



(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2018

Company Registration Number: 05067702 (England and Wales)



CONTENTS

	Page
Reference and Administrative Details	1
Trustees' Report	2 – 9
Governance Statement	10 – 12
Statement on Regularity, Propriety and Compliance	13
Statement of Trustees' Responsibilities	14
Independent Auditor's Report on the Financial Statements	15 – 16
Independent Reporting Accountant's Report on Regularity	17 – 18
Consolidated Statement of Financial Activities incorporating Income & Expenditure Account	19
Balance Sheets	20
Statement of Cash Flows	21
Notes to the Financial Statements	22 – 40

REFERENCE AND ADMINISTRATIVE DETAILS

Members	G Wainwright I Mooney R Vigurs R Blanchard D Hornby	
Trustees	G Wainwright N Ward S McKeown I Mooney L Hughes G Ashton	Chair of Trustees
Company Secretary	L Hughes	
Senior Management Team	N Ward L Hughes M Westerdale S McInerney I Parry S Potter E Delahunt	Chief Executive Director of Finance North Liverpool Academy The Studio School Liverpool Life Sciences UTC The Kingsway Academy Wigan UTC
Company Name	Northern Schools Trust	
Principal and Registered Office	120 Heyworth Street Liverpool L5 0SQ	
Company Registration Number	05067702 (England and Wales)	
Independent Auditor	HBD Accountancy Services LLP Gladstone House 2 Church Road Liverpool L15 9EG	
Bankers	HSBC 99-101 Lord Street Liverpool L2 6PG	
Solicitors	Stone King LLP 13 Queen Square Bath BA1 2HJ	

TRUSTEES' REPORT

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year ended 31 August 2018. The annual report serves the purposes of both a Trustees' report, and a directors' report under company law.

The Trust operates 4 secondary academies across the North West (2017/18: 5). Its academies have a combined pupil capacity of 3,450 and had a roll of 2,250 in the school census in October 2018.

Structure, Governance and Management

Constitution

The Trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Trust. The Trustees of the Northern Schools Trust are also the directors of the charitable company for the purposes of company law. The charitable company operates as Northern Schools Trust.

Details of the Trustees who served during the year are included in the Reference and Administrative Details on page 1.

Members' Liability

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

Trustees' Indemnities

In accordance with normal commercial practice the Trust has purchased insurance to protect Trustees, governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business.

Method of Recruitment and Appointment or Election of Trustees

The Trust board structure is as follows:

- Up to 9 Directors appointed by the Principal Sponsor (NLA Trust)
- Up to 3 Directors (chairman of a Trust Local Governing Body)
- The Chief Executive Officer
- Co-opted Directors (no limit)

The Trust will follow processes for any new recruits that are appropriate and use criteria for recruitment based on a review of the existing board membership.

Policies and Procedures Adopted for the Induction and Training of Trustees

The induction, training and support programme for Trustees will differ according to the nature of the post and the varying needs and experience of the individual concerned. There are, however, some general principles outlined below which should be common to all.

- It is expected that the incumbent Trustees will provide a good deal of practical help, advice, guidance and encouragement in all aspects of Governance and in enabling new Trustees to integrate into a new situation.
- Prior to taking up the appointment the new member will be welcome to visit the Academies as necessary to meet key people as appropriate.
- The Trust's Equality & Diversity and related policies will be applicable to all.
- The other Trustees will be informed of any new appointments.

TRUSTEES' REPORT (continued)

- Every Trustee should be prepared to offer support to new Trustees as appropriate. In some circumstances it may be advisable to appoint a short term mentor to provide individual support.

Organisational Structure

The management structure consists of three levels: the Board of the Company (Trustees), the Local Governing Body of each Academy and the Senior Management Team of each Academy. The aim of this structure is to devolve responsibility to those best able to make the appropriate decisions. The Trustees encourage staff contributions at all levels and collaboration between the Academies in the Trust.

The Trustees are there to support the local governing body, senior management team and the community in the running of the Trust, and have no ambition to run the Academies on a day-to-day basis. Along with this governance role the Trustees are there to give support and advice when asked and to be roving ambassadors for both the Trust and what it is trying to achieve.

Arrangements for setting pay and remuneration of key personnel

The remuneration of the Chief Executive is set by the Trust board. The Trust board delegates all other central services pay decisions to the Chief Executive. Central services staff pay is benchmarked against similar roles.

Each school has a Whole School Pay Policy which detailed how pay is set. The Local Governing Body of a school in conjunction with the Trust board set pay for the Principal.

Trade union facility time

Relevant union officials

Number of employees who were relevant union officials during the relevant period – 4

Full-time equivalent employee number – 4

Percentage of time spent on facility time

Percentage of time - 1% - 50%

Number of employees - 4

Percentage of pay bill spent on facility time

Total cost of facility time

£2,273

Total pay bill

£6,170,810

Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) × 100

0.04%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) × 100

0%

TRUSTEES' REPORT (continued)

Related Parties and other Connected Charities and Organisations

The Trust is connected to the following organisations via Trustee related parties:

Organisation	Related Trustee	Type of Interest
Knowsley Borough Council	S McKeown	Employee
Harper Collins Publishing	I Mooney	Employee
Impact Data Metrics Ltd	G Wainwright	Director
2Bio Ltd (to 30 May 2018)	G Wainwright	Director
Impact Science Ltd (to 30 May 2018)	G Wainwright	Director
Waimur Ltd	G Wainwright	Director
Neptune Brewery Ltd	G Wainwright	Director
Ideaswise Ltd	N Ward	Director
Liverpool City Region Academy Trust	N Ward	Director
UTC Lancashire	N Ward	Trustee
Impact Data Metrics Ltd	N Ward	Director
Geoff Ashton Consulting Ltd	G Ashton	Director
Feversham Education Trust	G Ashton	Director
Greater Manchester Sustainable Engineering UTC Ltd	G Ashton	Director
Kingsbridge SCITT (to 6 July 2018)	G Ashton	Operating Officer
Baker Dearing Educational Trust	G Ashton	Senior Education Adviser
Community First Multi Academy Trust (to 5 July 2018)	G Ashton	Director
Wigan Youth Zone	G Ashton	Board Member

Objectives and Activities

Objects and Aims

Northern Schools Trust was established to provide education for pupils of different abilities between the ages of 11 and 19.

The main objectives and aims of the Trust are summarised below:

- to raise the standards of educational achievement of all pupils;
- to ensure that every child enjoys the same high quality of education in terms of resourcing, tuition and care;
- to improve the effectiveness of the Trust by keeping the curriculum and organisational structure under continual review;
- to provide value for money for the funds expended;
- to comply with all appropriate statutory and curriculum requirements;
- to maintain close links with industry and commerce;
- to conduct business in accordance with the highest standards of integrity, probity, and openness;
- to provide supportive and challenging corporate governance to our schools, for the benefit of our students and their families.

Objectives, Strategies and Activities

Key activities and targets are identified in the Improvement and Development plan and are informed by the significant challenges and opportunities arising from national developments in education policy and funding.

TRUSTEES' REPORT (continued)

The current targets include;

- Raising student achievement;
- Becoming a Trust with Academies that are graded outstanding by Ofsted;
- Improving Teaching and Learning through the use of Technology;
- Creating a shared support service that provides the foundations for outstanding teaching and learning.
- Ensuring that every single student progresses whilst in our care.

Improvement and Developments plans are supported by detailed activity targets and success criteria.

Equal opportunities policy

The Trustees recognise that equal opportunities should be an integral part of good practice within the workplace. The Trust will aim to establish equal opportunity in all areas of its activities including creating a working environment in which the contribution and needs of all people will be fully valued.

The Trustees ensure that professional development opportunities are available to all employees.

Disabled persons

The policy of the Trust is to support recruitment and retention of students and employees with disabilities. The Trust does this by adapting the physical environment, by making support resources available and through training and career development.

Public Benefit

The Trust has given a high priority to providing public benefit to a cross section of the community, but perhaps the greatest benefit that the Trust can offer is the provision of an education that maximises each student's potential to develop principled, informed, open minded and confident citizens who respect the beliefs of others and who are determined to make a positive contribution to society.

The Trustees have considered the impact of the public benefit requirement when reviewing the aims and objectives and when planning activities in the future including the guidance issued by the Charity Commission.

Strategic Report

Achievements and Performance including Key Performance Indicators

The last year has been another of progress for both the Trust and the five schools within it. I would like to thank everyone who works in or attends our academies. The culture within our schools is all about student progression alongside strong pastoral support, so when our students leave us they are ready for the opportunities and challenges of the world of work or further education.

We are indebted also to the hard work and support of our industrial, NHS and university partners who tirelessly provide placement, educational and work opportunities for our students.

North Liverpool Academy based in the Anfield area of Liverpool is a popular school within the community and the demand for places remains strong. The school is a true community school, serving the needs of the community well and providing its resources for a host of local clubs, community groups as well as parents and carers.

TRUSTEES' REPORT (continued)

During 2017 the school achieved a Good Ofsted rating showing the progress the school has made and during the year plans were put in place to further strengthen the management team of the academy to continue the recent improvements. The school is solidly good but needs to be an outstanding school to fulfil its mission to the local community.

The summer exam results were in line with the national outcomes with a few departments performing well ahead of national outcomes.

The Governing body and senior leadership team will ensure that the North Liverpool Academy continues to have a transformational impact on the community it serves. They are dedicated to continue with the impressive improvement made over the last two years and at the next Ofsted inspection the target is for the school to be rated Outstanding.

Liverpool Life Sciences UTC is located on the edge of Liverpool city centre and bordering Toxteth. The school opened in September 2013 and was the first school in the UK specialising in Science and Health Care for 14 to 19 year olds.

The UTC is a new type of school, where industrial partners and local universities help to both shape the curriculum offer and support the school by utilising their resources or partners. The school is working hard to develop the love of all things science around the region and runs a number of Saturday clubs to encourage primary school students to experience hands-on science. It also has a programme of events for local primary schools, which give them access to state of the art facilities, which hopefully will inspire the next generation of scientists and health care professionals.

Ofsted comments such as "the UTC is a haven for pupils" and "the UTC provides an exciting, forward thinking curriculum for science and healthcare" clearly show how far the school has travelled in a relatively short period of time. Liverpool Life Sciences UTC has again supported 100% of students to achieve a positive destination. All students successfully moved on to further education, higher education, a job or apprenticeship. This summer six students secured places at UK medical schools, which is a new record for the UTC and we saw our first student gain a place at an Oxbridge college. Our student gained a place to read Medicine at Jesus College, Cambridge. The summer results, including both attainment and progress 8, were amongst the best in the city of Liverpool with strong performances at both GCSE and A level. Pleasingly, our UTC is in the top three UTCs nationally for exam outcomes.

The Studio, Liverpool, is a specialist school of just over three hundred students, between the ages of 14-19, who are keen on the digital technologies or the creative arts. It is a very forward thinking school which benefits from the significant input of over a dozen industrial partners alongside the support and encouragement of the local universities.

At its first ever inspection in 2015 The Studio was rated Good by Ofsted, with behaviour management and safety being graded as outstanding. For a new school this was a tremendous result and a suitable reward for all of the hard work from the staff and our external partners and supporters.

In a relatively short period of time the Studio has become a much loved school, very much a community school. It runs many community events drawing young people from around the region, with the monthly Saturday Coderdojo events being particularly popular.

The summer exam results at the Studio were on a par with the previous years, which one could describe as good to very good but there is work to be done to ensure all students progress against their peers nationally. As with Liverpool Life Sciences UTC, the Studio school managed to find suitable destinations for all of its students by the end of the academic year.

The Kingsway Academy joined the Northern Schools Trust in February 2015, it was formerly known as Wallasey School and was under the control of Wirral Local Authority. The school is important to the communities of Leasowe and Wallasey on the Wirral and the Northern Schools Trust committed significant time and resource to turning the school around with

TRUSTEES' REPORT (continued)

the support of the Local Authority and the Department for Education. However, at the time of joining the Trust there were some major challenges:

- Critical financial problems. The school has seen falling student numbers which were forecast to continue to fall. This resulted in over staffing of both teaching and support staff. In addition falling student numbers led to unsustainable PFI payments. The Trust dealt with over staffing and took steps to improve student numbers.
- Over supply of secondary school places at the northern tip of the Wirral. This was driving a number of local schools into financial difficulties and consolidation of schools, although discussed on many occasions, was not likely to happen over the course of the next couple of years.
- Upon formally accepting the school in to the Trust, the quality of teaching and learning was rated as inadequate by Ofsted. New strategies, processes and a new senior team were put in place and the challenge was to move towards achieving a Good Ofsted rating.
- Engagement with the community. Work had started on connecting with the community and getting more parents and carers into the school on a regular basis. With student numbers declining for a number of years, which dramatically effected the prospects for the school, it was always going to take time to turn around the reputation of the school but the process had started and the initial feedback was very positive.
- Prior to taking over the school it had a number of deeply concerning child protection issues. We moved very quickly to remove poor practices and behaviours within the school and we are confident that The Kingsway Academy was a very safe and secure place to be educated.

After discussions over the last two years with the Local Authority and the Department for Education, the Trustees of the Northern Schools Trust came to the decision to close The Kingsway Academy after the 2017/18 academic year. This decision was not taken lightly but low forecast student numbers and crippling legacy PFI payments led the Trustees and external stakeholders mentioned above to conclude that the school was not financially viable. This is a great shame and disappointing considering the hard work and dedication of the staff at The Kingsway Academy and those who supported the academy from around the trust - which has been highlighted by the much improved exam results in 2016/17.

The Academy closed at the end of the summer term and I can confirm that all of the students were accommodated in local schools during the academic year. The Trust put together a special projects team to work alongside the Department for Education and local authority to ensure that the students' needs were met prior to any other decision being made. A large percentage of students moved within weeks of the announcement, the remainder were taught in small groups for the completion of the academic year. The exam outcomes were encouraging and the progress 8 number showed a significant improvement on the previous years. Within the Northern Schools Trust we have a strong commitment to our teachers and although the student numbers fell by seventy five per cent during the final year, we kept a full staff complement employed. The student/teacher ratios clearly benefited our most challenged students. What was achieved by the senior leadership team at the Academy cannot be under estimated. When schools close the exam results often fall as does student attendance. The reality is that during the final year of operation all metrics improved at The Kingsway Academy and the closure plan supported by the DFE was delivered under budget by the Northern School Trust project team.

Wigan UTC joined Northern Schools Trust in February 2017 and specialises in engineering and health sciences. We are currently working with the local senior leadership team to ensure quality and variety in the curriculum and to that end a team from the Trust is working in the UTC to improve the quality of teaching and looking closely at the quality of the curriculum offer and provision for each student. The governing body has been restructured to both increase the support and challenge provided to the UTC. Student recruitment is our major concern at the moment as historically student numbers have been low at the UTC and it's clear that the Wigan local authority and local further education colleges are not able to support the development of a UTC in Wigan. This may well have a detrimental effect on the long term future of the UTC due to the current funding model in UK schools. However, the summer exam results were an improvement on previous years with particularly strong performance in Maths at GCSE and the BTEC exam results in the sixth form

TRUSTEES' REPORT (continued)

were well above national averages. Due to the work done by the senior leadership team and our industrial partners the destinations for our students have been outstanding.

Going Concern

After making appropriate enquiries, the Board of Trustees has a reasonable expectation that the 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. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Financial Review

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

The Trust also receives grants for fixed assets from the Department for Education. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charged over the expected useful life of the assets concerned.

During the year ended 31 August 2018, total expenditure of £36,010,000 was covered by grant funding from the Department for Education together with other incoming resources. The excess of expenditure over income for the year (excluding restricted fixed asset funds) was £1,391,000.

At 31 August 2018 the net book value of fixed assets was £42,373,000 and movements in tangible fixed assets are shown in note 12 to the accounts. The assets were used exclusively for providing education and the associated support services to the pupils of the Trust.

Reserves Policy

The Trust currently has £1,830,000 of unrestricted reserves. The Trustees have decided that all unrestricted reserves will be utilised in helping the Trust achieve its objectives.

The Trustees will endeavour to keep an appropriate level of GAG in reserve that it considers necessary for future operations and any capital projects or capital replacement.

The actuarial valuation of the pension scheme and the corresponding liability does not result in an immediate cash flow impact to the Trust. The Trustees are confident that any liabilities can be met as they fall due.

The current level of reserves is considered to be appropriate for the Trust. The reserves policy is reviewed annually.

Investment Policy

The Trust's investments policy is consistent with its Charitable Status. Investments must always be made in accordance with written procedures adopted by the Governing Body and must always ensure that the maximum integrity of such investments. The priority for the Trust since opening and during the period of capital build and student number growth has been to have cash invested in liquid investment products that bear no risk with its bankers HSBC and Santander.

Principal Risks and Uncertainties

The Trustees annually reviews risk management which involved identifying the types of risk the Trust faces and the systems in place or that needed to be implemented to mitigate against the risks the Trust faces. The Trust Risk Management strategy

TRUSTEES' REPORT (continued)

aims to ensure that the Trust complies with risk management best practice and sets out the current processes and responsibilities for risk management in the Trust.

The main risks facing the Trust are not delivering improved outcomes for pupil, actual and potential financial challenges due to changing in funding and cost growth, and instability of student numbers in non-traditional schools. The trustees' are satisfied that systems are in place to mitigate any of the risks identified.

The Risk Management Review identified and reviewed the following risk areas:

- Governance
- Operational
- Financial
- Environmental or external factors
- Compliance (law and regulation)

Plans for Future Periods

The Trust will continue to strive to improve both the attainment and progress of all of its students to provide them with the required life skills and confidence to progress in whichever direction they choose.

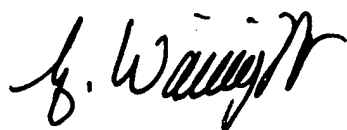
The Trust are considering alternative options for new schools to join the Trust. The Trust has a desire to grow and take on schools which fit both the ethos and culture of the Trust and which provide excellent educational provision in areas of economic and social disadvantage. However, the Trust recognises that quality of provision has priority over the desire to grow its' network of schools.

Auditor

Insofar as the trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware; and
- The trustees have taken all 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.

Trustees' report, incorporating a strategic report, approved by order of the board of trustees, as the company directors, on 19 December 2018 and signed on the board's behalf by:



G Wainwright

Chair of Trustees

GOVERNANCE STATEMENT

Scope of Responsibility

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

The Board of Trustees has delegated the day-to-day responsibility to the Chief Executive, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Northern Schools Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees has formally met 5 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible	
N Ward	5	5	Chief Executive
G Wainwright	4	5	Chair of Trustees
I Mooney	4	5	
S McKeown	4	5	
L Hughes	4	5	
G Ashton	2	5	

The audit committee is also a sub-committee of the main board of the Trustees. Its purpose is to minimise risk, by identifying key areas of risk and mitigating those, in conjunction to safeguarding the Trust's assets. Attendance during the year at meetings of the audit committee was as follows:

Trustee	Meetings attended	Out of a possible	
G Wainwright	4	4	
S McKeown	3	4	
I Mooney	3	3	From 27/02/2018
R Dubrow-Marshall	2	4	From 18/12/2017

Review of Value for Money

As Accounting Officer the Chief Executive has responsibility for ensuring that the 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 appropriate. The Accounting Officer for the Trust has delivered improved value for money during the year by:

- Better purchasing – ensuring value for money
- Maximising income generation
- Managing cash

GOVERNANCE STATEMENT (continued)

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of 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 Northern Schools Trust for the year ended 31 August 2018 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Board of Trustees has reviewed the key risks to which the 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 on-going process for identifying, evaluating and managing the Trust's significant risks that has been in place for the year ended 31 August 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

The Risk and Control Framework

The Trust's system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Trustees;
- regular reviews by the finance and general purposes committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

The Board of Trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However the Trustees have appointed HBD Accountancy Services LLP, the external auditor, to perform additional checks.

The external auditor's role includes giving advice on financial matters and performing a range of checks on the Trust's financial systems. In particular the checks carried out in the current period include:

- testing of payroll systems;
- testing of purchase systems;
- testing of control account / bank reconciliations;

On a quarterly basis, the auditor reports to the Board of Trustees, through the audit committee on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.

The Trustees confirm that the external auditor has delivered their schedule of work as planned and has been delivered in line with the ESFA's requirements.

GOVERNANCE STATEMENT (continued)

Review of Effectiveness

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

- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the executive managers within the 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 committee and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on 19 December 2018 and signed on its behalf by:



G Wainwright

Chair of Trustees



N Ward

Accounting Officer

NORTHERN SCHOOLS TRUST

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Northern Schools Trust have considered my responsibility to notify the academy Trust Board of Trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the Trust, 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 2017.

I confirm that I and the Academy Trust Board of Trustees are able to identify any material irregular or improper use of all 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 2017.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Board of Trustees and ESFA.



N Ward

Accounting Officer

19 December 2018

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees (who are also the 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 Academies Accounts Direction published by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the trustees to prepare 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, for that period. 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 2017 to 2018
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 charitable 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 with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from ESFA/DfE have been applied for the purposes intended.

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

Approved by order of the members of the board of trustees on 19 December 2018 and signed on its behalf by:



G Wainwright

Chair of Trustees

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE BOARD OF TRUSTEES OF NORTHERN SCHOOLS TRUST (continued)

Opinion

We have audited the accounts of Northern Schools Trust for the year ended 31 August 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education & Skills Funding Agency.

In our opinion the accounts:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the accounts' section of our report. We are independent of the Academy Trust in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE BOARD OF TRUSTEES OF NORTHERN SCHOOLS TRUST (continued)

- the information given in the trustees' report including the incorporated strategic report for the financial year for which the accounts are prepared is consistent with the accounts; and
- the trustees' report including the incorporated strategic report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Academy Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' report, including the incorporated strategic report.

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

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

Responsibilities of Trustees

As explained more fully in the statement of trustees' responsibilities, the Trustees are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the Trustees are responsible for assessing the Academy Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charitable company, or have no realistic alternative but to do so.


Auditor's responsibilities for the audit of the accounts

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

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

Use of our report

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



Benjamin Russell BSc ACA (Senior Statutory Auditor)
for and on behalf of HBD Accountancy Services LLP

20 December 2018

Chartered Accountants

Statutory Auditor

Gladstone House, 2 Church Road, Liverpool, L15 9EG

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO NORTHERN SCHOOLS TRUST AND THE EDUCATION FUNDING AGENCY

In accordance with the terms of our engagement letter and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Northern Schools Trust during the year ended 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Northern Schools Trust and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Northern Schools Trust and ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Northern Schools Trust and ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Northern Schools Trust's Accounting Officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of Northern Schools Trust's funding agreement with the Secretary of State for Education dated 17 May 2013 and the Academies Financial Handbook, extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year ended 31 August 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2017 to 2018 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw to our conclusion includes:

- Review of minutes, management accounts and discussions held with key personnel;
- Evaluation of internal control procedures and reporting lines, and the implementation of such controls as were considered relevant, was checked;
- Review of financial transactions for any unusual transactions which maybe improper;
- Ensure that expenditure does not contravene the funding agreement;
- Ensure that key staff and Trustees declared their interest in related parties and followed this up with discussion and testing.

NORTHERN SCHOOLS TRUST

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO NORTHERN SCHOOLS TRUST AND THE EDUCATION FUNDING AGENCY (continued)

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year ended 31 August 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Benjamin Russell BSc ACA (Reporting Accountant)
for and on behalf of HBD Accountancy Services LLP

20 December 2018

Chartered Accountants
Gladstone House, 2 Church Road, Liverpool, L15 9EG
20 December 2018

NORTHERN SCHOOLS TRUST

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 AUGUST 2018 (INCLUDING INCOME AND EXPENDITURE ACCOUNT)

		Unrestricted	Restricted	Restricted	2017/18	2016/17
	Note	Funds	General	Fixed	Total	Total
		£000	£000	Asset	£000	£000
Incoming and endowments from:						
Donations and capital grants	2	-	-	153	153	4,555
Charitable activities:						
Funding for the Trust's educational operations	3	42	17,278	-	17,320	17,776
Other trading activities	4	321	-	-	321	338
Investments	5	2	-	-	2	4
Total		<u>365</u>	<u>17,278</u>	<u>153</u>	<u>17,796</u>	<u>22,673</u>
Expenditure on:						
Charitable activities:						
Trust educational operations		289	18,731	1,932	20,952	21,267
Exceptional costs	6	-	-	15,044	15,044	-
Total	6,7	<u>289</u>	<u>18,731</u>	<u>16,976</u>	<u>35,996</u>	<u>21,267</u>
Net income / (expenditure)		76	(1,453)	(16,823)	(18,200)	1,406
Transfers between funds	15	(31)	26	5	-	-
Other recognised gains / (losses):						
Actuarial (losses) / gains on defined benefit pension schemes	15,24	-	1,525	-	1,525	864
Net movement in funds		45	98	(16,818)	(16,675)	2,270
Reconciliation of funds						
Total funds brought forward		1,785	(7,808)	59,191	53,168	50,898
Total funds carried forward		<u>1,830</u>	<u>(7,710)</u>	<u>42,373</u>	<u>36,493</u>	<u>53,168</u>

All of the Trust's activities derive from continuing operations during the above two financial periods.

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

NORTHERN SCHOOLS TRUST

BALANCE SHEETS AS AT 31 AUGUST 2018

Company Number 05067702

		Group		Company	
	Notes	2018 £000	2017 £000	2018 £000	2017 £000
Fixed assets					
Tangible assets	12	42,373	59,191	42,373	59,191
Current assets					
Debtors	13	956	1,204	956	1,209
Cash at bank and in hand		1,039	1,548	1,039	1,543
		<u>1,995</u>	<u>2,752</u>	<u>1,995</u>	<u>2,752</u>
Liabilities					
Creditors: Amounts falling due within one year	14	(1,939)	(2,021)	(1,939)	(2,021)
Net current assets		<u>56</u>	<u>731</u>	<u>56</u>	<u>731</u>
Net assets excluding pension liability		<u>42,429</u>	<u>59,922</u>	<u>42,429</u>	<u>59,922</u>
Defined benefit pension scheme liability	24	(5,936)	(6,754)	(5,936)	(6,754)
Total net assets		<u>36,493</u>	<u>53,168</u>	<u>36,493</u>	<u>53,168</u>
Funds of the multi academy trust:					
Restricted funds					
Fixed asset fund	15	42,373	59,191	42,373	59,191
Restricted income fund	15	(1,774)	(1,054)	(1,774)	(1,054)
Pension reserve	15	(5,936)	(6,754)	(5,936)	(6,754)
Total restricted funds		<u>34,663</u>	<u>51,383</u>	<u>34,663</u>	<u>51,383</u>
Unrestricted income funds	15	1,830	1,785	1,830	1,785
Total funds		<u>36,493</u>	<u>53,168</u>	<u>36,493</u>	<u>53,168</u>

The financial statements on pages 19 to 40 were approved by the trustees, and authorised for issue on 19 December 2018 and are signed on their behalf by:



G Wainwright

Chair of Trustees

NORTHERN SCHOOLS TRUST

STATEMENT OF CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2018

	Notes	2018 £000	2017 £000
Cash flows from operating activities			
Net cash provided by (used in) operating activities	19	(521)	(651)
Cash flows from investing activities	20	12	(37)
Change in cash and cash equivalents in the reporting period		<u>(509)</u>	<u>(688)</u>
Cash and cash equivalents at 1 September 2017		1,548	2,236
Cash and cash equivalents at 31 August 2018	21	<u>1,039</u>	<u>1,548</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

1 Statement of accounting policies

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgements and key sources of estimation uncertainty, is set out below.

1.1 Basis of preparation

The financial statements of the Trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Northern Schools Trust meets the definition of a public benefit entity under FRS 102.

1.2 Consolidated accounts

The group financial statements consolidate the financial statements of the company and all its subsidiaries.

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are de-consolidated from the date on which control ceases.

All intra-group transactions are eliminated as part of the consolidation process. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

1.3 Going concern

The Trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Income

All incoming resources are recognised when the multi academy trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

Grants

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of Financial Activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised in full when there is an unconditional entitlement to the grant. Unspent amounts of capital grants are reflected in the balance sheet in the restricted fixed asset fund. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (continued)

1 Accounting policies (continued)

Sponsorship income

Sponsorship income provided to the Trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

Donations

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

Other income

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

Donated goods, facilities and services

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

Transfer of existing academies into the Trust

Where assets are received on the transfer of an existing academy into the Trust, the transferred assets are measured at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to the Trust, which is on signing of the transfer agreement with the transferring Trust. An equal amount of income is recognised for the Transfer of an existing Academy into the Trust within Donations and capital grant income.

Donated fixed assets

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 the useful economic life in accordance with the Trust's accounting policies.

1.5 Expenditure

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

Expenditure on Raising Funds

This includes all expenditure incurred by the 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 Trust's educational operations, including support costs and costs relating to the governance of the Trust apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (continued)

1 Accounting policies (continued)

1.6 Tangible fixed assets

Assets costing £500 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	Over 50 years
Long leasehold buildings	Over 50 years
Fixtures, fittings and equipment	20% on cost
ICT equipment	25% on cost
Motor Vehicles	25% on cost

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

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 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

Provisions are recognised when the 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.

1.7 Leased Assets

Rentals under operating leases are charged on a straight line basis over the lease term.

1.8 Investments

The Trust's shareholding in the wholly owned subsidiaries is included in the balance sheet at the cost of the share capital owned less any impairment. There is no readily available market value and the cost of valuation exceeds the benefit derived.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (continued)

1 Accounting policies (continued)

1.9 Financial Instruments

The Trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the Trust and their measurement basis are as follows:

Financial assets – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 13. Prepayments are not financial instruments. Amounts due to the charity's wholly owned subsidiary are held at face value less any impairment.

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

Financial liabilities – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 14. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument. Amounts due to charity's wholly owned subsidiary are held at face value less any impairment.

1.10 Taxation

The multi academy trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Accordingly, the Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by part 11, chapter 3 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.11 Pensions Benefits

Retirement benefits to employees of the Trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded multi-employer scheme and the assets are held separately from those of the Trust in separate Trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (continued)

1 Accounting policies (continued)

1.12 Fund Accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Education and Skills Funding Agency/Department for Education.

1.13 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.

Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Donations and capital grants

	Unrestricted Funds £000	Restricted Funds £000	Total 2017/18 £000	Total 2016/17 £000
Capital grants	-	118	118	126
Transfer of existing academy	-	-	-	4,236
Donated fixed assets	-	35	35	183
Donations				10
	-	153	153	4,555
2017 total	-	4,555	4,555	

NORTHERN SCHOOLS TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (continued)

3 Funding for the Multi Academy Trust's educational operations

	Unrestricted Funds £000	Restricted Funds £000	2017/18 Total £000	2016/17 Total £000
DfE/ESFA grants				
General Annual Grant (GAG)	-	13,977	13,977	15,532
Start Up Grants	-	-	-	52
Other DfE/ESFA grants		3,084	3,084	1,837
	-	17,061	17,061	17,421
Other Government grants				
Local authority grants	-	85	85	108
	-	85	85	108
Other income from the Trust's educational operations	42	132	174	247
	42	17,278	17,320	17,776
2017 total	178	17,598	17,776	

4 Other trading activities

	Unrestricted Funds £000	Restricted Funds £000	2017/18 Total £000	2016/17 Total £000
Sundry income	4	-	4	16
Student catering	239	-	239	246
Hire of facilities	78	-	78	76
	321	-	321	338
2017 total	338	-	338	

5 Investment income

	Unrestricted Funds £000	Restricted Funds £000	2017/18 Total £000	2016/17 Total £000
Short term deposits	2	-	2	4
	2	-	2	4
2017 total	4	-	4	

NORTHERN SCHOOLS TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (continued)

6 Expenditure

	Staff costs £000	Premises £000	Other £000	Exceptional £000	2017/18 Total £000	2016/17 Total £000
Direct costs	11,261	1,560	1,604	15,044	29,469	15,314
Allocated support costs	3,118	2,156	1,253	-	6,527	5,953
	<u>14,379</u>	<u>3,716</u>	<u>2,857</u>	<u>15,044</u>	<u>35,996</u>	<u>21,267</u>
					2017/18 £000	2016/17 £000
Operating lease rentals					767	602
Depreciation / Impairment					16,976	1,922
(Profit)/loss on disposal of fixed assets					(15)	-
Fees payable to auditor - audit					16	15
- other services					10	11

Exceptional costs

As a consequence of the closure of The Kingsway Academy the property occupied by the academy has been transferred back to the local authority. Exceptional costs relate to the impairment of the fixed assets transferred back at time of closure.

7 Charitable activities

	2017/18 £000	2016/17 £000
Direct costs	14,425	15,314
Direct costs - exceptional	15,044	-
Support costs	<u>6,527</u>	<u>5,953</u>
	<u>35,996</u>	<u>21,267</u>
	2017/18 £000	2016/17 £000
Allocated support costs		
Support staff costs	3,118	2,747
Depreciation	357	435
Technology costs	70	57
Premises costs	1,799	1,548
Other support costs	1,059	1,046
Governance costs	<u>124</u>	<u>120</u>
	<u>6,527</u>	<u>5,953</u>

NORTHERN SCHOOLS TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (continued)

8 Staff

a. Staff costs

Staff costs during the period were:

	2017/18 £000	2016/17 £000
Wages and salaries	10,039	10,685
Social security costs	965	1,039
Operating costs of defined benefit pension schemes	2,256	2,185
Apprenticeship levy	35	16
	13,295	13,925
Supply costs	974	746
Staff restructuring costs	110	123
	14,379	14,794
Staff restructuring costs comprise:		
Redundancy payments	77	-
Severance payments	33	123
	110	123

b. Non statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £33,204 (2017: £122,945). 3 of these payments were non-statutory/non-contractual payments and individually these payments were £9,660, £20,753 and £2,791.

c. Staff numbers

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

	2017/18 No.	2016/17 No.
Teachers	184	202
Administration and support	182	181
Management	6	6
	372	389

d. Higher paid staff

The number of employees benefits (excluding employer pension costs) exceeded £60,0000 was:

	2017/18 No.	2016/17 No.
£60,001 to £70,000	5	2
£70,001 to £80,000	3	7
£80,001 to £90,000	2	1
£130,001 to £140,000	1	1
£150,001 to £160,000	1	1

e. The key management personnel of the Trust comprise the Trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the Trust was £719,223 (2017: £611,913).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (continued)

9 Central Services

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

- | | |
|-------------------------|-------------------------|
| - human resources | - data |
| - financial management | - IT management |
| - marketing | - facilities management |
| - enterprise management | |

Charges of 5% of General Annual Grant (GAG) were made for these services in the year. Services provided in addition to the above are charged to the relevant academy on a cost basis.

The actual amounts charged during the year were as follows:

	2017/18 £000	2016/17 £000
North Liverpool Academy	522	415
The Studio, Liverpool	118	108
Liverpool Life Sciences UTC	199	204
The Kingsway Academy	181	165
Wigan UTC	100	13
	1,120	905

10 Related Party Transactions - Trustees' remuneration and expenses

Two Trustees has been paid remuneration or has received other benefits from an employment with the Trust. The staff Trustees only receive remuneration in respect of services they provide undertaking the roles of staff members under their contracts of employment.

The value of Trustee's remuneration was as follows:

N Ward (Chief Executive)

Remuneration £155,000 - £160,000 (2017: £155,000 - £160,000)

Employer's pension contributions paid £15,000 - £20,000 (2017: £15,000 - £20,000)

L Hughes (Director of Finance)

Remuneration £50,000 - £55,000 (2017: £50,000 - £55,000)

Employer's pension contributions paid £5,000 - £10,000 (2017: £5,000 - £10,000)

During the year ended 31 August 2018, travel and subsistence expenses totalling £1,652 (2017: £4,080) were reimbursed to 3 Trustees (2017: 3).

11 Trustees' and officers' insurance

In accordance with normal commercial practice the Trust has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the year ended 31 August 2018 was a part of the total cost for combined financial lines insurance of £7,840 (2017: £7,000). The cost of this insurance is included in the total insurance cost.

NORTHERN SCHOOLS TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (continued)

12 Tangible fixed assets (group and company)

	Freehold property	Leasehold property	Computer equipment	Furniture and equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 September 2017	9,912	54,845	4,932	5,159	119	74,967
Additions	-	-	63	46	49	158
Disposals	-	(16,191)	(212)	(74)	(47)	(16,524)
At 31 August 2018	9,912	38,654	4,783	5,131	121	58,601
Depreciation						
At 1 September 2017	654	6,307	4,366	4,346	103	15,776
Charge for the year	198	16,134	334	287	23	16,976
Disposals	-	(16,191)	(212)	(74)	(47)	(16,524)
At 31 August 2018	852	6,250	4,488	4,559	79	16,228
Net book values						
At 31 August 2018	9,060	32,404	295	572	42	42,373
At 31 August 2017	9,258	48,538	566	813	16	59,191

The Trust's transactions relating to land and buildings included the disposal of The Kingsway Academy site leasehold due to the school closure.

13 Debtors

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Trade debtors	9	13	9	13
VAT recoverable	118	331	118	336
Other debtors	11	17	11	17
Prepayments and accrued income	818	843	818	843
	956	1,204	956	1,209

14 Creditors (group and company): amounts falling due within one year

	2018	2017
	£000	£000
Trade creditors	371	801
Taxation and social security	242	266
ESFA creditor: abatement of GAG	609	395
Accruals and deferred income	717	559
	1,939	2,021

NORTHERN SCHOOLS TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (continued)

14 Creditors (group and company): amounts falling due within one year (continued)

Deferred income

	2018 £000	2017 £000
Deferred income at 1 September 2017	352	304
Released from previous years	(352)	(304)
Resources deferred in the year	441	352
Deferred income at 31 August 2018	<u>441</u>	<u>352</u>

Deferred income held at 31 August 2018 relates to amounts received for the devolved formula capital grant, the Bursary fund, rates relief and a grant in the year to 31 August 2018 but which relate to the periods after this date.

15 Funds

	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2018 £000
Restricted general funds					
General Annual Grant (GAG)	(1,054)	13,977	(15,430)	733	(1,774)
Pupil premium	-	1,029	(1,029)	-	-
Other DfE/ESFA grants	-	2,055	(2,055)	-	-
Local authority grants	-	85	(85)	-	-
Other grants	-	132	(132)	-	-
Pension reserve	(6,754)	-	-	818	(5,936)
	<u>(7,808)</u>	<u>17,278</u>	<u>(18,731)</u>	<u>1,551</u>	<u>(7,710)</u>
Restricted fixed asset funds					
Capital grant	25,521	118	(7,320)	-	18,319
Capital expenditure from GAG	3,457	-	(991)	5	2,471
Other	30,213	35	(8,665)	-	21,583
	<u>59,191</u>	<u>153</u>	<u>(16,976)</u>	<u>5</u>	<u>42,373</u>
Total restricted funds	<u>51,383</u>	<u>17,431</u>	<u>(35,707)</u>	<u>1,556</u>	<u>34,663</u>
Unrestricted funds	1,785	365	(289)	(31)	1,830
Total funds	<u>53,168</u>	<u>17,796</u>	<u>(35,996)</u>	<u>1,525</u>	<u>36,493</u>

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

- The General Annual Grant (GAG) is used to meet the day to day working capital commitments of the Trust. Under the funding agreement with the Secretary of State, the Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2018.
- Start up grants are used to meet the costs of purchasing basic stock and teaching materials, the transitional costs and the diseconomies of scale arising on opening of an Academy.
- Pupil premium funds activities that raise the attainment of disadvantaged pupils of all abilities and to close the gaps between them and their peers.
- Other DfE/ESFA grants is mainly made up of amounts received for deficit funding, rates relief, the 16-19 bursary fund and transitional funding.
- Local authority grants are mainly used to meet special educational needs costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (continued)

15 Funds (continued)

- Other grants are used to meet costs of a specific project.
- The pension fund relates to the Trust's share of the deficit of the Local Government Pension Scheme (note 24).
- The capital grant has been used to fund the costs to date of computer and specialist equipment.

The Trustees have reviewed the balance on restricted general funds (excluding pension reserve) plus the balance on unrestricted funds at 31 August 2018. They consider that the current level of funds is sufficient for the Trusts future needs.

Analysis of academies by fund balance

Fund balances at 31 August were allocated as follows:

	Total £000
Central services	240
North Liverpool Academy	3,520
The Studio, Liverpool	(507)
Liverpool Life Sciences UTC	(776)
The Kingsway Academy	(1,905)
Wigan UTC	(516)
Total before fixed assets and pension reserve	<u>56</u>
Restricted fixed asset fund	42,373
Pension reserve	(5,936)
Total	<u>36,493</u>

Liverpool Life Sciences UTC is carrying a net deficit of £776k on these funds due to claw back of funding due to pupil number adjustments. The Trust has a repayment plan to return the academy to surplus.

The Studio, Liverpool is carrying a net deficit of £507k on these funds due to claw back of funding due to pupil number adjustments. The Trust has a repayment plan to return the academy to surplus.

The Kingsway Academy is carrying a net deficit of £1,905k on these funds due to redundancy costs and overstaffing. The Kingsway Academy closed at the end of the 2017/18 academic year.

Wigan UTC is carrying a net deficit of £516k funds due to claw back of funding due to pupil number adjustments. A recovery plan is in place with the ESFA.

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	2017/18 Total £000	2016/17 Total £000
Central services	94	527	-	79	700	1,021
North Liverpool Academy	5,753	1,125	708	1,066	8,652	9,200
The Studio	1,198	160	140	154	1,652	1,699
Liverpool Life Sciences UTC	1,803	316	259	743	3,121	2,898
The Kingsway Academy	1,907	291	132	1,106	3,436	3,830
Wigan UTC	901	204	62	291	1,458	698
Academy Trust	<u>11,656</u>	<u>2,623</u>	<u>1,301</u>	<u>3,439</u>	<u>19,019</u>	<u>19,346</u>

NORTHERN SCHOOLS TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (continued)

15 Funds (continued)

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

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2017 £000
Restricted general funds					
General Annual Grant (GAG)	(535)	15,532	(16,942)	891	(1,054)
Start up grants	-	52	(52)	-	-
Pupil premium	-	1,113	(1,113)	-	-
Other DfE/ESFA grants	-	724	(724)	-	-
Local authority grants	-	108	(108)	-	-
Other grants	-	79	(79)	-	-
Pension reserve	(6,808)	-	-	54	(6,754)
	<u>(7,343)</u>	<u>17,608</u>	<u>(19,018)</u>	<u>945</u>	<u>(7,808)</u>
Restricted fixed asset funds					
Capital grant	26,225	126	(830)	-	25,521
Capital expenditure from GAG	3,528	-	(112)	41	3,457
Other	26,705	183	(980)	4,305	30,213
	<u>56,458</u>	<u>309</u>	<u>(1,922)</u>	<u>4,346</u>	<u>59,191</u>
Total restricted funds	<u>49,115</u>	<u>17,917</u>	<u>(20,940)</u>	<u>5,291</u>	<u>51,383</u>
Unrestricted funds	1,783	520	(327)	(191)	1,785
Total funds	<u>50,898</u>	<u>18,437</u>	<u>(21,267)</u>	<u>5,100</u>	<u>53,168</u>

NORTHERN SCHOOLS TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (continued)

15 Funds (continued)

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

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2018 £000
Restricted general funds					
General Annual Grant (GAG)	(535)	29,509	(32,372)	1,624	(1,774)
Pupil premium	-	1,081	(1,081)	-	-
Start up grants	-	1,113	(1,113)	-	-
Other DfE/ESFA grants	-	2,779	(2,779)	-	-
Local authority grants	-	193	(193)	-	-
Other grants	-	211	(211)	-	-
Pension reserve	(6,808)	-	-	872	(5,936)
	<u>(7,343)</u>	<u>34,886</u>	<u>(37,749)</u>	<u>2,496</u>	<u>(7,710)</u>
Restricted fixed asset funds					
Capital grant	26,225	244	(8,150)	-	18,319
Capital expenditure from GAG	3,528	-	(1,103)	46	2,471
Other	26,705	218	(9,645)	4,305	21,583
	<u>56,458</u>	<u>462</u>	<u>(18,898)</u>	<u>4,351</u>	<u>42,373</u>
Total restricted funds	<u>49,115</u>	<u>35,348</u>	<u>(56,647)</u>	<u>6,847</u>	<u>34,663</u>
Unrestricted funds	1,783	885	(616)	(222)	1,830
Total funds	<u>50,898</u>	<u>36,223</u>	<u>(57,263)</u>	<u>6,625</u>	<u>36,493</u>

16 Analysis of net assets between funds

	Unrestricted Funds £000	Restricted Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets	-	-	42,373	42,373
Current assets	1,830	165	-	1,995
Current liabilities	-	(1,939)	-	(1,939)
Pension scheme liability	-	(5,936)	-	(5,936)
Total net assets	<u>1,830</u>	<u>(7,710)</u>	<u>42,373</u>	<u>36,493</u>

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

	Unrestricted Funds £000	Restricted Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets	-	-	59,191	59,191
Current assets	1,785	967	-	2,752
Current liabilities	-	(2,021)	-	(2,021)
Pension scheme liability	-	(6,754)	-	(6,754)
Total net assets	<u>1,785</u>	<u>(7,808)</u>	<u>59,191</u>	<u>53,168</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (continued)

17 Capital commitments

There are no capital commitments contracted for but not provided in the financial statements.

18 Commitments under operating leases

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

	2018 £000	2017 £000
Operating leases		
Amounts due within one year	-	746
	<u>-</u>	<u>746</u>

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

	2017/18 £000	2016/17 £000
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	(18,200)	1,406
Assets gained on transfer	-	(4,305)
Defined benefit pension scheme obligation inherited	-	189
Depreciation (note 12)	16,976	1,922
Capital grants from DfE and other capital	(153)	(309)
(Loss)/profit on disposal of tangible fixed assets	(15)	-
Interest receivable (note 5)	(2)	(4)
Defined benefit pension scheme cost less contributions payable	578	463
Defined benefit pension scheme finance cost	115	146
Defined benefit pension administration costs	14	12
(Increase)/decrease in debtors	248	(501)
Increase/(decrease) in creditors	(82)	330
Net cash provided by / (used in) Operating Activities	<u>(521)</u>	<u>(651)</u>

20 Cash flows from investing activities

	2017/18 £000	2016/17 £000
Dividends, interest and rents from investments	2	4
Profit on sale of tangible fixed assets	15	-
Purchase of tangible fixed assets	(158)	(350)
Capital grants from DfE/ESFA	153	309
Net cash provided by / (used in) investing activities	<u>12</u>	<u>(37)</u>

21 Analysis to changes in net funds

	2018 £000	2017 £000
Cash in hand and at bank	1,039	1,548
	<u>1,039</u>	<u>1,548</u>

22 Contingent liabilities

There are no contingent liabilities of which the Trustees are aware of as at 31 August 2018 which need to be reflected in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (continued)

23 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.

24 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 Scheme (LGPS) for non-teaching staff, which is managed by [name]. 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 2016.

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

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

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

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £1,011,789 (2017: £1,129,083).

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

Under the definitions set out in FRS 102, the TPS is an unfunded multi-employer pension scheme. The 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (continued)

24 Pension and similar obligations (continued)

Local Government Pension Scheme

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 2018 was £660,446 (2017: £615,178), of which employer's contributions totalled £479,622 (2017: £436,254) and employees' contributions totalled £180,824 (2017: £178,924). The agreed contribution rates for future years are 11.10 – 18.60 per cent for employers and 5.5 – 12.5 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.

At the 2016 actuarial valuation North Liverpool Academy, The Studio, Liverpool Life Sciences UTC, The Kingsway Academy and Wigan UTC schemes were in deficit. Excluding The Studio and Wigan UTC, additional contributions are made in addition to normal funding levels. The implied recovery period from 1 April 2017 is 18-19 years.

Principal actuarial assumptions

	2018	2017
Rate of increase in salaries	3.1 – 3.7%	3.2 – 3.7%
Rate of increase for pensions in payment / inflation	2.1 – 2.2%	2.2 – 2.4%
Discount rate for scheme liabilities	2.8 – 2.9%	2.4 – 2.5%
Inflation assumption (CPI)	2.1 – 2.3%	2.2 – 2.4%
Commutation of pensions to lump sums	55%	50.0%

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

	2018	2017
<i>Retiring today</i>		
Males	21.5 – 22.0	21.5 – 21.9
Females	24.1 – 24.8	24.1 – 24.7
<i>Retiring in 20 years</i>		
Males	23.7 – 25.0	23.7 – 24.9
Females	26.2 – 27.8	26.2 – 27.7

Sensitivity analysis

	2018	2017
	£000	£000
Merseyside Pension Fund		
Base figure	9,225	12,970
Discount rate +0.1%	8,979	12,639
CPI rate +0.1%	9,477	13,310
Pay growth +0.1%	9,276	13,067
Mortality assumption – 1 year increase	9,394	13,210

The 2018 analysis does not include figures for The Kingsway Academy.

Greater Manchester Pension Fund

Base figure	713	650
Discount Rate -0.5%	795	732
Salary Increase Rate +0.5%	734	673
Pension Increase Rate +0.5%	773	707

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (continued)

24 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

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

	2018 £000	2017 £000
Equities	3,561	3,689
Government bonds	209	219
Other bonds	811	848
Property	597	539
Cash/liquidity	239	331
Other	1,265	1,240
Total market value of assets	6,682	6,866

The actual return on scheme assets was £493,000 (2017: £720,000).

Amounts recognised in the Statement of Financial Activities

	2017/18 £000	2016/17 £000
Current service cost	(939)	(887)
Interest income	227	156
Settlements	(129)	-
Interest cost	(342)	(302)
Administration expenses	(14)	(12)
Total amount recognised in the SOFA	(1,197)	(1,045)

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

	2017/18 £000	2016/17 £000
At 1 September	13,620	13,334
Transferred in on existing academies joining the Trust	-	565
Current service cost	939	887
Interest cost	342	302
Employee contributions	178	175
Actuarial (gain)/loss	(1,197)	(1,521)
Settlements	(3,859)	-
Benefits paid	(74)	(122)
At 31 August	9,949	13,620

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018 (continued)

24 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

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

	2017/18 £000	2016/17 £000
At 1 September	6,866	6,526
Transferred in on existing academies joining the Trust	-	376
Return on plan assets (excluding net interest on the net defined pension liability)	227	156
Actuarial gains / (losses)	328	(657)
Administration Expenses	(14)	(12)
Employer contributions	490	424
Employee contributions	178	175
Settlements	(3,988)	-
Benefits paid	(74)	(122)
At 31 August	4,013	6,866

A balance of £2,680k to close The Kingsway Academy pension scheme is included in the defined benefit pension scheme liability. Merseyside Pension Fund have provided an approximate value for termination. Membership information at termination are not yet finalised so full calculations have not yet been carried out. As a result the figures included are subject to change.

25 Related party transactions

Owing to the nature of the Trust's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Trust's financial regulations and normal procurement procedures.

During the year the following related party transactions took place:

- £3,167 paid to Harper Collins Publishing for books. There was a balance due of £473 at the balance sheet date.
- £10,800 was paid to the Baker Dearing Educational Trust for a UTC Brand and Technical Services Agreement. There was no balance due at the balance sheet date.
- £3,300 was paid to Global Maintenance Ltd for use of the Wigan Youth Zone pitch. There was no balance due at the balance sheet date.
- £7,000 was received from UTC Lancashire to North West Academy Services Ltd for support services relating to the closure of the UTC. There was no balance due at the balance sheet date.

26 Agency arrangements

The Trust distributes 16-19 bursary funds to students as an agent for ESFA. In the accounting period ending 31 August 2018 the Trust received £84,117 and disbursed £53,919 from the fund. An amount of £286,093 is included in other creditors relating to undistributed funds that is repayable to ESFA.