	Total 2015 £'000
Support staff costs	4,340	4,340	3,589
Depreciation	3,508	3,508	3,251
Technology costs	354	354	338
Premises costs	2,575	2,575	2,352
Other support costs	2,274	2,274	2,017
Governance costs	118	118	567
Total Support Costs	<u>13,169</u>	<u>13,169</u>	<u>12,114</u>

8 Staff costs

a. Staff costs

Staff costs during the year were as follows:

	Total 2016 £'000	Total 2015 £'000
Wages and salaries	20,160	18,982
Social security costs	1,692	1,455
Operating costs of defined benefit pension schemes	3,484	2,592
	<u>25,336</u>	<u>23,029</u>
Supply staff costs	1,139	1,000
	138	205
	<u>26,613</u>	<u>24,234</u>
Staff restructuring costs comprise:		
Redundancy payments	50	102
Severance payments	88	103
Other restructuring costs	-	-
	<u>138</u>	<u>205</u>

Notes to the financial statements (continued)

b. Non-statutory/non-contractual staff severance payments

Included in compensation payments are non-statutory/non-contractual severance payments totalling £88,000 (2015: £103,000). Individually, the payments were: £9,000, £14,000, £14,000, £10,000, £8,000, £1,000, £11,000, £3,000, £3,000 and £15,000.

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

	2016 Number	2015 Number
Teachers	288	277
Administration and support	286	266
Management	60	66
	634	609

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

	2016 Number	2015 Number
£60,001 to £70,000	11	8
£70,001 to £80,000	3	5
£80,001 to £90,000	4	5
£90,001 to £100,000	2	3
£100,001 to £110,000	1	0
£110,001 to £120,000	1	0
£120,001 to £130,000	0	1
£220,001 to £230,000	1	1
	23	23

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £775,000 (2015: £852,000). In 2015, the senior management team also comprised a Chief Operating Officer.

Notes to the financial statements (continued)

9 Central Services

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

- human resources co-ordination and casework
- financial services via hub managers
- IT
- facilities and estates via hub managers
- educational psychologists

The trust charges for these services on a flat 4% of GAG income.

The actual amounts charged during the year were as follows: -

	2016 £'000	2015 £'000
Altrincham Grammar School for Girls	234	234
Cedar Mount Academy	162	158
Connell Sixth Form College	100	65
Marston Primary Academy and Nursery	67	10
Melland High School	68	69
Rushbrook Primary Academy	113	96
South Shore Academy	170	174
Stanley Grove Primary Academy	120	116
Wigan UTC	22	12
	1,056	934

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 members under their contracts of employment.

The value of trustees' remuneration was as follows:

Dame Dana Ross-Wawrzynski (Chief Executive Officer and trustee):		
Remuneration	£225,000 - £230,000	(2015: £225,000 – £230,000)
Employer's pension contributions	£Nil	(2015: Nil)
Mr Jonathan Poole (staff trustee):		
Remuneration	£70,000 - £75,000	(2015: £70,000 – £75,000)
Employer's pension contributions	£Nil	(2015: £10,000 - £15,000)

During the period ended 31 August 2016, travel and subsistence expenses totalling £4,600 were reimbursed or paid directly to these two trustees (2015: £3,700 to 4 trustees).

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

Notes to the financial statements (continued)

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 2016 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.

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 2015	1,232	12,765	34,945	1,376	457	1,167	51,942
Additions	-	-	6,700	228	-	248	7,176
At 31 August 2016	<u>1,232</u>	<u>12,765</u>	<u>41,645</u>	<u>1,604</u>	<u>457</u>	<u>1,415</u>	<u>59,118</u>
Depreciation							
At 1 September 2015	-	3,270	2,508	355	27	528	6,688
Provided in the year	-	2,036	856	133	53	430	3,508
At 31 August 2016	-	<u>5,306</u>	<u>3,364</u>	<u>488</u>	<u>80</u>	<u>958</u>	<u>10,196</u>
Net book value at:							
31 August 2016	<u>1,232</u>	<u>7,459</u>	<u>38,281</u>	<u>1,116</u>	<u>377</u>	<u>457</u>	<u>48,922</u>
31 August 2015	<u>1,232</u>	<u>9,495</u>	<u>32,437</u>	<u>1,021</u>	<u>430</u>	<u>639</u>	<u>45,254</u>

13 Debtors

	2016 £'000	2015 £'000
Trade debtors	136	50
VAT recoverable	414	393
Other debtors	19	21
Prepayments and accrued income	888	729
	<u>1,457</u>	<u>1,193</u>

Notes to the financial statements (continued)

14 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	729	285
Other creditors and social security	-	-
Sums owed to Education Funding Agency	4,621	1,340
Other creditors	11	122
Accruals and deferred income	1,563	431
	<u>6,924</u>	<u>2,178</u>
Deferred income		£'000
At 1 September 2015		91
Resources deferred in the year		2
Amounts released from previous year		(91)
At 31 August 2016		<u>2</u>

*The amount owed to the Education Funding Agency comprises £2,112,000 Pupil Number Adjustments (£1,961,000 Connell Sixth Form College and £151,000 Wigan UTC), and £2,509,000 with respect to building work at Rushbrook Primary Academy.

15 Funds

	Balance at 1 September 2015 £'000	Incoming resources £'000	Resources expended £'000	Gains, Losses & Transfers £'000	Balance at 31 August 2016 £'000
Restricted general funds					
General Annual Grant	(785)	26,647	(28,292)	-	(2,430)
Start-Up Grant	-	9	(9)	-	-
Other DfE/EFA grants	-	3,007	(3,007)	-	-
Other grants	-	3,048	(3,048)	-	-
Provision for boarding	-	-	-	-	-
Pension reserve	(6,700)	-	(572)	(4,881)	(12,153)
	<u>(7,485)</u>	<u>32,711</u>	<u>(34,928)</u>	<u>(4,881)</u>	<u>(14,583)</u>
Restricted fixed asset funds					
Transfer on conversion	34,954	-	(3,053)	-	31,901
DfE capital grants	-	7,176	-	-	7,176
Capital expenditure from GAG	10,300	-	(455)	-	9,845
Private sector capital sponsorship	-	-	-	-	-
	<u>45,254</u>	<u>7,176</u>	<u>(3,508)</u>	<u>-</u>	<u>48,922</u>
Total restricted funds	<u>37,769</u>	<u>39,887</u>	<u>(38,436)</u>	<u>(4,881)</u>	<u>34,339</u>
Total unrestricted funds	<u>-</u>	<u>401</u>	<u>(401)</u>	<u>-</u>	<u>-</u>
Total funds	<u>37,769</u>	<u>40,288</u>	<u>(38,837)</u>	<u>(4,881)</u>	<u>34,339</u>

Notes to the financial statements (continued)

15 Funds (continued)

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

General Annual Grant: The deficit has arisen due predominantly to low student numbers at Connell and Wigan UTC.

Pension reserve: The deficit is due to historic and continued poor performance of pension funds under the local government scheme.

Assets transferred on conversion: This is the current value of assets transferred into the Trust as schools have joined.

DfE capital grant: This fund has arisen as capital funding has been received by the Trust and spent on new assets. The fund will reduce as these assets are depreciated.

Capital expenditure from GAG: This is the current value of assets funded from other sources.

The trust is carrying a net deficit of £2,433 on restricted general funds (excluding pension reserve) due to the low student numbers at Connell Sixth Form College and the delay in funding due to Cedar Mount Academy. The debt at Connell continues to increase but the in-year deficit has reduced due to a staff restructuring which has reduced costs. Removal of Wigan UTC from the Trust has been agreed which will aid the financial position.

Total funds analysis by academy

Fund balances at 31 August 2016 were allocated as follows:

	Total 2016 £'000	Total 2015 £'000
Altrincham Grammar School for Girls	322	286
Cedar Mount Academy	(298)	302
Connell Sixth Form College	(2,140)	(984)
Marton Primary Academy and Nursery	288	167
Melland High School	319	158
Rushbrook Primary Academy	55	164
South Shore Academy	(185)	19
Stanley Grove Primary Academy	592	401
Wigan UTC	168	(430)
Central Services	(1,551)	(868)
Total before fixed assets and pension reserve	(2,430)	(785)
Restricted fixed asset fund	48,922	45,254
Pension reserve	(12,153)	(6,700)
Total	34,339	37,769

Cedar Mount is carrying a net deficit of £298k on these funds because of the lag in funding as numbers have started to rise.

Notes to the financial statements (continued)

15 Funds (continued)

The trust is taking the following action to return the academy to surplus: costs are being reduced, particularly staffing costs, and discussions with the EFA about the pressures caused by lagged funding are ongoing. However, as student numbers are increasing, producing a surplus budget in future years will be achievable, even when taking funding lag into account.

Connell Sixth Form College is carrying a net deficit of £2,140k on these funds due to low student numbers and large pupil number adjustments (PNAs) owed to the Education Funding Agency.

The trust is taking the following action to return the academy to surplus: a comprehensive staffing restructure has taken place, and the curriculum is under review in order to have greater appeal to local students.

South Shore Academy is carrying a net deficit of £185k on these funds due to falling student numbers and the cost of restructuring.

The trust is taking the following action to return the academy to surplus: staff reductions have taken place where possible, with consultation regarding further reductions to commence early in 2017.

Total cost analysis by academy

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

	Teaching and Educational Support Staff Costs £'000	Other Support Staff Costs £'000	Educational Supplies £'000	Other Costs (excluding depreciation) £'000	Total 2016 £'000	Total 2015 £'000
Altrincham Grammar School for Girls	4,492	790	833	1,223	7,338	6,721
Cedar Mount Academy	3,489	514	582	855	5,440	5,326
Connell Sixth Form College	1,677	382	184	893	3,136	2,558
Marton Primary Academy	1,368	136	148	461	2,113	290
Melland High School	2,188	272	131	130	2,721	2,854
Rushbrook Primary Academy	2,257	280	342	538	3,417	3,272
South Shore Academy	3,241	469	607	2,287	6,604	7,147
Stanley Grove Primary Academy	2,497	270	244	681	3,692	3,884
Wigan UTC	702	208	76	666	1,652	709
Central Service	362	1,020	248	1,094	2,724	2,694
Academy Trust	22,273	4,341	3,395	8,828	38,837	35,455

Notes to the financial statements (continued)

16 Analysis of net assets between funds

Fund balances at 31 August 2016 are represented by:

	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	Total funds £'000
Tangible fixed assets	-	-	48,922	48,922
Current assets	-	4,494	-	4,494
Current liabilities	-	(6,924)	-	(6,924)
Non-current liabilities	-	-	-	-
Pension scheme liabilities	-	(12,153)	-	(12,153)
Total net assets	-	(14,583)	48,922	34,339

17 Capital commitments

	2016 £'000	2015 £'000
Contracted for but not provided in the financial statements	-	12,380
	<u>-</u>	<u>12,380</u>

18 Commitments under operating leases

At 31 August 2016 the academy trust had total commitments under non-cancellable operating leases as follows:

	2016 £'000	2015 £'000
Amounts due within one year	164	180
Amounts due between one and five years	102	191
Amounts due after five years	-	-
	<u>266</u>	<u>371</u>

Notes to the financial statements (continued)

19 Reconciliation of net income/(expenditure) to net cash inflow from operating activities

	2016 £'000	2015 £'000
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	1,451	2,430
Adjusted for:		
Depreciation [note 12]	3,508	3,251
Capital grants from DfE and other capital income	(7,281)	(764)
Assets donated	-	(7,809)
Interest receivable [note 5]	(3)	(2)
Defined benefit pension scheme obligation inherited	-	454
Defined benefit pension scheme cost less contributions payable [note 25]	313	208
Defined benefit pension scheme finance cost [note 25]	259	212
(Increase)/decrease in debtors	(264)	(330)
Increase / (decrease) in creditors	4,746	484
	<hr/>	<hr/>
Net cash inflow / (outflow) from operating activities	2,729	(1,866)

20 Cash flows from financing activities

	2016 £'000	2015 £'000
Repayments of borrowing	-	-
Cash inflows from new borrowing	-	-
Net cash provided by / (used in) financing activities	<hr/>	<hr/>

21 Cash flows from investing activities

	2016 £'000	2015 £'000
Dividends, interest and rents from investments	3	2
Proceeds from sale of tangible fixed assets	-	-
Purchase of tangible fixed assets	(7,176)	(711)
Capital grants from DfE/EFA	7,281	764
Capital funding from sponsors and others	-	-
Net cash provided by / (used in) investing activities	<hr/>	<hr/>

Notes to the financial statements (continued)

22 Analysis of cash and cash equivalents

	2016 £'000	2015 £'000
Cash in hand and at bank	3,037	200
Notice deposits (less than 3 months)	-	-
Net cash provided by / (used in) investing activities	3,037	200

23 Reconciliations to previous UK GAAP

Reconciliations and descriptions of the effect of the transition to FRS 102 and SORP 2015 on total funds and net income/(expenditure) for the comparative period reported under previous UK GAAP and SORP 2005 are given below:

Reconciliation of total funds	Notes	1 September 2014 £000	31 August 2015 £000
Total funds under previous UK GAAP		35,647	37,769
Impact of transition		-	-
Total funds reported under FRS 102		35,647	37,769
Reconciliation of net income/(expenditure)	Notes		31 August 2015 £000
Net income/(expenditure) previously reported under UK GAAP			2,430
Change in recognition of LGPS interest cost	A		(142)
Net movement in funds reported under FRS 102			2,288

A – Change in recognition of LGPS interest cost

Under previous UK GAAP the trust recognised an expected return on defined benefit plan assets in income/expense. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in income/expense. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to increase the debit to income/expense by £142,000 and reduce the debit in other recognised gains and losses in the SoFA by an equivalent amount.

Notes to the financial statements (continued)

24 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.

25 Members' liability

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

26 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.

The latest actuarial valuation of the TPS related to the period ended 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)

26 Pension and similar obligations (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 £2,029,000 (2015: £1,661,000).

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

Under the definitions set out in Financial Reporting Standard 102 section 28 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 LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £1,123,000 (2015: £1,029,000), of which employer's contributions totalled £843,000 (2015: £766,000) and employees' contributions totalled £280,000 (2015: £263,000). The agreed contribution rates for future years are 19.1% 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)

26 Pension and similar obligations (continued)

Principal actuarial assumptions	At 31 August 2016	At 31 August 2015
Rate of increase in salaries	3.40%	3.80%
Rate of increase for pensions in payment/inflation	2.10%	2.60%
Discount rate for scheme liabilities	2.00%	3.70%
Inflation assumption (CPI)	1.00%	0.00%

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

	At 31 August 2016	At 31 August 2015
<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	26.6

The academy trust's share of the assets in the scheme were:

	Fair value at 31 August 2016 £000	Fair value at 31 August 2015 £000
Equity instruments	7,562	5,649
Bonds	1,785	1,412
Property	630	471
Cash	525	314
Total market value of assets	10,502	7,846

The actual return on scheme assets was £1,674,000 (2015: £153,000)

Amount recognised in the statement of financial activities

	2016 £000	2015 £000
Current service cost (net of employee contributions)	(1,125)	(1,065)
Net interest cost	(200)	(174)
Benefit changes, gain/(loss) on curtailment and gain/(loss) on settlement	-	(16)
Total operating charge	(1,325)	(1,255)

Notes to the financial statements (continued)

26 Pension and similar obligations (continued)

	2016 £000	2015 £000
At 1 September	13,105	11,113
Liabilities assumed in a business combination	-	295
Current service cost	1,125	1,065
Interest cost	508	438
Employee contributions	280	263
Actuarial loss	5,130	56
Benefits paid	(141)	(141)
Plan introductions, benefit changes, curtailments and settlements	-	16
At 31 August	20,007	13,105

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

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

	2016 £000	2015 £000
At 1 September	7,846	6,586
Assets acquired in a business combination	-	219
Interest income	308	264
Actuarial gain/(loss)	1,366	(111)
Employer contributions	843	766
Employee contributions	280	263
Benefits paid	(141)	(141)
Plan introductions, benefit changes, curtailments and settlements	-	-
At 31 August	10,502	7,846

Local Government Pension Scheme (LGPS) – Lancashire County Pension Fund

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £290,000 (2015: £191,000), of which employer's contributions totalled £221,000 (2015: £146,000) and employees' contributions totalled £69,000 (2015: £45,000). The agreed employer's contribution rate for 2016/17 is 12.3% per cent plus a lump sum of £52,900.

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)

26 Pension and similar obligations (continued)

Principal actuarial assumptions	At 31 August 2016	At 31 August 2015
Rate of increase in salaries	3.40%	3.70%
Rate of increase for pensions in payment/inflation	2.00%	2.20%
Discount rate for scheme liabilities	2.20%	4.00%
Inflation assumption (CPI)	1.90%	2.20%

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

	At 31 August 2016	At 31 August 2015
<i>Retiring today</i>		
Males	23.0	22.9
Females	25.6	25.4
<i>Retiring in 20 years</i>		
Males	25.2	25.1
Females	27.9	27.8

The academy trust's share of the assets in the scheme were:

	Fair value at 31 August 2016 £000	Fair value at 31 August 2015 £000
Equity instruments	543	223
Debt instruments	84	61
Property	134	59
Cash	645	306
Total market value of assets	1,406	649

The actual return on scheme assets was £252,000 (2015: £19,000)

Amount recognised in the statement of financial activities

	2016 £000	2015 £000
Current service cost (net of employee contributions)	(252)	(166)
Net interest cost	(54)	(38)
Benefit changes, gain/(loss) on curtailment and gain/(loss) on settlement	-	-
Administration expenses	(5)	(3)
Total operating charge	(311)	(207)

Notes to the financial statements (continued)

26 Pension and similar obligations (continued)

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

	2016 £000	2015 £000
At 1 September	2,311	1,445
Liabilities assumed in a business combination	-	599
Current service cost	252	166
Interest cost	95	59
Employee contributions	69	45
Actuarial (gain)/loss	1,329	-
Benefits paid	(2)	(3)
Plan introductions, benefit changes, curtailments and settlements	-	-
At 31 August	<u>4,054</u>	<u>2,311</u>

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

	2016 £000	2015 £000
At 1 September	870	442
Assets acquired in a business combination	-	221
Interest income	41	-
Return on plan assets (excluding net interest on the net defined pension liability)	-	32
Actuarial gain/(loss)	212	(13)
Employer contributions	221	146
Employee contributions	69	45
Benefits paid	(2)	(3)
Plan introductions, benefit changes, curtailments and settlements	-	-
Administration expenses	(5)	-
At 31 August	<u>1,406</u>	<u>870</u>

Notes to the financial statements (continued)

27 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 transaction took place in the period of account.

MC2 – a company whose Managing Director joined the local governing body at Rushbrook Primary Academy during the previous period. It should be noted, however, that no decisions regarding the provision of services by MC2 have been made at Rushbrook, 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 £78,000.

28 Agency Arrangements

The academy trust distributes 16-19 bursary funds to students as an agent for EFA. In the accounting period ending 31 August 2016 the trust received £64,000 and disbursed £61,000 from the fund. An amount of £nil is included in other creditors relating to undistributed funds that is repayable to EFA.

29 Events after the balance sheet date

The two most significant events post balance sheet date are the rebrokerage of Wigan UTC to Northern Schools Trust, and ongoing dialogue with the Education Funding Agency to secure the financial future of the Trust. Removal of Wigan UTC from Bright Futures Educational Trust will aid the move towards an in-year balanced budget but will remove assets from the Trust of circa £4.4 million.