

Registered number: 7211219 (England & Wales)

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**LONDON ACADEMIES ENTERPRISE TRUST**  
**(A Company Limited by Guarantee)**

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**Annual Report and Financial Statements**

**For the Year Ended 31<sup>st</sup> August 2017**

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**LONDON ACADEMIES ENTERPRISE TRUST**  
**(A Company Limited by Guarantee)**

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## **LONDON ACADEMIES ENTERPRISE TRUST**

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### **Reference and Administrative Details of the Academy trust, its Trustees and Advisers For the Year Ended 31<sup>st</sup> August 2017**

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#### **Members**

Academies Enterprise Trust

#### **Trustees**

I Comfort, Chief Executive (resigned 5<sup>th</sup> January 2017)  
M Walker, Trustee (resigned 26<sup>th</sup> July 2017)  
M Lees, Trustee (resigned 31<sup>st</sup> December 2016)  
A Thraves (appointed 5<sup>th</sup> January 2017)  
C Drinkall, Chief Executive (appointed 5<sup>th</sup> January 2017)  
J Chin, Trustee (appointed 5<sup>th</sup> January 2017)  
J Boyer, Chair (appointed as Trustee 5<sup>th</sup> January 2017 and as Chair 31<sup>st</sup> August 2017)

#### **Company registered number**

7211219 (England and Wales)

#### **Company name**

London Academies Enterprise Trust

#### **Principal and registered office**

3rd Floor, 183 Eversholt Street, London, NW1 1BU

#### **Group Chief Executive Officer**

C Drinkall

#### **Group Senior management team**

C Drinkall, Group Chief Executive  
B Sarkar, Group Finance Director (resigned 20<sup>th</sup> October 2017)  
J Nicholson (appointed 13<sup>th</sup> November 2017)  
M Reeve, Executive Director, SEND & Inclusion  
K Parish, Group HR Director  
B Perin, Director of Challenge & Intervention

#### **Independent auditors**

Crowe Clark Whitehill LLP  
Chartered Accountants  
St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH

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**Bankers**

HSBC plc  
60 Queen Victoria Street  
London  
EC4N 4TR  
**Solicitors**

Mills & Reeve LLP  
Botanic House  
100 Hills Road  
Cambridge  
CB2 1PH

**Internal Auditors**

RSM UK  
25 Farringdon Street  
London  
EC4A 4AB

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## **LONDON ACADEMIES ENTERPRISE TRUST**

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### **Trustees' Report For the Year Ended 31<sup>st</sup> August 2017**

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The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the 1<sup>st</sup> September 2016 to 31<sup>st</sup> August 2017. The Annual Report serves the purposes of both a Trustees' Report, and a Directors' report under company law.

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

##### **a. CONSTITUTION**

London Academies Enterprise Trust ("the Trust") is a charitable company limited by guarantee and an exempt charity. The Trust's memorandum and articles of association ("the Articles") are the primary governing documents of the Trust. The Trustees of the Trust are also the directors of the charitable company for the purposes of company law. The Trust is a wholly owned subsidiary of Academies Enterprise Trust, a company limited by guarantee and an exempt charity, and is part of the AET Group of companies. The Trust operates the following academies; Aylward, Bexleyheath, Kingsley and Nightingale Academies in London.

The Academy trust is constituted under a Memorandum of Association dated 1<sup>st</sup> April 2010.

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

##### **b. MEMBERS' LIABILITY**

Each member of the Trust undertakes to contribute to the assets of the Trust 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.

##### **c. TRUSTEES' INDEMNITIES**

There are no qualifying third-party indemnity provisions in place in respect of Trustees, other than trustees' insurance, which is in place.

##### **d. METHOD OF RECRUITMENT AND APPOINTMENT OR ELECTION OF TRUSTEES**

It is the Chair's responsibility to consider the range and balance of skills required on the Board of Trustees. Senior educationalists and experts in key functional areas are especially important. The Chair consults with existing Trustees and the Chief Executive on new appointments, and all new trustees are interviewed by the Board prior to appointment.

The Trustees are appointed in accordance with the provisions set out in the Articles. The Trustees are appointed by the Members of the Trust. Trustees are appointed for a period of four years. This can be extended for further four year terms. The Chairman is elected annually by the Trustees.

##### **e. POLICIES AND PROCEDURES ADOPTED FOR THE INDUCTION AND TRAINING OF TRUSTEES**

Collectively, the Trustees offer a wide range of skills and experience essential to the good governance of the Trust. Each Trustee has an induction programme that includes visits to the Trust's academies and meetings with the Group Chief Executive and members of the executive team. The Chair is responsible for identifying development needs for Trustees either individually or collectively, and these are met through a bespoke programme of learning and development.

##### **f. ORGANISATIONAL STRUCTURE**

The Trust has a clear structure in place to control the way in which it is run. The structure consists of three levels: Members; Trustees, and Academies.

The Trust has agreed a scheme of delegation that sets out the matters reserved to the Members and to the Trustees. Matters not reserved to the Members or Trustees are delegated to the Trust's committees or to the Group Chief Executive. The matters reserved to the Members include: changes to the Articles; appointment of Trustees; and disposal of significant

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assets. The matters reserved to Trustees include: oversight of performance; strategy; policy; corporate structure; membership of committees; scheme of delegation; financial reporting and controls; and remuneration. The Trust has established local governing bodies with clear terms of reference.

The principal/headteacher of each academy is accountable to the Regional Director and to a local governing body or management board, which has a focus on school improvement and outcomes for pupils.

### **g. PAY POLICY FOR KEY MANAGEMENT PERSONNEL**

The salary arrangements for key management personnel within the Group are determined by the Remuneration Committee of the Board. HAY Group were originally commissioned by the Group to advise on, and develop, appropriate pay ranges for senior roles and they used appropriate benchmarking data in the public and private sector in this regard. Pay progression within the range is linked to performance in accordance with the relevant Pay Policy and is reviewed annually through a robust appraisal process.

### **h. CONNECTED ORGANISATIONS, INCLUDING RELATED PARTY RELATIONSHIPS**

The Trust has connections with the following organisations:

- Academies Enterprise Trust (“the Parent Company”), which provides a range of services to the Trust and its academies.
- AET Solutions Limited, a subsidiary of the Parent Company, which provides a range of staff benefits to the Trust’s employees.
- Unity City Academy Trust, a subsidiary of the Parent Company.

### **Objectives and Activities**

#### **a. OBJECTS AND AIMS**

The Trust’s charitable objects are set out in its Articles. In summary, the Trust’s purpose is to advance, for the public benefit, state education in the United Kingdom, through the sponsorship of academies.

To do this, the Trust aims to:

- be the **school of choice for children and young people** and to do everything it can to ensure that its pupils achieve outstanding results at all stages and ages;
- make each of its academies the first choice for local families, not because there are no other schools locally, or because it is too far to travel to the next town or beyond, but because it is a centre of excellence for education for the whole community; and
- be the **first choice of employer for leaders, teachers and support staff**. The Trust wants to recruit, develop and retain the best staff; provide them with good conditions of service and flexible benefits; reward success through effective appraisal; and provide opportunities for ongoing professional development.

#### **b. OBJECTIVES, STRATEGIES AND ACTIVITIES**

The Trust has been through a period of considerable change and challenge in the reporting period. For the first half of the year the Trust was focused on delivering three specific goals:

- Sustainable improvement in attainment and progress outcomes overall for pupils in the Trust’s academies;
- Academies in a category making speedier progress, getting out of a category quickly and not slipping back in; and
- The Ofsted profile for the Trust’s academies shifting towards at least two-thirds Good or better.

In January, a new Group Chief Executive joined the organisation. Recognising the significant challenges facing the organisation - both operationally and educationally - the new Group Chief Executive devised a Turnaround Strategy which was subsequently agreed by the DfE in spring 2017.

The plan had three main phases, with the implementation of the first two under way in the reporting year.

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- **Phase 1: Call-to-action;** providing immediate remediation for the poorest performing academies (KAOC) and beginning the process of change across the Trust
- **Phase 2: Establishing One AET;** building the culture, team and governance platform for future success
- **Phase 3: Investing in future capacity;** a step-up in curriculum innovation and support, combined with sector-leadership in recruitment, retention and development of top talent

A fourth phase has now been added: growing the Trust where it makes sense to do so and leading innovations in tackling some of the more intractable challenges across all phases of education.

### **c. PUBLIC BENEFIT**

The Trustees confirm that they have complied with the duty set out in Section 4 of the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit.

The Trustees have referred to the guidance set out in the Charity Commission's general guidance on Public Benefit when reviewing the Trust's aims and objectives and in planning future activities. In particular the Trustees have considered how planned activities contribute to the aims and objectives they have set.

The Trustees consider that the Trust's aims and objectives are demonstratively to the public benefit.

### **Strategic Report**

#### **a. ACHIEVEMENTS AND PERFORMANCE**

The percentage of pupils achieving A\*-C in English and mathematics has remained at 42% percentage.

Results in English have decreased from 59% in 2016 to 56% of pupils achieving A\*-C in 2017.

Results in mathematics increased from 50% in 2016 to 52% of pupils achieving A\*-C in 2017.

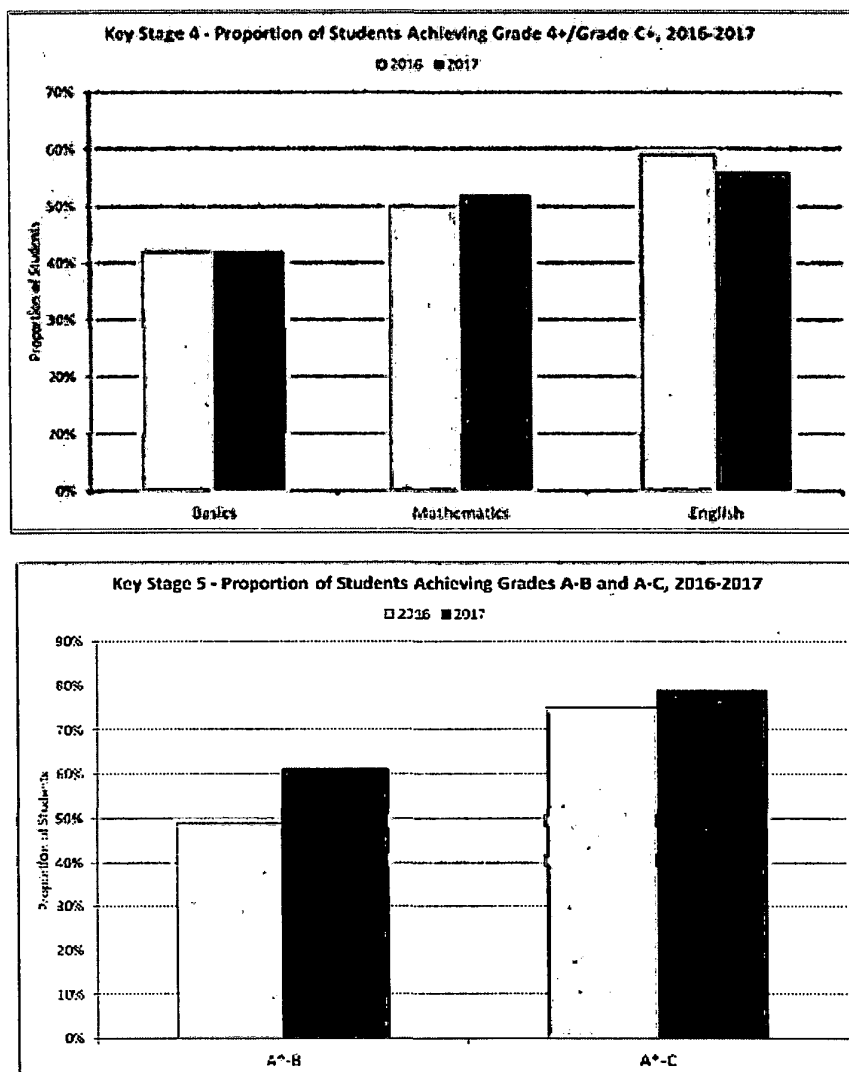
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**b. KEY ACADEMIC PERFORMANCE INDICATORS**

The Trustees are pleased to announce a 10% increase in the A\*-B at A Level in the second chart below (KS5).



**b. KEY FINANCIAL PERFORMANCE INDICATORS**

**Funds, excluding fixed asset and pension funds, as a % of total income**

Funds, excluding fixed asset and pension funds, as a % of total income:  
-9.5% (2016: -8.5%)

**Cash ratio (cash to current liabilities) & Current ratio (current assets to current liabilities)**

Cash ratio of 0.0142 (2016: 0.004)

Current ratio of 0.4 (2016: 0.3)

% spend on core support services

£1,378,000 (2016: £1,507,000) of academy income was used to support the AET central services functions, which equates



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to 4.0 % (2016: 4.1%) of the Trust's total expenditure for the year and 4.3% (2016: 4.7%) of the Trust's total income.

### **c. GOING CONCERN**

The Education Skills & Funding Agency ("ESFA") issued a Financial Notice to Improve ("the Notice") on 23rd October 2014 due to concerns about the financial management and governance of the Trust. Following a number of changes made in the year and AET demonstrating improvement in governance and financial management, the Notice was lifted on 6th July 2017.

As at 31 August 2017 LAET has negative unrestricted funds of £2.9m and nil restricted funds (excluding the pension and fixed asset funds). The overall negative position of funds is not considered to be a significant concern as LAET continues to receive support from the parent trust (AET). The parent trust also have 4 year Turnaround Strategic Plan for the entire group, which has been approved by the ESFA and will see the position of unrestricted and restricted funds improve in the near future. The strategy embraces financial performance, educational improvement and portfolio realignment amongst the group and aims to deliver efficiency and cost savings across the group with the support of the ESFA through a combination of revenue and loan funding.

With this in mind the Board of Trustees is confident that with the ongoing support of the parent trust the Trust has adequate resources to continue its activities for the foreseeable future. For this reason it continues to adopt the going concern basis in the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

### **d. FINANCIAL REVIEW**

The majority of academy income is obtained from the DfE and the ESFA in the form of recurrent grants, the use of which is restricted to the Trust's educational objectives. The grants received from the DfE and ESFA during the year ended 31<sup>st</sup> August 2017 and the associated expenditure are reported as restricted funds in the Statement of Financial Activities (SOFA).

The SOFA reports total incoming resources for the year of £31,740,000 (2016: £31,921,000), of which £31,019,000 (2016: £31,276,000) was restricted funding received from the DfE and ESFA, and total resources expended for the year of £34,532,000 (2016: £37,067,000).

Other gains for the year amounted to £5,714,000 (2016: £5,915,000 loss), which related to LGPS pension fund movements, resulting in a net movement in funds for the year of positive £2,922,000 (2016: negative £11,061,000).

Total funds at 31<sup>st</sup> August 2017 were £39,160,000 (2016: £36,238,000), of which £49,176,000 (2016 £50,609,000) were restricted fixed asset funds including unspent capital funds, £0 (2016: £282,000) were other restricted funds, £2,944,000 (2016 £3,004,000) were unrestricted deficit funds and £7,072,000 (2016; £11,649,000) were Local Government Pension Scheme pension fund deficits.

Total funds excluding fixed asset and pension funds at 31<sup>st</sup> August 2017 were a deficit of £2,944,000 (2016: deficit £2,722,000).

Three academies had funds deficits at 31<sup>st</sup> August 2017, excluding fixed asset and pension funds. Note 17 to the Financial Statements details the level of each deficit along with our actions taken and plans to address this going forward. Total cash balances at 31<sup>st</sup> August 2017 were £69,000 (2016: £14,000).

The majority of academy buildings are leased from Local Authorities for a peppercorn rent. In accordance with the Charities SORP 2016 and the Academies Accounts Direction, the buildings on long term (typically 125 year) leases from Local Authorities have been recognised as tangible fixed assets in the Financial Statements and the value of the buildings were treated as voluntary income in the Financial Statements, in the year of transfer to AET. In accordance with the Charities SORP 2015, such gifts are reported within the restricted fixed asset fund in the SOFA. The restricted fixed asset fund balance is reduced by depreciation charges over the expected useful life of the assets concerned.

The buildings of one academy are leased under a Private Finance Initiative (PFI) contract. The commitment under the PFI contract is disclosed as operating leases in note 22 and as such no valuation is included within fixed assets on the Balance Sheet for these buildings.

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At 31<sup>st</sup> August 2017 the net book value of tangible fixed assets was £49,162,000 (2016: £50,595,000). Movements in tangible fixed assets are reported in note 13 to the Financial Statements. The assets were used exclusively for providing education and associated support services to the pupils of LAET academies.

The deficit in LGPS pension funds is recognised on the balance sheet in accordance with the provisions of FRS102. The total deficit in the scheme at 31<sup>st</sup> August 2017 was £7,072,000 (2016: £11,649,000). Movements in the pension fund are reported in note 21 to the Financial Statements.

The principal reason for the large decrease in the LGPS deficit is that market conditions have changed over the year such that the value placed on the pension liabilities has decreased significantly after the impact on financial markets of the EU Referendum result in the previous year. Investment returns over the period have been good, impacting positively on pension asset values.

### **e. RESERVES POLICY**

The Trust's reserves policy is that each academy should build and maintain a sufficient level of funds in order to create stability and sustainability, and to serve the academy's short and long term plans, including future capital expenditure. The Trust aims to maintain a minimum level of funds, excluding fixed asset and pension funds, of 5% of total annual income, or £1,587,000. At 31<sup>st</sup> August 2017 the Trust had deficit funds, excluding fixed asset and pensions funds, of £2,944,000 representing -9.3%% of total annual income (2016: -8.5%), and therefore a lot of work to be done to meet the long term aim of 5%

The Trust is considering updating its reserves policy to provide greater flexibility at a group level, in order to direct resources to where there is greatest need across its academies.

The Trust's deficit has increased from £2,722,000 in 2016 to £2,944,000 in 2017. The increased deficit is a result of in year deficits in three of the academies. The trustees are pleased to be able to report that a surplus was generated in the fourth academy this year. The overall deficit is managed by the centralised bank account of the parent company, Academies Enterprise Trust. The Trustees note that the deficit levels of reserves held by the Trust do not meet the current reserves policy but the support of Academies Enterprise Trust means that the Trust is not restricted in its day to day operation.

### **f. INVESTMENT POLICY**

The Trustees take account of the requirements of the Academies Financial Handbook when investing funds and the need to not place capital at risk. The Trustees maximise income from surplus cash by investing in short term cash deposits.

### **g. PRINCIPAL RISKS AND UNCERTAINTIES**

The Trustees assess, monitor and manage risks through the Audit and Risk Committee, its internal control framework and internal audit. The Trustees maintain a corporate risk register and keep risks under review through risk workshops and regular reporting. The key risks fall into four categories:

#### **Safeguarding**

The safety of students and staff is of the utmost importance to the Trust. Robust safeguarding and child protection policies and procedures, which are available online, support academies to ensure that students are safe and feel supported, and that everyone working in the Trust knows when and how to raise any concerns that they may have about safeguarding.

Implementation and effectiveness of these policies which conform to the latest DfE guidance are monitored regularly.

#### **Governance**

The Nominations Committee has worked relentlessly, and successfully, during the year under review to recruit experienced people to serve as trustees. Meanwhile executive level governance has been reviewed and updated as set out previously. These initiatives mean that the Trust is in much stronger governance position than it had been,

#### **People**

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## **LONDON ACADEMIES ENTERPRISE TRUST**

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The Trust's success is dependent on recruiting, developing and retaining the best people for every position in its academies and academy support team. The recruitment of strong school leaders and teachers continues to be a challenge, particularly in some areas of the country and in core subject areas. The Trust has implemented a people strategy to address this issue including a varied program of top class training along with a wide range of opportunities for greater career development.

### **Finance**

The sector faces uncertainty over the level of future finances. The National Funding Formula aims to direct resources where they are most needed, helping to ensure that every child can get the high-quality education that they deserve, wherever they live. The Trust operates academies throughout England and so the financial consequences of this change in the methodology of allocating funding are not yet clear. Consequently, the Trust's academies are planning, through multi-year financial planning, to ensure that they are both educationally and financially viable during a period of rising costs.

The Trust receives £1,576,000 of Pupil Premium funding; this grant is specifically directed towards students who need more assistance due to their backgrounds. If this grant were to be reduced then the Trust would be unable to put in place the current level of support afforded to those pupils.

The Trust's estate comprises buildings of varying ages some of which, before becoming part of the Trust, were not adequately looked after. The cost of repairs and maintenance of the estate is considerable. The expenditure is funded through a capital grant received from the DfE. If this grant were to be reduced, or to disappear the Trust would have to reduce the amount of resource that it could invest in the pupils' education.

### **Plans for future periods**

As noted on page 5, under the leadership of the new AET Group Chief Executive, a Group Turnaround Strategy is being implemented. Phases 1 and 2 are now well under way:

- **Phase 1: Call-to-action;** providing immediate remediation for the poorest performing academies (KAOC) and beginning the process of change across the Trust
- **Phase 2: Establishing One AET;** building the culture, team and governance platform for future success

The coming academic year will see the Trust embedding the concept of One AET, and accelerate school improvement across the portfolio of academies. The year will also see some early moves on Phases 3 and 4, particularly in terms of talent management and design-thinking on the challenging "crunch issues" that are facing education across all phases:

- **Phase 3: Investing in future capacity;** a step up in curriculum innovation and support, combined with sector-leadership in recruitment, retention and development of top talent
- **Phase 4: Growing the Trust** and leading innovations in tackling the intractable challenges

With a new executive team in place, the Trust will also continue dialogue with the DfE, exploring the opportunities to grow where it makes sense to do so.

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**DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the persons who are Trustees at the time when this Trustees' Report is approved has confirmed that:

- so far as the Trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- the Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

This report was approved by order of the board of trustees as the company directors, on 14<sup>th</sup> December 2017 and signed on its behalf by:

  
J Boyer OBE  
Chair

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### **Governance Statement**

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#### **SCOPE OF RESPONSIBILITY**

As trustees, we acknowledge we have overall responsibility for ensuring that London Academies Enterprise 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 Group 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 London Academies Enterprise 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 3 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
I Comfort, Chief Executive	2	2
M Walker	2	2
M Lees	2	2
J Boyer, Chair	1	1
J Chin	1	1
A Thraves	1	1
C Drinkall, Chief Executive	1	1

#### **FINANCIAL NOTICE TO IMPROVE**

The ESFA issued a Financial Notice to Improve on 23<sup>rd</sup> October 2014 as a result of concerns about the financial management and governance of the Trust. Specific concerns at the time about financial management related to the ability of the Trust to forecast and secure finances across the Group and the structures and processes for oversight of the financial management of the Trust and its academies. The Trust has subsequently strengthened its financial management processes and procedures, including strengthening the mechanisms and culture for holding academies accountable for financial performance. This has included engaging individual academies in the Trust's overall financial plans, improving the review and approval processes for budgets and forecasting, and implementing new financial planning software. As a result of these measures, the Financial Notice to Improve was lifted on 6<sup>th</sup> July 2017.

#### **REVIEW OF VALUE FOR MONEY**

As Accounting Officer, the Group Chief Executive has responsibility for ensuring that the parent company (AET) 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 parent company (AET)'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 parent company (AET) has delivered improved value for money during the year through the following:

The following value for money improvements have been delivered across the Group this year:

- improvements in educational outcomes, particularly at Key Stages 2 and 5;

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- consolidation of procurement and supplier spend across AET, leveraging the buying power of the trust as the largest multi-academy trust;
- support to individual academies on tendering and supplier quotations, resulting in reduced costs, improved value for money and enabling academy staff to focus on front-line services.
- improved procurement practice, resulting in savings of £1.1m in year across a range of areas, including paper, stationery, ICT hardware and broadband services, telephone calls, copiers, line rental, mobile phones, minibuses, cleaning materials, gas, catering services, food supplies and classroom material;
- negotiating improved discounts and reduced prices with a number of key suppliers. These new arrangements offer more favourable pricing and terms than academies have been able to secure in the past.

Specific areas of procurement focus across the Group in the year ended 31<sup>st</sup> August 2017 included:

- energy procurement requirements to derive additional value for money and to identify opportunities to reduce consumption and therefore cost. This has delivered savings to academies in the first phase of our roll out. We have continued to review our bills, recovering £35,966 in monies previously paid out for climate change levy.
- procurement reviews of each academy spend, identifying potential collective savings of £1 million per annum at the Group level. Work is now in train with each academy to realise this saving against their current contract pricing.
- A further eight LED lighting schemes have been approved in principle, and once funding is available, these schemes will be considered

### **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 ongoing process designed to identify and prioritise the risks to the achievement of parent company (AET) 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 London Academies Enterprise Trust for the year 1<sup>st</sup> September 2016 to 31<sup>st</sup> August 2017 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 parent company (AET) is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the parent company (AET)'s significant risks, that has been in place for the year 1 September 2016 to 31 August 2017 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 parent company (AET)'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 AET central finance function 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 to continue the appointment of RSM as the Trust's internal auditor.

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The internal auditor's role includes giving advice on financial matters and performing a range of checks on the parent company (AET)'s financial systems. On a quarterly basis, the internal auditor reports to the board of trustees on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

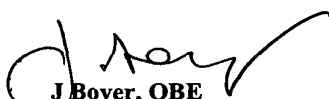
### **REVIEW OF EFFECTIVENESS**


As Accounting Officer, the Group 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 internal auditor;
- the work of the external auditors;
- the work of the executive managers within the parent company (AET) who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the audit and risk committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on 14<sup>th</sup> December 2017 and signed on their behalf, by:

  
**J Boyer, OBE**  
Chair

  
**C Drinkall**  
Accounting Officer

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**Statement on Regularity, Propriety and Compliance**

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As Accounting Officer of London Academies Enterprise Trust I have considered my responsibility to notify the academy trust board of trustees and the ESFA of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2016.

I confirm that I and the academy trust board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2016.

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.



**C Drinkall**  
Accounting Officer



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## **LONDON ACADEMIES ENTERPRISE TRUST**

**(A Company Limited by Guarantee)**

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### **Statement of Trustees' Responsibilities For the Year Ended 31<sup>st</sup> August 2017**

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The Trustees (who act as governors of London Academies Enterprise Trust and 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 Annual Accounts Direction issued by the ESFA, 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:

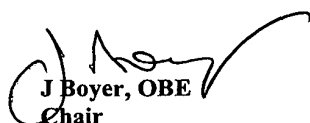
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies' Accounts Direction 2016 to 2017;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the 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 14<sup>th</sup> December 2017 and signed on its behalf by:

  
J Boyer, OBE  
Chair

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## **LONDON ACADEMIES ENTERPRISE TRUST**

**(A Company Limited by Guarantee)**

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### **Independent Auditor's Report to the Members of London Academies Enterprise Trust**

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#### **Opinion**

We have audited the financial statements of London Academies Enterprise Trust for the year ended 31<sup>st</sup> August 2017 which comprise Statement of Financial Activities incorporating Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, 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).

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

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31<sup>st</sup> August 2017 and of its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Academies' Accounts Direction 2016 to 2017 issued by the Education Funding Agency; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **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 financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements 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.

#### **Material uncertainty related to going concern**

We draw attention to note 1.2 in the financial statements, which indicates that LAET's ability to continue as a going concern depends upon the implementation of the Turnaround Strategic Plan submitted to the ESFA earlier this year and the ongoing support of the Parent Charity until LAET is able to eliminate the current deficit on unrestricted funds. As stated in note 1.2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the charitable company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Other information**

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 financial statements 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.

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## **LONDON ACADEMIES ENTERPRISE TRUST**

**(A Company Limited by Guarantee)**

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

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

- the information given in the Trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Trustees' report have been prepared in accordance with applicable legal requirements.

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

In light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the Trustees' 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
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

### **Responsibilities of Trustees**

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charitable company'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 to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements 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 financial statements.

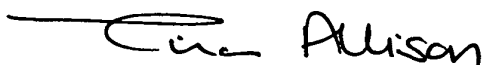
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**LONDON ACADEMIES ENTERPRISE TRUST**

**(A Company Limited by Guarantee)**

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A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



Tina Allison  
Senior Statutory Auditor  
For and on behalf of  
Crowe Clark Whitehill LLP  
Statutory Auditor

St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH

15<sup>th</sup> December 2017

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## **LONDON ACADEMIES ENTERPRISE TRUST**

**(A Company Limited by Guarantee)**

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### **Independent Reporting Accountant's Assurance Report on Regularity to London Academies Enterprise Trust and the Education and Skills Funding Agency**

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In accordance with the terms of our engagement letter dated 13<sup>th</sup> November 2017 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by London Academies Enterprise Trust during the year 1<sup>st</sup> September 2016 to 31<sup>st</sup> August 2017 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 London Academies Enterprise Trust and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to London Academies Enterprise Trust and the 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 London Academies Enterprise Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

#### **RESPECTIVE RESPONSIBILITIES OF LONDON ACADEMIES ENTERPRISE TRUST'S ACCOUNTING OFFICER AND THE REPORTING ACCOUNTANTS**

The accounting officer is responsible, under the requirements of London Academies Enterprise Trust's funding agreement with the Secretary of State for Education dated 21<sup>st</sup> January 2014, and the Academies Financial Handbook extant from 1<sup>st</sup> September 2016, 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 2016 to 2017. 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 1<sup>st</sup> September 2016 to 31<sup>st</sup> August 2017 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 2016 to 2017 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw to our conclusion includes a review of the design and implementation of the Academies internal controls and review processes on regularity, supported by detailed tests on samples of costs incurred by the Academy and specific transactions identified from our review.

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**LONDON ACADEMIES ENTERPRISE TRUST**

**(A Company Limited by Guarantee)**

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**CONCLUSION**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1<sup>st</sup> September 2016 to 31<sup>st</sup> August 2017 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them:



Tina Allison  
Senior Statutory Auditor  
For and on behalf of  
Crowe Clark Whitehill LLP  
Statutory Auditor

St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH

15<sup>th</sup> December 2017

**LONDON ACADEMIES ENTERPRISE TRUST**  
(A Company Limited by Guarantee)

**Statement of Financial Activities incorporating Income and Expenditure Account**  
**For the Year Ended 31 August 2017**

	Note	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
<b>INCOME FROM:</b>						
Donations and capital grants	2	-	-	-	-	2
Charitable activities	3	341	31,019	-	31,360	31,641
Other trading activities	4	378	-	-	378	270
Investments	5	2	-	-	2	8
<b>TOTAL INCOME</b>		<b>721</b>	<b>31,019</b>	<b>-</b>	<b>31,740</b>	<b>31,921</b>
<b>EXPENDITURE ON:</b>						
Raising funds	6	298	-	-	298	446
Charitable activities	7	297	32,438	1,499	34,234	36,621
<b>TOTAL EXPENDITURE</b>	<b>6</b>	<b>595</b>	<b>32,438</b>	<b>1,499</b>	<b>34,532</b>	<b>37,067</b>
<b>NET INCOME / (EXPENDITURE) BEFORE TRANSFERS</b>		<b>126</b>	<b>(1,419)</b>	<b>(1,499)</b>	<b>(2,792)</b>	<b>(5,146)</b>
Transfers between Funds	17	(66)	-	66	-	-
<b>NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES</b>		<b>60</b>	<b>(1,419)</b>	<b>(1,433)</b>	<b>(2,792)</b>	<b>(5,146)</b>
Actuarial gains/(losses) on defined benefit pension schemes	21	-	5,714	-	5,714	(5,915)
<b>NET MOVEMENT IN FUNDS</b>		<b>60</b>	<b>4,295</b>	<b>(1,433)</b>	<b>2,922</b>	<b>(11,061)</b>
<b>RECONCILIATION OF FUNDS:</b>						
Total funds brought forward	17	(3,004)	(11,367)	50,609	36,238	47,299
<b>TOTAL FUNDS CARRIED FORWARD</b>		<b>(2,944)</b>	<b>(7,072)</b>	<b>49,176</b>	<b>39,160</b>	<b>36,238</b>


The notes on pages 26 to 46 form part of these financial statements.

**LONDON ACADEMIES ENTERPRISE TRUST**  
**(A Company Limited by Guarantee)**  
**Registered number: 7211219**

**Balance Sheet**  
**As at 31 August 2017**

	Note	£000	2017 £000	£000	2016 £000
<b>FIXED ASSETS</b>					
Tangible assets	13		49,162		50,595
<b>CURRENT ASSETS</b>					
Stocks	14	35		33	
Debtors	15	1,818		1,296	
Cash at bank and in hand		69		14	
		<u>1,922</u>		<u>1,343</u>	
<b>CREDITORS: amounts falling due within one year</b>	16	<u>(4,852)</u>		<u>(4,051)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(2,930)</u>		<u>(2,708)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>46,232</u>		<u>47,887</u>
Defined benefit pension scheme liability	21		<u>(7,072)</u>		<u>(11,649)</u>
<b>NET ASSETS INCLUDING PENSION SCHEME LIABILITIES</b>			<u><u>39,160</u></u>		<u><u>36,238</u></u>
<b>FUNDS OF THE ACADEMY</b>					
Restricted funds :					
Restricted general funds	17	-		282	
Restricted fixed asset funds	17	49,176		50,609	
		<u>49,176</u>		<u>50,891</u>	
Restricted funds excluding pension liability					
Restricted general funds - pension reserve	21	<u>(7,072)</u>		<u>(11,649)</u>	
Total restricted funds			42,104		39,242
Unrestricted funds	17		<u>(2,944)</u>		<u>(3,004)</u>
<b>TOTAL FUNDS</b>			<u><u>39,160</u></u>		<u><u>36,238</u></u>

The financial statements on pages 23 to 46 were approved by the Trustees, and authorised for issue, on 14 December 2017 and are signed on their behalf, by:

  
 J Boyer OBE  
 Chair

The notes on pages 26 to 46 form part of these financial statements.



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**LONDON ACADEMIES ENTERPRISE TRUST**  
(A Company Limited by Guarantee)

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**Statement of Cash Flows**  
**For the Year Ended 31 August 2017**

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	Note	2017 £000	2016 £000
<b>Cash flows from operating activities</b>			
Net cash provided by/(used in) operating activities	19	119	(1,476)
<b>Cash flows from investing activities:</b>			
Interest and rents		2	6
Purchase of tangible fixed assets		(66)	(54)
<b>Net cash used in investing activities</b>		(64)	(48)
<b>Change in cash and cash equivalents in the year</b>		55	(1,524)
Cash and cash equivalents brought forward		14	1,538
<b>Cash and cash equivalents carried forward</b>		69	14

The notes on pages 26 to 46 form part of these financial statements.

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**LONDON ACADEMIES ENTERPRISE TRUST**  
**(A Company Limited by Guarantee)**

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**Notes to the Financial Statements**  
**For the Year Ended 31 August 2017**

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**1. ACCOUNTING POLICIES**

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

**1.1 Basis of preparation of financial statements**

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 2016 to 2017 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

London Academies Enterprise Trust constitutes a public benefit entity as defined by FRS 102. The financial statements are prepared in sterling which is the functional currency of the Trust and rounded to the nearest pound.

London Academies Enterprise Trust is a company limited by guarantee, incorporated in England. The address of the registered office and principal place of operation are detailed on page 3. The nature of the Trust's operations and principal activity are detailed in the Trustees Report.

**1.2 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 Trust 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.

As at 31 August 2017 LAET has negative unrestricted funds of £2.9m and nil restricted funds (excluding the pension and fixed asset funds). The overall negative position of funds is not considered to be a significant concern as LAET continues to receive support from the parent trust (AET). The parent trust also have 4 year Turnaround Strategic Plan for the entire group, which has been approved by the ESFA and will see the position of unrestricted and restricted funds improve in the near future. The strategy embraces financial performance, educational improvement and portfolio realignment amongst the group and aims to deliver efficiency and cost savings across the group with the support of the ESFA through a combination of funding.

With this in mind the Board of Trustees is confident that with the ongoing support of the parent trust (AET) the Trust has adequate resources to continue its activities for the foreseeable future. For this reason it continues to adopt the going concern basis in the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies

**1.3 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 the Department for Education where the asset acquired or created is held for a specific purpose.

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

Investment income, gains and losses are allocated to the appropriate fund.

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**LONDON ACADEMIES ENTERPRISE TRUST**  
**(A Company Limited by Guarantee)**

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**Notes to the Financial Statements**  
**For the Year Ended 31 August 2017**

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**1. ACCOUNTING POLICIES (continued)**

**1.4 Income**

All income is recognised once the Trust has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

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 entitlement of receipt, its recognition is deferred and included in creditors as deferred income. 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 when there is an unconditional entitlement to the grant and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Donations are recognised on a receivable basis where receipt is probable and the amount can be reliably measured.

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

**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 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.

Expenditure on charitable activities are costs incurred on the Trust's educational operations, including support costs and those costs relating to the governance of the Trust appointed to charitable activities.

All expenditure is inclusive of irrecoverable VAT.

**1.6 Termination benefits**

Termination benefits are recognised at the leaving date of the member of staff and measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

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**LONDON ACADEMIES ENTERPRISE TRUST**  
**(A Company Limited by Guarantee)**

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**Notes to the Financial Statements**  
**For the Year Ended 31 August 2017**

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**1. ACCOUNTING POLICIES (continued)**

**1.7 Tangible fixed assets and depreciation**

All assets costing more than £5,000 are capitalised 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, transfers are made to the fixed asset fund.

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of these assets, less their estimated residual value, over their expected useful lives on the following bases:

Long-term leasehold property	-	2% on cost
Fixtures and fittings	-	33.3% on cost
Computer equipment	-	33.3% on cost

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

**1.8 Operating leases**

Rentals under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

**1.9 Stocks**

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

**1.10 Taxation**

The 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 Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

**1.11 Debtors**

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

**1.12 Cash at Bank and in hand**

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

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**LONDON ACADEMIES ENTERPRISE TRUST**  
**(A Company Limited by Guarantee)**

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**Notes to the Financial Statements**  
**For the Year Ended 31 August 2017**

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**1. ACCOUNTING POLICIES (continued)**

**1.13 Liabilities and provisions**

Liabilities and provisions 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 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.

**1.14 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 15. Prepayments are not financial instruments. 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 costs as detailed in note 16. 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 instruments.

**1.15 Pensions**

Retirement benefits to employees of the Trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Governments 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. As stated in note 21, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore 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 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.

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**Notes to the Financial Statements**  
**For the Year Ended 31 August 2017**

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**1. ACCOUNTING POLICIES (continued)**

**1.16 Critical accounting estimates and areas of judgment**

Estimates and judgments 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 21, 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 2017. 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.

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**2. INCOME FROM DONATIONS AND CAPITAL GRANTS**

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
Donations	-	-	-	-	2
<b>Total 2016</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>	

**3. CHARITABLE ACTIVITIES - FUNDING FOR EDUCATIONAL OPERATIONS**

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
<b>DfE/ESFA grants</b>				
General Annual Grant (GAG)	-	27,601	27,601	28,808
Start Up Grants	-	11	11	5
Pupil Premium	-	1,576	1,576	1,671
Other ESFA Grants	-	748	748	389
Other DfE Grants	-	129	129	136
	-	30,065	30,065	31,009
<b>Other government grants</b>				
Local Authority Grants	-	333	333	242
Other Government Grants	-	621	621	25
	-	954	954	267
<b>Other funding</b>				
Sundry Income	341	-	341	365
	341	-	341	365
<b>Total 2017</b>	<b>341</b>	<b>31,019</b>	<b>31,360</b>	<b>31,641</b>
<b>Total 2016</b>	<b>365</b>	<b>31,276</b>	<b>31,641</b>	

There are no unfulfilled conditions or other contingencies attached to the government grants above.

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**4. OTHER TRADING ACTIVITIES**

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
Hire of facilities	277	-	277	227
Provided services	1	-	1	7
Catering	42	-	42	-
Sale of other goods and services	58	-	58	36
<b>Total 2017</b>	<b>378</b>	<b>-</b>	<b>378</b>	<b>270</b>
<b>Total 2016</b>	<b>270</b>	<b>-</b>	<b>270</b>	

**5. INVESTMENT INCOME**

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
Bank interest receivable	2	-	2	8
<b>Total 2016</b>	<b>8</b>	<b>-</b>	<b>8</b>	

**6. TOTAL EXPENDITURE**

	Staff costs 2017 £000	Premises costs 2017 £000	Other costs 2017 £000	Total 2017 £000	Total 2016 £000
Expenditure on raising funds	120	-	178	298	446
Charitable activities:					
Direct costs	20,253	1,498	1,559	23,310	25,789
Support costs	3,105	1,839	5,980	10,924	10,832
<b>Total 2017</b>	<b>23,478</b>	<b>3,337</b>	<b>7,717</b>	<b>34,532</b>	<b>37,067</b>
<b>Total 2016</b>	<b>25,136</b>	<b>4,466</b>	<b>7,465</b>	<b>37,067</b>	

In 2016, of the total expenditure of £37,067k, £1,929k was from unrestricted funds, £32,645k was from restricted general funds and £2,493k was from restricted fixed asset funds.



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**7. ANALYSIS OF EXPENDITURE BY CHARITABLE ACTIVITIES**

	2017 £000	2016 £000
<b>DIRECT COSTS</b>		
Direct costs - educational operations	23,310	25,789
	<u>23,310</u>	<u>25,789</u>
<b>SUPPORT COSTS</b>		
Staff costs	3,105	3,132
Depreciation	225	332
Technology costs	298	234
Premises	1,661	2,090
Other support costs	5,617	5,031
Governance	18	13
	<u>10,924</u>	<u>10,832</u>
Total support costs	10,924	10,832
	<u>34,234</u>	<u>36,621</u>
Total Direct and Support costs	<u>34,234</u>	<u>36,621</u>

**8. NET INCOME/(EXPENDITURE)**

This is stated after charging:

	2017 £000	2016 £000
Depreciation of tangible fixed assets:		
- owned by the Trust	1,499	2,215
Auditors' remuneration - Audit of the financial statements	-	7
Operating lease rentals	159	144
PFI Leases	1,676	1,589
	<u>1,676</u>	<u>1,589</u>

**LONDON ACADEMIES ENTERPRISE TRUST**  
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**Notes to the Financial Statements**  
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**9. STAFF COSTS**

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	17,683	19,307
Social security costs	1,821	1,781
Operating costs of defined benefit pension schemes	2,721	2,739
	<u>22,225</u>	<u>23,827</u>
Apprenticeship levy	31	-
Supply teacher costs	758	1,143
Staff restructuring costs	464	166
	<u>23,478</u>	<u>25,136</u>

Staff restructuring costs comprise:

	2017 £000	2016 £000
Redundancy payments	464	124
Severance payments	-	42
	<u>464</u>	<u>166</u>

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

	2017 No.	2016 No.
Teachers	255	273
Administration & Support	285	278
Management	32	54
	<u>572</u>	<u>605</u>

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

	2017 No.	2016 No.
In the band £ 60,001 - £ 70,000	13	10
In the band £ 70,001 - £ 80,000	3	6
In the band £ 80,001 - £ 90,000	3	1
In the band £ 90,001 - £100,000	1	1
In the band £100,001 - £110,000	1	1
In the band £120,001 - £130,000	0	1

20 of the above employees participated in the Teachers' Pension Scheme and 1 in the Local Government Pension Scheme (2016: All 20 in the Teacher's Pension Scheme).

The Key Management Personnel of the Trust comprise the Trustees and the Senior Management Team as listed on page 1. None of these Key Management Personnel receive remuneration from the Trust, but remuneration of Key Management Personnel is disclosed in the accounts of the parent company, Academies Enterprise Trust.

**LONDON ACADEMIES ENTERPRISE TRUST**  
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**10. CENTRAL SERVICES**

LAET does not provide central services to its academies. These services are provided to the academies of the LAET by the parent company, Academies Enterprise Trust.

**11. TRUSTEES' REMUNERATION AND EXPENSES**

During the year, no Trustees received any remuneration (2016 - £NIL).

During the year ended 31 August 2017, no Trustees received any reimbursement of expenses (2016 - £NIL to no Trustees).

**12. TRUSTEES' AND OFFICERS' INSURANCE**

In accordance with normal commercial practice the academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the year ended 31 August 2017 was not separately identifiable (2016 - not separately identifiable)

**13. TANGIBLE FIXED ASSETS**

	Long-term leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Total £000
<b>Cost</b>				
At 1 September 2016	56,022	1,394	2,278	59,694
Additions	16	6	44	66
At 31 August 2017	56,038	1,400	2,322	59,760
<b>Depreciation</b>				
At 1 September 2016	5,833	1,207	2,059	9,099
Charge for the year	1,121	183	195	1,499
At 31 August 2017	6,954	1,390	2,254	10,598
<b>Net book value</b>				
At 31 August 2017	49,084	10	68	49,162
At 31 August 2016	50,189	187	219	50,595

**14. STOCKS**

	2017 £000	2016 £000
Finished goods and goods for resale	35	33

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**LONDON ACADEMIES ENTERPRISE TRUST**  
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**Notes to the Financial Statements**  
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**15. DEBTORS**

	2017 £000	2016 £000
Trade debtors	81	121
Amounts owed by group undertakings	896	350
VAT recoverable	256	279
Other debtors	46	23
Prepayments and accrued income	539	523
	<u>1,818</u>	<u>1,296</u>

**16. CREDITORS: Amounts falling due within one year**

	2017 £000	2016 £000
Trade creditors	295	535
Amounts owed to group undertakings	2,246	970
Other taxation and social security	377	406
Other creditors	249	275
Accruals and deferred income	1,685	1,865
	<u>4,852</u>	<u>4,051</u>

	2017 £000	2016 £000
<b>Deferred income</b>		
Deferred income at 1 September 2016	168	124
Resources deferred during the year	139	168
Amounts released from previous years	(168)	(124)
Deferred income at 31 August 2017	<u>139</u>	<u>168</u>

At the balance sheet date the academy trust was holding funds received in advance for Devolved Formula Capital Grant, Rates relief and SEN funding.

**LONDON ACADEMIES ENTERPRISE TRUST**  
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**Notes to the Financial Statements**  
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**17. STATEMENT OF FUNDS**

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2017 £000
<b>Unrestricted funds</b>						
General Funds	(3,004)	721	(595)	(66)	-	(2,944)
<b>Restricted funds</b>						
General Annual Grant (GAG)	274	27,601	(27,875)	-	-	-
Other DfE/ESFA	8	2,464	(2,472)	-	-	-
Other restricted	-	954	(954)	-	-	-
Pension reserve	(11,649)	-	(1,137)	-	5,714	(7,072)
	(11,367)	31,019	(32,438)	-	5,714	(7,072)
<b>Restricted fixed asset funds</b>						
Restricted Fixed Asset Funds	50,595	-	(1,499)	66	-	49,162
Capital fund	14	-	-	-	-	14
	50,609	-	(1,499)	66	-	49,176
Total restricted funds	39,242	31,019	(33,937)	66	5,714	42,104
Total of funds	36,238	31,740	(34,532)	-	5,714	39,160

**STATEMENT OF FUNDS - PRIOR YEAR**

	Balance at 1 September 2015 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2016 £000
<b>Unrestricted funds</b>						
General Funds	(1,691)	645	(1,929)	(29)	-	(3,004)
	(1,691)	645	(1,929)	(29)	-	(3,004)
<b>Restricted funds</b>						
General Annual Grant (GAG)	1,142	28,635	(29,482)	(21)	-	274
Other DfE/ESFA	-	2,188	(2,180)	-	-	8
Other restricted	-	453	(453)	-	-	-
Pension reserve	(5,204)	-	(530)	-	(5,915)	(11,649)
	(4,062)	31,276	(32,645)	(21)	(5,915)	(11,367)

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**17. STATEMENT OF FUNDS (continued)**

**Restricted fixed asset funds**

Restricted Fixed Asset Funds	52,756	-	(2,215)	54	-	50,595
Capital fund	296	-	(278)	(4)	-	14
	<u>53,052</u>	<u>-</u>	<u>(2,493)</u>	<u>50</u>	<u>-</u>	<u>50,609</u>
Total restricted funds	<u>48,990</u>	<u>31,276</u>	<u>(35,138)</u>	<u>29</u>	<u>(5,915)</u>	<u>39,242</u>
Total of funds	<u>47,299</u>	<u>31,921</u>	<u>(37,067)</u>	<u>-</u>	<u>(5,915)</u>	<u>36,238</u>

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

The Unrestricted General fund has been created to recognise the income and expenditure in respect of activities undertaken by the Academy Trust which fall outside the scope of its core activities. To make up the shortfall in capital income a transfer of £66k was made from the Unrestricted general fund to the Restricted Fixed Assets fund.

The General Annual Grant (GAG) fund represents the core funding for the educational activities of the Trust via the Education and Skills Funding Agency (ESFA) by the Department for Education (DfE). The GAG fund has been established because the GAG must be used for the normal running costs of the Academy Trust.

The Other DfE/ESFA fund has been created to recognise the restricted funding received from the DfE/ESFA which fall outside the scope of core funding.

The Other restricted fund has been established to recognise all other restricted funding that cannot be classified above but fall outside the scope of its core activities.

The Pension reserve has been created to separately identify the pension deficit inherited from the Local Authority upon conversion to Academy status, and through which all the pension scheme movements are recognised. The fund is in deficit, but given the nature of the liability this is not payable immediately. Plans are in place to meet the deficit.

The Restricted Fixed Asset fund has been set up to recognise the tangible assets held by the Trust and is equivalent to the net book value of tangible fixed assets. Depreciation of tangible fixed assets is allocated to this fund. Transfers of £66k reflect capital additions bought using Unrestricted general funds.

The Capital fund has been created to recognise capital grants received for the purpose of the acquisition of tangible fixed assets. As tangible fixed assets are purchased, a transfer is made to the NBV of fixed asset funds.

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 2017.

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**17. STATEMENT OF FUNDS (continued)**

**ANALYSIS OF ACADEMIES BY FUND BALANCE**

Fund balances at 31 August 2017 were allocated as follows:

	<b>Total 2017 £000</b>	<b>Total 2016 £000</b>
Aylward Academy	(1,073)	(1,468)
Bexleyheath Academy	(191)	12
Kingsley Academy	137	282
Nightingale Academy	(1,817)	(1,548)
Total before fixed asset fund and pension reserve	(2,944)	(2,722)
Restricted fixed asset fund	49,176	50,609
Pension reserve	(7,072)	(11,649)
Total	<b>39,160</b>	<b>36,238</b>

The following academies are carrying net deficits on their portion of the funds as follows:

<b>Name of academy</b>	<b>Amount of deficit £000</b>
Aylward Academy	1,073
Bexleyheath Academy	191
Nightingale Academy	1,817

At AET group level, financial planning reviews and cost reduction strategies were implemented through 2016/17 and these continue into 2017/18. Financial sustainability reviews are being undertaken in key academies, including many with existing reserve deficits, comprising curriculum staffing reviews, future pupil and income projections, and the effectiveness and efficiency of bought-in services. This will accelerate the speed of such deficits being eradicated. The Group also provided a turnaround strategy to the ESFA in 2016/17 which identified several actions which will be taken to improve the deficits of the below schools.

The Trust is taking the following action to return the academies to surplus:

**Aylward Academy**

During the year, the academy deficit has decreased from £1,468k to £1,073k. The academy has undertaken a curriculum and financial review which resulted in identifying new ways of working and cost reduction at 31st August 2017. It is anticipated that the academy will produce a surplus in 2018/19 turning the deficit around.

**Bexleyheath Academy**

During the year, the academy slipped from a surplus of £12k to £191k deficit. A curriculum and financial review was completed in 2016/17. This has identified potential savings and efficiencies. It is expected that Bexleyheath will return to surplus in 2017/18.

**Nightingale Academy**

During the year, the academy deficit has increased from £1,548k to £1,817k. A falling role has impacted the academy and a curriculum and financial review was undertaken in the year which has resulted in savings being achieved. Student numbers increased in September 2017 in yr. 7 and in the 6th form. It will continue to be challenging for Nightingale but with further review and focus on spend it is expected that the deficit will begin to reverse in 2017/18.

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**17. STATEMENT OF FUNDS (continued)**

**ANALYSIS OF ACADEMIES BY COST**

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

	Teaching and educational support staff costs £000	Other support staff costs £000	Educational supplies £000	Other costs excluding depreciation £000	Total 2017 £000	Total 2016 £000
Aylward Academy	6,385	972	329	1,978	9,664	10,793
Bexleyheath Academy	6,502	882	418	3,341	11,143	11,206
Kingsley Academy	4,221	760	231	1,399	6,611	6,412
Nightingale Academy	3,265	491	283	1,576	5,615	5,673
	<u>20,373</u>	<u>3,105</u>	<u>1,261</u>	<u>8,294</u>	<u>33,033</u>	<u>34,084</u>

**18. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Total funds 2017 £000
Tangible fixed assets	-	-	49,162	49,162
Current assets	482	1,426	14	1,922
Creditors due within one year	(3,426)	(1,426)	-	(4,852)
Defined benefit pension scheme liability	-	(7,072)	-	(7,072)
	<u>(2,944)</u>	<u>(7,072)</u>	<u>49,176</u>	<u>39,160</u>

**ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR**

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Total funds 2016 £000
Tangible fixed assets	-	-	50,595	50,595
Current assets	282	1,047	14	1,343
Creditors due within one year	(3,286)	(765)	-	(4,051)
Defined benefit pension scheme liability	-	(11,649)	-	(11,649)
	<u>(3,004)</u>	<u>(11,367)</u>	<u>50,609</u>	<u>36,238</u>



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**Notes to the Financial Statements**  
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**19. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Net expenditure for the year (as per Statement of Financial Activities)	<b>(2,792)</b>	<b>(5,146)</b>
<b>Adjustment for:</b>		
Depreciation charges	<b>1,499</b>	<b>2,215</b>
Interest and rents	<b>(2)</b>	<b>(6)</b>
(Increase)/decrease in stocks	<b>(2)</b>	<b>3</b>
Increase in debtors	<b>(522)</b>	<b>(38)</b>
Increase in creditors	<b>801</b>	<b>966</b>
Defined benefit pension scheme cost	<b>1,137</b>	<b>530</b>
<b>Net cash provided by/(used in) operating activities</b>	<b>119</b>	<b>(1,476)</b>

**20. ANALYSIS OF CASH AND CASH EQUIVALENTS**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Cash in hand	<b>69</b>	<b>14</b>
<b>Total</b>	<b>69</b>	<b>14</b>

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**21. PENSIONS AND SIMILAR OBLIGATIONS**

The Trust's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the 3 different Local Government Pension Funds. Both are defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013. Contributions amounting to £248,000 were payable to the schemes at 31st August 2017 (2016 - £268,000) and are included within creditors.

**Teachers' Pension Scheme**

**Introduction**

The Teachers' Pension Scheme (TPS) is a statutory, unfunded, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

**The Teachers' Pension Budgeting and Valuation Account**

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. 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 under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

**Valuation of the Teachers' Pension Scheme**

The latest actuarial review 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 on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.4% of pensionable pay; in line with current regulations, not including the additional 0.08% employers pay for the cost of Scheme administration;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £15.0 billion;
- an employer cost cap of 10.9% of pensionable pay
- Actuarial assessments are undertaken in intervening years between formal valuations for financial reporting purposes, using updated membership data.

The new employer contribution rate and administration levy for the TPS were implemented in September 2015.

The pension costs paid to TPS in the period amounted to £1,902,000 (2016 - £1,908,000).

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuationreport.aspx>

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**21. PENSIONS AND SIMILAR OBLIGATIONS (continued)**

**Local Government Pension Scheme**

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2017 was £1,095,000 (2016: £1,084,000) of which employer's contributions totalled £829,000 (2016: £797,000) and employees' contributions totalled £266,000 (2016: £287,000). The agreed contribution rates for future years are variable based on pay.

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

The LGPS is managed by the following local authority pension funds:

London Borough of Bexley Pension Fund  
London Borough of Enfield Pension Fund  
London Borough of Hounslow Pension Fund

**Summary**

The following figures are a summary of the named Local Government Pension Funds which provide pensions for the Trust's employees. In the 3 schemes above there were 4 academies (2016: 4).

	2017 £000	2016 £000
Equities	7,873	6,791
Government bonds/gilts	1,330	1,048
Other bonds	1,176	1,118
Property	1,102	1,019
Cash/Liquidity	431	393
Other	2,413	2,260
<b>Total market value of assets</b>	<b><u>14,325</u></b>	<b><u>12,629</u></b>

The actual return on scheme assets was £759,000 (2016: £1,945,000).

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**Notes to the Financial Statements**  
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**21. PENSIONS AND SIMILAR OBLIGATIONS (continued)**

**Amounts recognised in the Statement of Financial Activities**

	2017 £000	2016 £000
Current service cost (net of employee contributions)	1,659	1,114
Past service cost	20	-
Net interest cost	240	199
Benefit changes, gain/(loss) on curtailment and gain/(loss) on settlement	11	-
<b>Total operating charge</b>	<b>36</b>	<b>14</b>
	<b><u>1,966</u></b>	<b><u>1,327</u></b>

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

	2017 £000	2016 £000
<b>At 1 September</b>	<b>24,278</b>	<b>14,946</b>
Current service cost	1,659	1,114
Interest cost	503	596
Employee contributions	266	287
Actuarial losses (gains)	(5,218)	7,464
Benefits paid	(147)	(129)
Past service cost	20	-
Plan introductions, benefit changes, curtailments & settlements	36	-
<b>At 31 August</b>	<b><u>21,397</u></b>	<b><u>24,278</u></b>

**Movements in the fair value of the Trust's share of scheme assets were as follows:**

	2016 £000	2015 £000
<b>At 1 September</b>	<b>12,629</b>	<b>9,742</b>
Interest income	263	397
Actuarial gain / (loss)	496	1,549
Administration costs	(11)	(14)
Employer contributions	829	797
Employee contributions	266	287
Benefits paid	(147)	(129)
Plan introductions, benefit changes, curtailments & settlements	-	-
<b>At 31 August</b>	<b><u>14,325</u></b>	<b><u>12,629</u></b>

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**21. PENSIONS AND SIMILAR OBLIGATIONS (continued)**

The following are the principal assumptions used in the 3 local authority pension funds.

**Principal actuarial assumptions**

	-----2017-----			-----2016-----		
	From	To	Average	From	To	Average
	%	%	%	%	%	%
Rate of increase in salaries <sup>1</sup>	3.5	4.2	3.8	3.3	4.1	3.6
Rate of increase for pensions in payment / inflation	2.0	2.7	2.3	1.9	2.3	2.0
Discount rate for scheme liabilities	2.4	2.6	2.5	2.0	2.2	2.1
Inflation assumption (CPI)	2.0	2.7	2.3	1.8	2.3	2.0
Commutation of pensions to lump sums	50.0	50.0	50.0	50.0	70.0	56.7

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

	-----2017-----			-----2016-----		
	From	To	Average	From	To	Average
	Yrs	Yrs	Yrs	Yrs	Yrs	Yrs
<i>Retiring today</i>						
Males	21.4	24.4	22.9	22.1	24.6	23.3
Females	25.1	27.0	26.0	25.6	27.8	26.7
<i>Retiring in 20 years</i>						
Males	23.6	26.5	25.1	24.4	26.7	25.5
Females	27.4	29.3	28.3	28.5	30.1	29.2

<sup>1</sup> Actuaries used the lowest rate in 2 academies and the highest in 1 academy.

<b>Sensitivity Analysis</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Discount rate +0.1%	(429)	(337)
Discount rate -0.1%	432	165
Mortality assumption +1 yr	432	308
Mortality assumption -1 yr	(427)	(303)
CPI rate +0.1%	356	256
CPI rate -0.1%	(353)	(253)

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**22. OPERATING LEASE COMMITMENTS**

At 31 August 2017 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts payable:</b>		
Within 1 year	<b>1,706</b>	<b>1,795</b>
Between 1 and 5 years	<b>6,489</b>	<b>6,772</b>
After more than 5 years	<b>10,705</b>	<b>19,911</b>
<b>Total</b>	<b>18,900</b>	<b>28,478</b>

Operating lease commitments include commitments due under PFI contracts for the buildings of Bexleyheath Academy.

**23. RELATED PARTY TRANSACTIONS**

Owing to the nature of the Trust's operations and the composition of the Board of Trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the Trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Trust's financial regulations and normal procurement procedures.

The following transactions took place with related parties during the period:

With Academies Enterprise Trust, parent company

Recharge of staff costs £nil

Recharge of centrally purchased services £29,964

At the balance sheet date LAET academies owed the parent company £2,246,000 relating to academy creditor balances, the August central services charge and the deficit underwritten by the parent company.

At the balance sheet date the parent company owed LAET academies £161,757 relating to VAT refunded by HMRC.

**24. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The parent company and ultimate controlling party is Academies Enterprise Trust, a company registered in England and limited by guarantee. The results of LAET are included within the consolidated financial statements of Academies Enterprise Trust which are available from Kilnfield House, Station Approach, Hockley, Essex SS5 4HS.

**25. MEMBERS' LIABILITY**

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