

**Tauheedul  
Education Trust**

**Tauheedul Education Trust  
(A Company Limited by Guarantee)**

**Annual Report and Financial Statements**

**Year ended 31 August 2015**

**TUESDAY**



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**Company Registration Number:  
07353849 (England and Wales)**

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## Abbreviations

CPI – Consumer Price Index
DfE – Department for Education
EFA – Education Funding Agency
FRS – Financial Reporting Standard
GAG – General Annual Grant
TPS – Teachers' Pension Scheme
LGPS – Local Government Pension Scheme
SCR – Standard Contribution Rate
SERPS – State Earnings-Related Pension Scheme
TET – Tauheedul Education
TIBHS – Tauheedul Islam Boys' High School
TIGHS – Tauheedul Islam Girls' High School
OSB – Olive School Blackburn
OSH – Olive School Hackney
EBB – Eden Boys' School Bolton
EGC – Eden Girls' School Coventry
EGW – Eden Girls' School Waltham Forest
EBP – Eden Boys' School Preston
EBM – Eden Boys' School Birmingham
EGS – Eden Girls' School Slough
TF – Tauheedul Foundation (formerly TG – Tauheedul Group)
TC – Tauheedul Charity
TEL – Tauheedul Education Limited



## Reference and Administrative Details

For the Year Ended 31 August 2015

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Members	Tauheedul Group Kamruddin Isap Kothia (Chair) Faruk Dasu Harry Catherall Habib Patel Mohamed Isap
Trustees	Kamruddin Isap Kothia (Chair) Sue Barkway Faruk Dasu # Harry Devonport Mohamed Isap Afzal Ismail (appointed 18 <sup>th</sup> December 2014) Kevin Jaquiss # Habib Patel # Hamid Patel CBE # Imraan Patel (appointed 18 <sup>th</sup> December 2014) David Rawlinson # Members of the Audit Committee
Chief Executive and Accounting Officer	Hamid Patel CBE
Senior Management Team	Director of Strategy and Operations - Deborah Ashton Director of Communication and Development - Kathryn Chorlton Director of School Improvement - Linda Thompson
Company Name	Tauheedul Education Trust
Principal and Registered Office	Shadsworth Road Blackburn Lancashire BB1 2HT
Company Registration Number	07353849 (England and Wales)
Independent Auditor	Beever and Struthers Chartered Accountants Central Buildings Richmond Terrace Blackburn Lancashire BB1 7AP
Bankers	Lloyds Bank Church Street Blackburn Lancashire BB2 1JQ
Solicitors	Hill Dickinson 1 St Paul's Square Liverpool Merseyside L3 9SJ



## **Trustees' Report**

### **For the Year Ended 31 August 2015**

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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 period 1 September 2014 to 31 August 2015. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

Within this year the Trust operated 2 primary and 5 secondary schools across the North of England, Midlands and London area. These academies had a combined pupil capacity of 4,860 and had a roll of 2,191 in the school census on January 2015. All academies have full subscription and this reduced roll against capacity is due to the academies having opened in recent years and not yet having all of their school years operational. Within this year the Trust was also preparing for the opening of a further 3 secondary schools in September 2015 and 3 primary schools in September 2016. In addition to this the Trust has continued to manage the Leadership training programme.

### **Structure, Governance and Management**

#### **Constitution**

The academy trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust. The trustees of Tauheedul Education Trust are also the directors of the charitable company for the purposes of company law. The charitable company is known as Tauheedul Education Trust (TET).

Details of the trustees who served during the year are included in the Reference and Administrative Details on page 2.

#### **Members' Liability**

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

#### **Trustees' Indemnities**

In accordance with normal commercial practice TET has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The insurance provides cover up to £5,000,000 on any one claim as shown in note 12 to the accounts.

#### **Method of Recruitment and Appointment or Election of Trustees**

The Members are responsible for the selection of new Trustees.

In selecting new Trustees the Trust seeks to identify people who are willing to commit their time and skills for the advancement of the purposes of the TET, adding value to the leadership of the Trust and ensuring good governance is secured.

Trustees are appointed for four years and may be re-appointed.

#### **Policies and Procedures Adopted for the Induction and Training of Trustees**

Following appointment all new Trustees receive an introduction to their role from the Chair and Chief Executive. This introduction includes the opportunity for tours to school sites and meeting members of a schools Senior Leadership Team.

The Trust has an annual training programme undertaken by Trustees, the Trust makes available other training that is required for Trustees to undertake their role effectively. The Trust's Head of Governance ensures new Trustees receive sufficient support and information to enable them to discharge their role. All Trustees are required to sign and adhere to the Code of Conduct held by the Trust.



## Trustees' Report

For the Year Ended 31 August 2015

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### Organisational Structure

The Trustees are responsible for the general control and management of the Trust. The Trustees give their time freely and receive no remuneration or other financial benefits, other than the Trust Chief Executive who also serves as a Trustee. The Trustees act as the governors of TET and are also the directors of the charitable company for the purposes of company law.

The Trustees meet termly and are responsible for all decisions taken in relation to the activities provided by TET. The Trustees have established an Audit Committee which meets termly to ensure the independent checking of financial controls, systems, transactions and risks.

The Trust has delegated some decision making to local governing bodies of its schools. The Trust has a clear scheme of delegation with regard to the delegation of these decisions; this also details the decisions which have been delegated to management to ensure the day to day operational capacity of the Trust.

The Trust, as a Multi-Academy Trust, has a Central Office to support its academies in relation to their business support and academic standards. The Trust Chief Executive is the Accounting Officer.

### Related Parties and other Connected Charities and Organisations

#### ***Tauheedul Foundation (formerly Tauheedul Group)***

Tauheedul Foundation is responsible for approving some of the Members of Tauheedul Education Trust.

Tauheedul Group changed its name to Tauheedul Foundation on 26 October 2015.

#### ***Tauheedul Education Limited***

Tauheedul Education Limited remains a dormant company. Tauheedul Foundation decided in May 2015 to transfer the company to be a subsidiary of Tauheedul Education Trust, the transfer took place on 7 October 2015. Tauheedul Education Limited will be the trading arm of the Education Trust providing educational training and consultancy nationally and internationally.

#### ***Tauheedul Charity***

Tauheedul Charity is not a connected charity to the Tauheedul Education Trust. Tauheedul Charity delivers Tauheedul Foundation's corporate social responsibility programme. It aims to:

- Inspire young people to be global citizens who can, by their efforts, create a more positive future and improve the lives of those less fortunate than themselves;
- Address poverty in the UK through practical programmes that ignite young people's innate energy and enthusiasm; and
- Provide access to educational opportunities in impoverished communities across the world.



## Trustees' Report

For the Year Ended 31 August 2015

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### Objectives and Activities

#### Objects and Aims

Tauheedul Education Trust (TET) is a not-for-profit multi-academy trust. The objects of the Trust are to establish, maintain, carry on, manage and develop schools offering a broad and balanced curriculum.

The Trust believe that every child and every community is unique. It works hard to make sure that each and every pupil in its schools – regardless of their faith, race, gender, background or starting point – achieves their potential and goes on to university or a career of their choice.

#### Objectives, Strategies and Activities

TET runs a growing network of primary and secondary schools in the North of England, Midlands and London. It also develops education partnerships and delivers 'turn around' support to underperforming schools. Educational excellence and social mobility are at the heart of everything the Trust undertakes. The Trust works particularly in areas of deprivation. TET has many years of experience of helping children and young people – in faith schools and non-faith schools – to raise their aspirations and achieve outstanding results.

The Trust also works hard to ensure that its schools become part of the communities in which they are located.

#### Public Benefit

In setting the objectives, and planning the activities, the Trustees have given careful consideration to the Charity Commission's general guidance on public benefit and to its supplementary public benefit guidance on advancing education.

The key public benefit delivered by TET is the development of high quality education provided within its schools, to the public benefit of all children local to these schools.



## Trustees' Report

For the Year Ended 31 August 2015

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### Strategic Report

#### Achievements and Performance

TET has achieved the following in the 2014/15 academic year:

- TIGHS completed its conversion to an academy within the Trust in December 2014;
- TIBHS successfully continued providing high quality education to Years 7, 8, 9 and 10 pupils;
- The Olive School, Blackburn secured Outstanding in its first OFSTED inspection;
- The Olive School, Hackney secured Outstanding in its first OFSTED inspection;
- The Eden Boys' School, Bolton successfully completed its first year of operation;
- The Eden Girls' School, Coventry successfully completed its first year of operation;
- The Eden Boys' School, Waltham Forest successfully completed its first year of operation;
- The Eden Boys' School, Birmingham successfully moved to opening stage;
- The Eden Boys' School, Preston successfully moved to opening stage;
- The Eden Girls' School, Slough successfully moved to opening stage;
- The Olive School, Bolton has successfully progressed towards opening in September 2016;
- The Olive School, Preston has successfully progressed towards opening in September 2016;
- The Olive School, Birmingham has successfully progressed towards opening in September 2016;
- TET has successfully continued to deliver the National College North West Leadership Programme; and
- TET started development of the Tauheedul College for Teaching and Leadership as the key vehicle to deliver professional and personal development for teachers, managers and leaders in its own schools and beyond. It received approval to establish a SCITT (school-centred initial teacher training) which will open in September 2016.

#### Key Performance Indicators

Results in Tauheedul schools continue to remain outstanding.

OFSTED also undertook inspections of The Olive School, Blackburn and The Olive School, Hackney; these were both awarded 'outstanding' across all categories in their second year of operation.

Pupil recruitment has been strong, with all schools being over-subscribed.

Tauheedul schools aim to keep salary costs between 70% and 75% of their GAG income. This has been achieved during 2014/15.

As some of our schools are within their early years of operation their budgets are limited and therefore require close financial management. All schools have reserves of at least 2% of GAG income at the close of the year.

#### Going Concern

After making appropriate enquiries, the Board of Trustees has a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.



## Trustees' Report

### For the Year Ended 31 August 2015

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#### Financial Review

During the year ended 31 August 2015 TET has received income of £70,402K (2014: £36,303K) comprising:

- GAG funding for TIBHS, TIGHS, The Olive Schools in both Blackburn and Hackney, The Eden Boys' School in Bolton and the Eden Girls' Schools in Coventry and Waltham Forest;
- Year zero restricted start-up funding for The Eden Boys' Schools in Birmingham and Preston and the Eden Girls' School in Slough;
- Capital grants towards the purchase of sites for the schools and the related fit out costs at the permanent and temporary sites; and,
- National College Scholarship funding and associated candidate fees for the North West Leadership Programme.

Over the year TET expended £14,355K (2014: £6,710K) resulting in net income of £56,047K (2014: £29,593K) leading to reserves carried forward of £85,816K (2014: £29,766K). Of this, £1,871K (2014: £390K) relates to restricted GAG for the academies which is being carried forward to be utilised in future years, and £81,670K (2014: £29,122K) which relates to the restricted fixed asset fund which is being carried forward and will be spent in line with the Capital Grant programme. TET has an unrestricted fund carried forward of £2,628K (2014: £252K) which will be used within the Academies Charitable objectives.

Due to the timing of the stage payments of the start-up grants for the additional free schools TET had cash reserves of £6,926K as at 31 August 2015 (2014: £1,410K) and was carrying forward deferred income of £583K (2014: £654K) in relation to these grants. These monies will be spent in the following year on the pre-opening costs of these free schools.

During the year the Accounting Officer has been working with the Central Management team, the business managers and TET's internal and external auditor to implement efficient and quality financial management systems. These systems are continuously under review and will be implemented at each component school as they open.

#### Reserves Policy

The amount of reserves held are stated in the Financial Review noted above. The level of reserves held at each school at 31 August 2015 is considered to be sufficient and in line with the Trust's 2% reserves policy. The Trust needs to hold reserves for a number of reasons, examples of which are listed below:

- contingency fund to deal with minor adjustments to operational expenditure from some budget headings;
- a planned accumulation of funds to pay for some major construction work or project;
- expenditure held over to the following year to withstand variations in the level of funding to the Trust to balance out variations in funding levels; and
- potential redundancy payments to staff.

The Board of Trustees will ensure that the Reserves Policy is in accordance with the requirements laid down in the Academies Financial Handbook by the EFA. The Department for Education expects Trusts to use their allocated funding for the full benefit of current pupils. If Trusts have a substantial surplus, they must have a clear plan for how it will be used to benefit their pupils. It is the policy of The Trust to have reserves which can be used for future education purposes in line with the development plans.

#### Investment Policy

Due to all 6 free schools being in their first 3 years of operation the Trust has adopted a low risk strategy to investment and has retained excess cash in the current accounts during the year ended 31 August 2015.

It is planned that the accumulated reserves as at 31 August 2015 for each school will be transferred to a 32-day notice deposit account to optimise the return on these reserves. The management of the 32-day notice deposit account will be managed by the Trust's central finance team.





## Trustees' Report

For the Year Ended 31 August 2015

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### Principal Risks and Uncertainties

The Academy Trust has undertaken work during the period to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the Academy Trust's assets and reputation.

A review of the risks faced by TET was conducted and systems established to mitigate those risks. TET has identified the major risks it faces and has documented these within its Risk Register; this is reviewed termly by its Trustees. The Trustees are also fully apprised between meetings of any issues that may impact upon the management of risk.

The Audit Committee has ongoing responsibility for the monitoring of risks and has engaged RSM as its Internal Auditors to ensure maintained compliance. An Internal Audit Plan was agreed and undertaken in 2014/15. This focused upon the following areas: -

- Asset Management
- Safeguarding
- Governance: Structure and Reporting
- Business Continuity Planning
- Staff Development & Performance Management
- General Ledger
- Payroll

These reviews provided recommendations for where the Trust could strengthen some of its systems and internal controls which have been implemented throughout the year. Further reviews will continue into 2015/16 to help identify any other areas in which the Trust may be able to implement an improved control environment.

Outlined below is a description of the principal risk factors which may affect the Academy Trust. Not all factors are within the Academy Trust's control. Other factors besides those listed below may also adversely affect the Academy Trust.

#### 1. Government Funding

The Academy Trust has considerable reliance on continued Government funding through the EFA. In 2014/15, 99% (2013/14: 99%) of the Academy's revenue was ultimately publicly funded including inherited assets, and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or in the same terms.

This risk is mitigated in a number of ways:

- Funding is derived from a number of direct and indirect contractual arrangements,
- By ensuring that the Academy Trust is rigorous in delivering high quality education and training,
- Considerable focus and investment is placed on maintaining and managing key relationships with the EFA.

#### 2. Management Override

The Academy Trust is run by the CEO Hamid Patel CBE. He is able to authorise expenditure to levels that are documented within the Financial Handbook of the Trust and has control of many aspects of the Trust.

This risk is mitigated in a number of ways:

- The Board reviews management accounts at regular intervals.
- The Managers of each individual school are qualified professionals, who will be resistant to override.



## **Trustees' Report**

### **For the Year Ended 31 August 2015**

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#### **Plans for Future Periods**

TET will seek to grow as a Multi-Academy Trust and continue to work with communities across the country within five geographical clusters (Lancashire, Greater Manchester, Bradford, West-Midlands and London) to open Free Schools and manage convertor academies. Within these schools the Trust will work to ensure the high performance of its students and that the schools meet the needs of those communities.

In delivering these plans TET opened three new free schools in September 2015, Eden Boys' Schools in Preston and Birmingham and Eden Girls' School in Slough. The Trust has also received initial approval to proceed with opening 3 schools in September 2016, The Olive Schools in Bolton, Preston and Birmingham.

The Trust has also been approved to manage convertor academy schools. A number of schools are expected to become managed by the Trust over the next five years. The Secretary of State announced in November 2015 a grant is to be provided to the Trust as part of the 'Northern Sponsor Fund'. This recognises TET as one of five top performing academy sponsors selected to improve performance for pupils in some of the most challenging and disadvantaged areas of the country. The Trust is keen on developing a mix of faith and non-faith schools in these five areas. Over the next five years the Trust aims to open ten schools in each of these areas.

#### **Funds Held as Custodian Trustee on Behalf of Others**

TET holds no funds on behalf of others.

#### **Auditor**

Insofar as the trustees are aware:

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

Beever and Struthers are willing to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

Trustees' Report, incorporating a Strategic Report, was approved by order of the Board of Trustees, as the company directors, on 16<sup>th</sup> December and signed on the Board's behalf by:

Faruk Dasu

Trustee

16<sup>th</sup> December 2015



## Governance Statement

### For the Year Ended 31 August 2015

#### Scope of Responsibility

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

The Board of Trustees has delegated the day-to-day responsibility to the Chief Executive, as Accounting Officer, for ensuring financial controls conform to 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 Tauheedul Education 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 Members have formally met once during the year. Attendance during the year at meetings of the Members was as follows: -

Member	Meetings attended	Out of a possible
Tauheedul Group (Mohamed Isap)	1	1
Kamruddin Isap Kothia	1	1
Faruk Dasu	1	1
Harry Catherall	0	1
Habib Patel	1	1

The Board of Trustees has formally met 4 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
Kamruddin Isap Kothia	4	4
Sue Barkway	0	4
Faruk Dasu	2	4
Harry Devonport	2	4
Mohamed Isap	3	4
Afzal Ismail (appointed 18 <sup>th</sup> December 2014)	1	3
Kevin Jaquiss	3	4
Habib Patel	4	4
Hamid Patel CBE	4	4
Imraan Patel (appointed 18 <sup>th</sup> December 2014)	2	2
David Rawlinson	3	4

The appointment of Afzal Ismail and Imraan Patel brought cluster representatives from the North of England and Midlands onto the Board of Trustees.

As Afzal Ismail had made commitments as Chair to support his school for the Academic year he was unable to attend 2 of the meetings during the year. Sue Barkway had holidays which meant that she was unable to attend Trust Board meetings, but has attended as a Trustee at several other events and continued to support the Trust.



## Governance Statement

### For the Year Ended 31 August 2015

Revised Articles were agreed with the Department for Education (DfE) in March 2015 and filed with Companies House, these brought the Articles in line with the DfE revised model. The Trust intends to undertake a Governance Review in 2015/16, in consultation with the DfE, as it recognises the growth in its size as a Trust and the need to ensure that its governance arrangements are adequate.

The Audit Committee is a sub-committee of the main Board of Trustees. Its purpose is to: -

Assist the decision making of the Board, by enabling more detailed consideration to be given to the best means of the company's responsibility to ensure financial probity and managing risk. This Committee provides a process for independent checking of financial controls, systems, transactions and risks. It is supported in this role by the Internal Auditors RSM.

An Internal Audit Plan for the year was agreed and undertaken in 2014/15. This focused upon the following areas: -

- Asset Management
- Safeguarding
- Governance: Structure and Reporting
- Business Continuity Planning
- Staff Development & Performance Management
- General Ledger
- Payroll

These reviews provided recommendations for where the Trust could strengthen some of its systems and internal controls which have been implemented throughout the year. Further reviews will continue into 2015/16 to help identify any other areas in which the Trust may be able to implement an improved control environment.

Attendance at meetings in the year was as follows: -

Trustee	Meetings attended	Out of a possible
Faruk Dasu (Chair)	3	3
Kevin Jaquiss (appointed to Committee March 2015)	1	1
Habib Patel (retired from Committee March 2015)	2	2
Hamid Patel CBE	3	3

### Review of Value for Money

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

The Accounting Officer considers how the Trust's use of its resources has provided good value for money during each academic year, and reports to the Board of Trustees where value for money can be improved, including the use of benchmarking data where available. The Accounting Officer for the Academy Trust has delivered improved value for money during the year by: -

- **Improving educational standards**  
We have ensured that resources are directed where they will be effective in meeting educational requirements, for example by targeting resources to support The Olive Schools in Blackburn and Hackney in securing outstanding teaching & learning and leadership & management. The Trust was delighted when the schools achieved 'Outstanding' in all categories – a remarkable achievement for new schools.



## Governance Statement

### For the Year Ended 31 August 2015

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The quality of education in our organisation is highly dependent upon our teachers and those who are running our schools. Our aim is to recruit outstanding teachers and leaders who will be further developed to help achieve and maintain outstanding standards.

We have implemented an induction programme for the 3 new Eden schools, which opened in September 2014. The programme focussed on securing the implementation of the Tauheedul Quality Standards; encompassing teaching & learning, leadership & management, curriculum & achievement, behaviour & safety as well SMSC.

Through the provision of experienced Quality Assurers and implementation of its school improvement framework, the Trust continues to provide a highly personalised improvement programme based on a comprehensive needs assessment.

We have ensured that each of the schools within the MAT have a rigorous achievement and attainment management and tracking system. This has ensured outstanding attainment in all MAT schools and demand for 2015/16 places far exceeded supply. We have undertaken a group-wide review of our intervention programmes (including summer school, weekend classes and holiday learning provision) to ensure that they are focused on securing quality, reducing in-school variation as well as the achievement gap between vulnerable and disadvantaged groups.

We have worked with our schools to refresh their Strategic Development Plans and self-evaluation forms.

- **Robust governance and oversight of Multi Academy Trust finances**

The Trust has established robust guidance within the Trusts Financial Management Handbook. The Trust has also developed a Financial Procedures Manual to ensure segregation of duties, uniformity and consistency across all schools within the Trust. The Trust benefits from the provision of a suitably qualified Financial Controller. He holds regular meetings with all 7 schools within the Trust. He has also been working very closely with the Principals for the 3 new free schools due to open in September 2015 to ensure a viable and sustainable budget and long term finance plan has been devised and approved by the Local Governing Bodies. These have all been signed off by the Accounting Officer as well as the respective Local Governing Bodies.

During the year the Trust commissioned an independent strategic financial management advisor for high level support to the schools. During these visits the advisor performed compliance and health checks reviewing key policies, systems and procedures, with reports presented on compliance to the Head of the school as well as the Financial Controller for the Trust. RSM were commissioned as the Internal Auditors for the Trust. The internal audit reports highlighted the strong practices in place at the schools as well as a number of recommendations for where the Trust could strengthen some of its systems and internal controls which have been implemented throughout the year. Any recommendations from the internal audits have been actioned at both the school level and across the Trust. The internal audit reports were presented to both, the business committees for the schools as well as the Audit Committee for the Trust. A 3 year internal audit plan is in place to cover a vast programme of areas during a time of rapid growth for the MAT. The Trust also receives support throughout the year from its external auditors on compliance and accounting practices.

The Business Committee of each school receives detailed financial information for their termly meetings and the full governing body approve the budget plan annually. They are mindful of the need to balance expenditure against income to ensure the sustainability of their respective schools and to ensure the Trust remains a 'going concern'. The members of the trust meet with the external auditors annually to review and scrutinise the annual accounts and our external auditors' management report and to approve the annual accounts.



## Governance Statement

### For the Year Ended 31 August 2015

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The Financial Controller reports back the financial position at a school and trust level to the Accounting Officer, on a regular basis. In addition, a formal termly report is prepared for the trustees and provided to the Governing Council.

- **Better Purchasing**

The Trust ensures a continual focus on best value for money and clearly understands the importance of the efficient and effective use of its resources. Our schools and Trust promote fair competition through quotations and tenders, in accordance with its financial regulations, to ensure that goods and services are secured in the most economic and effective way. Where possible, the Trust has secured single supplier contracts, through competitive tender, for areas where a single supplier creates cost savings for our schools i.e. insurance, payroll, ICT software licences and internal audit. The successful appointment of such single supplier contracts have in some instances been negotiated at rates below those possible for single schools. This has considerably reduced the cost of this provision to schools. For 2015/16, the trust has re-tendered the payroll service and has part-changed providers which will achieve cost efficiencies. Also, further service level agreements will be agreed across the Trust for HR services, trips management system, SIMs support and virtual learning environment.

The budget holders review and sign off every purchase order request and regularly challenge these for efficiency and effectiveness. In turn the Governing Body regularly reviews the functions of the school, challenging how and why services are provided as appropriate. On an annual basis, the Governing Body reviews and signs off the contracts and Service Level Agreements the school are entering into for the upcoming year. Benchmarking exercises are carried out for cost comparisons and to ensure value for money.

- **Maximising income generation**

The Trust is mindful of the need to generate additional funds to maximise income generation. Due to the temporary nature of the current school sites, income generation from lettings has been challenging, however, once the schools move into their permanent sites, the plan is to utilise the premises to ensure the community benefits from the extended services provided by carefully vetted voluntary and community support groups as well as providing an income stream for the schools. The schools ran a number of fund raising events throughout the year, both for charity and to generate income for their respective schools. The income generated for the schools is used to help support the wider curriculum and give further opportunities to all children that are not possible through the schools budget allocation.

As noted in the Trustees' Report, the Trust has also started development of the Tauheedul College for Teaching and Leadership. It received approval to establish a SCITT (school-centred initial teacher training) which will open in September 2016. This will help the Trust generate additional funds to support the growth and continued success of the Multi-Academy Trust.

- **Reviewing controls and managing risks**

Business Continuity Plans, Risk Management Policies and risk registers have been devised at both the Trust and school level. These have been approved by the Local Governing Bodies with the risk register reviewed termly at the Business Committees.

The Head teacher and Head of Finance & Business Services review budget monitoring reports, considering expenditure against each budget cost centre monthly and address any significant variances against budget. The Business Committee review and check these reports on a termly basis, with an overview provided to the Local Governing Body for the respective school and to the Governing Council for the Trust.



## **Governance Statement**

### **For the Year Ended 31 August 2015**

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The Business Committee reviews and approves the financial regulations and scheme of delegation detailing the finance related systems and procedures and other key financial policies. There is full segregation of duties within each school office.

- **Lessons Learned**

A Trust wide investment strategy will be devised to ensure that returns on pooled reserves are maximised. Service level agreements and contracts are under review annually to continually look at best value and efficiency savings. In-house catering provision will be developed to provide improved nutritional meals at better value when schools move into their permanent sites.

### **The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Tauheedul Education Trust for the period 1 September 2014 to 31 August 2015 and up to the date of approval of the annual report and financial statements.

### **Capacity to Handle Risk**

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

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

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

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

The Board of Trustees has considered the need for a specific internal audit function and has decided to appoint RSM as the internal auditors.

On a termly basis, the auditor reports to the Board of Trustees, through the Audit Committee on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.



## **Governance Statement**

### **For the Year Ended 31 August 2015**

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The reviews that were undertaken provided recommendations for where the Trust could strengthen some of its systems and internal controls which have been implemented throughout the year. Further reviews will continue into 2015/16 to help identify any other areas in which the Trust may be able to implement an improved control environment.


#### **Review of Effectiveness**

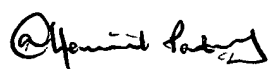
As accounting officer the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by: -

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

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the Audit 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 16<sup>th</sup> December 2015 and signed on its behalf by:

  
\_\_\_\_\_  
Faruk Dasu  
Trustee

  
\_\_\_\_\_  
Hamid Patel CBE  
Accounting Officer





## Statement on Regularity, Propriety and Compliance For the Year Ended 31 August 2015

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As Accounting Officer of Tauheedul Education Trust I have considered my responsibility to notify the academy trust Board of Trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA 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.

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.

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 EFA.

Hamid Patel CBE  
**Accounting Officer**  
16<sup>th</sup> December 2015



## Statement of Trustees' Responsibilities

### For the Year Ended 31 August 2015

---

The trustees (who act as governors of Tauheedul Education 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 published by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

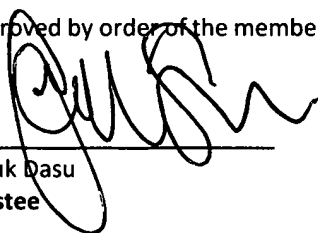
- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP 2005
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 EFA/DfE have been applied for the purposes intended.

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

Approved by order of the members of the board of trustees on 16<sup>th</sup> December 2015 and signed on its behalf by:

  
\_\_\_\_\_  
Faruk Dasu  
Trustee



## **Independent Auditors' Report on the Financial Statements to the Members of Tauheedul Education Trust For the Year Ended 31 August 2015**

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We have audited the financial statements of Tauheedul Education Trust for the year ended 31 August 2015 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes on pages 22 to 50. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accountancy Practice) and the Annual Accounts Direction 2014 to 2015 issued by the EFA.

The report is made solely to the Governing 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 Governing Body 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 company and the Governing Body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Trustees and Auditors**

As explained more fully in the Statement of Trustees' Responsibilities set out on page 17, the Trustees are responsible for the preparation of the Trustees' Report and the financial statements in accordance with applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), and the Academies Accounts Direction 2014 to 2015 issued by the EFA.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2015 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2014 to 2015 issued by the EFA.

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

In our opinion the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



## **Independent Auditors' Report on the Financial Statements to the Members of Tauheedul Education Trust For the Year Ended 31 August 2015**

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

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

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

**G M Wilson (Senior Statutory Auditor)  
For and on behalf of Beever and Struthers**

Chartered Accountants and Statutory Auditors  
Central Buildings  
Richmond Terrace  
Blackburn  
Lancashire  
BB1 7AP

22/12/15



## **Independent Reporting Accountant's Assurance Report on Regularity to Tauheedul Education Trust and the Education Funding Agency For the Year Ended 31 August 2015**

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In accordance with the terms of our engagement letter dated 12 September 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2014 to 2015, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by the Academy Trust during the period 1 September 2014 to 31 August 2015 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the governing body and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Academy Trust and the EFA 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 the governing body and the EFA, for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of the Academy Trust's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of the Academy Trust's funding agreement with the Secretary of State for Education dated 1 November 2011 and the Academies Financial Handbook, extant from 1 September 2014, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2014 to 2015. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2014 to 31 August 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Academies Accounts Direction 2014 to 2015 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

A limited assurance engagement is more limited in scope that 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 our conclusion includes:

- Review that the activities are in keeping with the academy's framework and charitable objectives; and
- Testing undertaken on a sample basis to review whether the academy's expenditure is in accordance with the Funding Agreement; and
- Other testing in accordance with the guidance issued in the Academies Accounts Direction 2014 to 2015.



**Independent Reporting Accountant's Assurance Report on Regularity to  
Tauheedul Education Trust and the Education Funding Agency  
For the Year Ended 31 August 2015**

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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 period 1 September 2014 to 31 August 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

**G M Wilson (Reporting Accountant)  
For and on behalf of Beever and Struthers**

Chartered Accountants and Statutory Auditors  
Central Buildings  
Richmond Terrace  
Blackburn  
Lancashire  
BB1 7AP

22/12/15.....



**Statement of Financial Activities for the Year Ended 31 August 2015**  
**(including Income and Expenditure Account and Statement of Total**  
**Recognised Gains and Losses**  
**For the Year Ended 31 August 2015**

	Notes	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2015 £000	Total 2014 £000
<b>INCOMING RESOURCES</b>						
<b>Incoming resources from generating funds:</b>						
Voluntary income	2	-	-	-	-	2
Voluntary income - transfer from local authority on conversion	3,28	1,925	(309)	11,860	13,476	
Investment income	4	70	-	-	70	2
<b>Incoming resources from charitable activities:</b>						
Grant funding for the Academy Trust's educational operations	5a	-	14,172	42,128	56,300	36,011
Other funding for the Academy Trust's educational operations	5b	-	556	-	556	288
<b>Total incoming resources</b>		<b>1,995</b>	<b>14,419</b>	<b>53,988</b>	<b>70,402</b>	<b>36,303</b>
<b>RESOURCES EXPENDED</b>						
<b>Charitable activities:</b>						
Academy Trust's educational operations	6	-	12,739	1,551	14,290	6,672
Governance costs	8	-	65	-	65	38
<b>Total resources expended</b>	<b>6</b>	<b>-</b>	<b>12,804</b>	<b>1,551</b>	<b>14,355</b>	<b>6,710</b>
<b>Net incoming resources before transfers</b>		<b>1,995</b>	<b>1,615</b>	<b>52,437</b>	<b>56,047</b>	<b>29,593</b>
Gross transfers between funds	16	381	(492)	111	-	-
<b>Net income for the period</b>		<b>2,376</b>	<b>1,123</b>	<b>52,548</b>	<b>56,047</b>	<b>29,593</b>
<b>Other recognised gains and losses</b>						
Actuarial gains on defined benefit pension schemes	16,26	-	3	-	3	32
<b>Net movement in funds</b>		<b>2,376</b>	<b>1,126</b>	<b>52,548</b>	<b>56,050</b>	<b>29,625</b>
<b>Reconciliation of funds</b>						
Funds brought forward at 1 Sept 2014	16	252	392	29,122	29,766	141
<b>Funds carried forward at 31 August 2015</b>		<b>2,628</b>	<b>1,518</b>	<b>81,670</b>	<b>85,816</b>	<b>29,766</b>

The Statement of Financial Activities includes all gains and losses in the period and therefore a statement of total recognised gains and losses has not been prepared.

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



## Balance Sheet

For the Year Ended 31 August 2015

	Notes	2015 £000	2015 £000	2014 £000	2014 £000
<b>FIXED ASSETS</b>					
Tangible Assets	13		60,746		18,674
<b>CURRENT ASSETS</b>					
Debtors	14	28,446		15,326	
Cash at Bank and in Hand		6,926		1,410	
		35,372		16,736	
<b>CREDITORS</b>					
Amounts Falling Due Within One Year	15	(9,949)		(5,646)	
<b>NET CURRENT ASSETS</b>			25,423		11,090
<b>NET ASSETS EXCLUDING PENSION (LIABILITY) / ASSET</b>			86,169		29,764
Pension Scheme (Liability) / Asset	26		(353)		2
<b>NET ASSETS INCLUDING PENSION (LIABILITY) / ASSET</b>			85,816		29,766
<b>FUNDS OF THE ACADEMY</b>					
<b>Restricted Funds</b>					
Fixed asset funds	16		81,670		29,122
General funds	16		1,871		390
Pension reserve	16		(353)		2
Total Restricted Funds			83,188		29,514
<b>Unrestricted Funds</b>					
General fund	16		2,628		252
Total Unrestricted Funds			2,628		252
<b>TOTAL FUNDS</b>			85,816		29,766

The financial statements on pages 22 to 50 were approved by the Board of Trustees and authorised for issue on 14.12.2015

Faruk Dasu  
Trustee

Company number: 07353849





## Cash Flow Statement

### For the Year Ended 31 August 2015

	Notes	2015 £000	2014 £000
<b>Net cash inflow from operating activities</b>	<b>20</b>	15,979	651
Returns on investments and servicing of finance	21	70	2
Capital expenditure and financial investment	22	(10,533)	(83)
<b>Increase in cash in the year</b>	<b>23</b>	<u>5,516</u>	<u>570</u>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Net funds at 1 September 2014	23	1,410	840
<b>Net funds at 31 August 2015</b>		<u><b>6,926</b></u>	<u><b>1,410</b></u>



## Notes to the Financial Statements

For the Year Ended 31 August 2015

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### 1. Accounting Policies

#### Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards, the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' (SORP 2005), the Academies Accounts Direction 2014 to 2015 issued by the EFA and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

#### Going Concern

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

#### Incoming Resources

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

- **Grants receivable**

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the 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 year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund.

Capital grants are recognised when receivable and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

As prescribed by the Academy Accounts Direction 2014 to 2015, Start-up grants have been apportioned in line with the expenditure being incurred.

- **Donations**

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

- **Other Income**

Other income, including courses provided to management staff at other schools and provision of teacher training, 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.



## Notes to the Financial Statements

### For the Year Ended 31 August 2015

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#### 1. Accounting Policies (continued)

##### Incoming Resources (continued)

- **Gifted Property**

The value of gifted property provided to the academy trust is recognised at the cost that they are purchased at by the EFA in the period that entitlement to the grant is confirmed and planning permission has either been granted or when the title over the property has been transferred to the academy trust. Where the title has been transferred, the property has been accounted for within fixed assets and the corresponding income is shown within capital grant income within the restricted fixed asset fund. Where the title has not transferred but planning permission has been granted, the property has not been included within fixed assets but instead grant income has been recognised along with the corresponding debtor.

##### Resources Expended

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

- **Costs of Generating Funds**

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

- **Charitable activities**

These are costs incurred on the Academy Trust's educational operations.

- **Governance Costs**

These include the costs attributable to the Academy Trust's compliance with constitutional and statutory requirements, including audit, strategic management and Governor's meetings and reimbursed expenses.

All resources expended are inclusive of VAT where irrecoverable.

##### Tangible Fixed Assets

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of any 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. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Academy Trust's depreciation policy. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.



## Notes to the Financial Statements

For the Year Ended 31 August 2015

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### 1. Accounting Policies (continued)

#### Tangible Fixed Assets (continued)

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

Land and buildings	2% per annum (buildings only when brought into use)
Leasehold land and buildings	0.8% per annum depending upon lease term
Leasehold improvements	33.3% per annum or 50% per annum depending upon lease term
Computer equipment	25% per annum
Fixtures, fittings and equipment	20% per annum

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

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

#### Leased assets

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

#### Taxation

The Academy Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Academy Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation 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.

#### Pensions Benefits

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 26, the TPS is a multi-employer scheme and the Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.



## Notes to the Financial Statements

### For the Year Ended 31 August 2015

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#### 1. Accounting Policies (continued)

##### Pensions Benefits (continued)

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on 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 gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

##### Fund Accounting

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

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

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

##### Conversion to Academy Trust

The conversion from a state maintained school to an Academy Trust involves the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion from each school to an Academy Trust have been valued at their fair value being a reasonable estimate of the current market value that the trustees would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for the charitable company. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. Further details of the transaction are set out in note 28.



## Notes to the Financial Statements

For the Year Ended 31 August 2015

### 2. Voluntary Income

	Unrestricted Funds £000	Restricted Funds £000	Total 2015 £000	Total 2014 £000
Other donations	-	-	-	2
	-	-	-	2

### 3. Voluntary Income – transfers from local authority on conversion

	Unrestricted Funds £000	Restricted Funds £000	Total 2015 £000	Total 2014 £000
Assets transferred on conversion	1,925	11,860	13,785	-
Pension deficit transferred on conversion	-	(309)	(309)	-
	1,925	11,551	13,476	-

### 4. Investment Income

	Unrestricted Funds £000	Restricted Funds £000	Total 2015 £000	Total 2014 £000
Current Account interest	70	-	70	2
	70	-	70	2



## Notes to the Financial Statements

### For the Year Ended 31 August 2015

#### 5. Incoming Resources from Charitable Activities

##### 5a. Funding for Academy's Educational Operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2015 £000	Total 2014 £000
<b>DfE / EFA revenue grants</b>				
GAG	-	11,527	<b>11,527</b>	3,837
Start Up Grants	-	1,623	<b>1,623</b>	1,505
Capital grants	-	42,128	<b>42,128</b>	30,363
Other DfE / EFA grants	-	940	<b>940</b>	306
	-	56,218	<b>56,218</b>	36,011
<b>Other Government grants</b>				
Local Authority grants	-	82	<b>82</b>	-
	-	82	<b>82</b>	-
	-	56,300	<b>56,300</b>	36,011

##### 5b. Other Funding for Academy's Education Operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2015 £000	Total 2014 £000
<b>Other Income</b>				
Catering Income	-	166	<b>166</b>	57
Trip Income	-	41	<b>41</b>	28
Bus Income	-	158	<b>158</b>	13
Other Income	-	191	<b>191</b>	190
	-	556	<b>556</b>	288



## Notes to the Financial Statements

### For the Year Ended 31 August 2015

#### 6. Resources Expended

	Staff Costs £000	-Non Pay Premises £000	Expenditure- Other Costs £000	<b>Total 2015 £000</b>	<b>Total 2014 £000</b>
Academy's educational operations					
Direct costs	7,057	1,551	886	<b>9,494</b>	4,127
Allocated support costs	2,114	874	1,808	<b>4,796</b>	2,545
	<b>9,171</b>	<b>2,425</b>	<b>2,694</b>	<b>14,290</b>	6,672
Governance costs including allocated support costs (note 8)	-	-	65	<b>65</b>	38
	<b>9,171</b>	<b>2,425</b>	<b>2,759</b>	<b>14,355</b>	6,710

#### Net incoming resources for the period include:

	<b>Total 2015 £000</b>	<b>Total 2014 £000</b>
Operating lease		
- Land and buildings	<b>210</b>	298
- Other	<b>23</b>	6
Fees payable to auditor		
- Audit services	<b>23</b>	16
- Non-audit services	<b>21</b>	9
Depreciation (note 13)	<b>1,521</b>	270
Impairment of Edinburgh House (note 13)	<b>30</b>	1,069





## Notes to the Financial Statements

### For the Year Ended 31 August 2015

#### 7. Charitable Activities – Academy's educational operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2015 £000	Total 2014 £000
<b>Direct Costs</b>				
Teaching and educational support staff costs	-	7,057	<b>7,057</b>	2,316
Depreciation	-	1,521	<b>1,521</b>	270
Impairment of Edinburgh House	-	30	<b>30</b>	1,069
Educational supplies	-	400	<b>400</b>	233
Examination fees	-	79	<b>79</b>	1
Staff development	-	56	<b>56</b>	16
Educational consultancy	-	27	<b>27</b>	40
Other Direct Costs	-	324	<b>324</b>	182
	-	9,494	<b>9,494</b>	4,127
<b>Allocated Support Costs</b>				
Support staff costs	-	2,114	<b>2,114</b>	934
Recruitment and support	-	123	<b>123</b>	94
Net interest on pension scheme liability	-	74	<b>74</b>	(20)
Maintenance of premises and equipment	-	199	<b>199</b>	68
Cleaning	-	31	<b>31</b>	14
Rent and rates	-	306	<b>306</b>	318
Energy costs	-	241	<b>241</b>	58
Insurance	-	96	<b>96</b>	27
Security and transport	-	212	<b>212</b>	76
Catering	-	465	<b>465</b>	320
Other Support Costs	-	935	<b>935</b>	656
	-	4,796	<b>4,796</b>	2,545
	-	14,290	<b>14,290</b>	6,672

#### 8. Governance Costs

	Unrestricted Funds £000	Restricted Funds £000	Total 2015 £000	Total 2014 £000
Auditor's remuneration				
- Audit of financial statements	-	44	<b>44</b>	25
- Other audit costs	-	21	<b>21</b>	13
	-	65	<b>65</b>	38



## Notes to the Financial Statements

### For the Year Ended 31 August 2015

#### 9. Staff

##### a. Staff Costs

Staff costs during the year were:

	<b>Total 2015 £000</b>	<b>Total 2014 £000</b>
Wages and salaries	<b>7,811</b>	2,705
Social security costs	<b>597</b>	212
Pension costs	<b>644</b>	236
	<b>9,052</b>	3,153
Supply staff costs	<b>119</b>	45
Staff seconded from TIGHS (prior to conversion)	<b>-</b>	52
	<b>9,171</b>	3,250

##### b. Staff Numbers

The average number of persons (including senior management team) employed by the Academy during the year expressed as full time equivalents was as follows:

	<b>2015 No.</b>	<b>2014 No.</b>
<b>Charitable Activities</b>		
Teachers	<b>116</b>	28
Teaching support	<b>57</b>	26
	<b>173</b>	54
Total teachers and teaching support	<b>173</b>	54
Administration and support	<b>74</b>	25
Management	<b>42</b>	16
	<b>289</b>	95

The average number of employees calculated in accordance with the Companies Act 2006 requirements is 377 (2014: 121).



## Notes to the Financial Statements

### For the Year Ended 31 August 2015

#### 9. Staff (continued)

##### c. Higher Paid Staff

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

	2015 No.	2014 No.
£60,001 - £70,000	6	2
£70,001 - £80,000	1	3
£80,001 - £90,000	8	3
£90,001 - £100,000	1	2
£100,001 - £110,000	1	-
£110,001 - £120,000	1	-

Fifteen of the above employees participated in the Teachers' Pension Scheme. One other employee participated in the Local Government Pension Scheme. During the year ended 31 August 2015, employer's pension contributions for these staff amounted to £143,872 (2014: £60,467).

#### 10. Central Services

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

- Financial Services
- Human Resources
- Facilities and Estates
- Governance
- Business Support
- ICT Strategy
- Education Standards Assurance

The academy trust charges each school based on a percentage of their GAG. There may also be additional charges made to some of the academies for specific levels of support. An example of this could be staffing issues at the new schools which may be covered by staff from the central services.

The actual amounts charged during the year were as follows:

	2015 £000	2014 £000
TIBHS	97	72
TIGHS	122	-
OSB	83	56
OSH	103	62
EBB	49	-
EGC	59	-
EGW	62	-
	<b>575</b>	<b>190</b>



## Notes to the Financial Statements

### For the Year Ended 31 August 2015

#### 11. Related Party Transactions – Trustees' remuneration and expenses

One trustee has been paid remuneration or has received other benefits from an employment with the Academy Trust. The Chief Executive only receives remuneration in respect of the services he provides undertaking the role of CEO under his contract of employment, and not in respect of his role as trustee. The value of trustees' remuneration and other benefits was as follows:

H Patel (CEO and trustee):

Remuneration £115,000 - £120,000 (2014: CEO remunerated by TIGHS, not then part of TET)

Employers pension contributions £nil (2014: CEO remunerated by TIGHS, not then part of TET)

During the year ended 31 August 2015, travel and subsistence expenses totalling £302 (2014: £nil) were reimbursed or paid directly to 2 trustees (2014: 0).

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

#### 12. Trustees' and Officers' insurance

In accordance with normal commercial practice the Academy has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance providers cover up to £5,000,000 on any one claim, and the cost for the year ended 31 August 2015 was £5,088 (2014: £2,537). The cost of this insurance is included in the total insurance cost.

#### 13. Tangible Fixed Assets

	Freehold Land and Buildings £000	Leasehold Land and Buildings £000	Leasehold Improvements £000	Assets in the Course of Construction £000	Furniture, Fixtures and Equipment £000	Computer Equipment £000	Total 2015 £000
<b>Cost</b>							
At 1 September 2014	14,925	-	1,149	2,726	217	1,020	20,037
Additions	18,879	100	782	21,766	367	1,729	43,623
At 31 August 2015	33,804	100	1,931	24,492	584	2,749	63,660
<b>Depreciation</b>							
At 1 September 2014	175	-	152	894	19	123	1,363
Charged in year	200	1	676	-	70	574	1,521
Impairment	30	-	-	-	-	-	30
At 31 August 2015	405	1	828	894	89	697	2,914
<b>Net Book Value</b>							
At 31 August 2015	33,399	99	1,103	23,598	495	2,052	60,746
At 31 August 2014	14,750	-	997	1,832	198	897	18,674



## Notes to the Financial Statements

### For the Year Ended 31 August 2015

#### 13. Tangible Fixed Assets (continued)

The trust's transactions relating to land and buildings included:

- the acquisition of the freehold on land at Wolfenden Street, Bolton which was purchased via capital grant at a value of £850,000;
- the acquisition of the freehold on the old Hospital Site, Coventry which was purchased via capital grant at a value of £1,814,469;
- the acquisition of the freehold on the Ambulance Station, Coventry which was purchased via capital grant at a value of £279,068;
- the acquisition of the freehold on Landmark House, Waltham Forest which was purchased via capital grant at a value of £1,450,000;
- the acquisition of the freehold on Universal House, Preston which was purchased via capital grant at a value of £2,100,000;
- the acquisition of the freehold on land at Wellhead Lane, Birmingham which was purchased via capital grant at a value of £1,700,000;
- the taking up of a leasehold on land and buildings at Guildhall Street, Preston for £71,040 over a term of 1 year;
- the taking up of a leasehold on land and buildings at Whitby Road, Slough for £273,240 over a term of 2 years;

During the year ended 31 August 2014, the EFA identified a potential permanent site for TIBHS at Edinburgh House, Blackburn and funded the acquisition of the site via a capital grant for £625,000, further capital additions of £894,446 were subsequently made during that year. At the time of acquisition no planning permission had been granted for the development and in June 2014 planning permission was declined. As at 31 August 2014 the trustees completed an impairment review on the asset and estimated the recoverable amount to be £450,000. Consequently an impairment provision was made for £1,069,446. As at 31 August 2015, the trustees have carried out a further impairment review on the asset and have estimated that the recoverable amount is now £420,000. As a result a further £30,000 impairment provision has been made as at 31 August 2015.

#### 14. Debtors

	2015 £000	2014 £000
Trade debtors	155	-
VAT recoverable	2,607	317
Other debtors	25,461	14,981
Prepayments and accrued income	223	28
	<b>28,446</b>	<b>15,326</b>



## Notes to the Financial Statements

For the Year Ended 31 August 2015

### 15. Creditors: Amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	3,888	1,330
Taxation and social security	208	73
Other creditors	3,313	40
Accruals and deferred income	2,540	4,203
	<b>9,949</b>	<b>5,646</b>

### Deferred income

	2015 £000
Deferred income at 1 September 2014	654
Resources deferred in the year	583
Amounts released from previous years	(654)
Deferred income at 31 August 2015	<b>583</b>

The deferred income held at 31 August 2015 consists mainly of Start Up Grants for Academies which have not yet opened.



## Notes to the Financial Statements

### For the Year Ended 31 August 2015

#### 16. Funds

	Balance at 1 September 2014 £000	Incoming Resources £000	Resources Expended £000	Gains, Losses and Transfers £000	Balance at 31 August 2015 £000
<b>Restricted general funds</b>					
GAG	390	11,527	(9,935)	(111)	1,871
Start Up Grant	-	1,623	(1,623)	-	-
Other DfE / EFA grants	-	1,022	(1,022)	-	-
Other income / expenditure	-	556	(150)	(406)	-
Pension reserve	2	(309)	(74)	28	(353)
	392	14,419	(12,804)	(489)	1,518
<b>Restricted fixed asset funds</b>					
DfE / EFA Capital grants	29,122	42,128	(1,316)	111	70,045
Assets transferred on conversion	-	11,860	(235)	-	11,625
	29,122	53,988	(1,551)	111	81,670
<b>Total Restricted Funds</b>	29,514	68,407	(14,355)	(378)	83,188
<b>Unrestricted funds</b>					
Unrestricted funds	252	1,995	-	381	2,628
<b>Total Funds</b>	29,766	70,402	(14,355)	3	85,816

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

Under the funding agreement with the Secretary of State, the academy trust was not subject to limits on the amount of GAG that it could carry forward at 31 August 2015. The carried forward GAG will be used towards the future operations of the free school as allocated below.

The pension fund is in a deficit position as at 31 August 2015 based on the assumptions taken on an FRS 17 basis. This deficit has mainly arisen upon TIGHS joining TET, at which point there was a deficit on conversion of £309,200. TIGHS have sufficient reserves as well as a repayment plan in place to repay this deficit over the next few years using their unrestricted reserves which were also transferred on conversion. Contributions are reviewed periodically by the actuary to keep the scheme in surplus. All future contributions, except the deficit mentioned above will be met out of the Academy Trust GAG.

The unrestricted funds can be used for any purpose as the trustees see fit within the charitable objectives.

The transfer from the restricted fund to the restricted fixed asset fund is the net balance from accounting for fixed asset acquisitions purchased out of GAG and non-fixed asset expenditure purchased out of Capital Grant funding such as rental costs for temporary accommodation. The transfer from the restricted fund to the unrestricted fund represents the remaining balance on restricted funds where all restrictions have been met at 31 August 2015. There was also a contribution towards the pension deficit within TIGHS which was funded through their unrestricted reserves.



## Notes to the Financial Statements

### For the Year Ended 31 August 2015

#### 16. Funds (continued)

##### Analysis of academies by fund balance

Fund balances at 31 August 2015 were allocated as follows:

	2015 No.	2014 No.
Central Services	696	250
TIBHS	256	58
TIGHS	2,104	-
OSB	409	118
OSH	550	216
EBB	59	-
EGC	238	-
EGW	187	-
<b>Total teachers and teaching support</b>	<b>4,499</b>	<b>642</b>
<b>Restricted fixed asset fund</b>	<b>81,670</b>	<b>29,122</b>
<b>Pension reserve</b>	<b>(353)</b>	<b>2</b>
<b>Total</b>	<b>85,816</b>	<b>29,766</b>

##### 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 and Impairment) £000	Total £000
TIBHS	1,153	324	70	695	2,242
TIGHS	2,111	289	81	658	3,139
OSB	682	173	42	496	1,393
OSH	980	224	77	468	1,749
EBB	627	169	53	277	1,126
EGC	630	190	29	214	1,063
EGW	678	213	45	278	1,214
Central Services	196	532	3	147	878
	<b>7,057</b>	<b>2,114</b>	<b>400</b>	<b>3,233</b>	<b>12,804</b>





## Notes to the Financial Statements

### For the Year Ended 31 August 2015

#### 17. Analysis of Net Assets between funds

Fund balances at 31 August 2015 are represented by:

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets	-	-	60,746	<b>60,746</b>
Current assets	2,628	7,263	25,481	<b>35,372</b>
Current liabilities	-	(5,392)	(4,557)	<b>(9,949)</b>
Pension scheme liability	-	(353)	-	<b>(353)</b>
<b>Total net assets</b>	<b>2,628</b>	<b>1,518</b>	<b>81,670</b>	<b>85,816</b>

#### 18. Capital commitments

At 31 August 2015, the academy trust had the following capital commitments:

	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
Contracted for, but not provided in the financial statements	<b>14,925</b>	6,953

Included in capital commitments above is £325,000 which will only become payable when a permanent site for TIBHS has been acquired. All capital commitments are fully supported by Capital Grant programmes.

#### 19. Financial commitments

##### Operating leases

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

	<b>2015</b> <b>No.</b>	<b>2014</b> <b>No.</b>
<b>Land and buildings</b>		
Expiring within one year	<b>302</b>	213
Expiring within two and five years inclusive	<b>273</b>	140
	<b>575</b>	353
<b>Other</b>		
Expiring within one year	<b>2</b>	-
Expiring within two and five years inclusive	<b>29</b>	6
	<b>31</b>	6



## Notes to the Financial Statements

### For the Year Ended 31 August 2015

#### 20. Reconciliation of net income to net cash inflow from operating activities

	2015 £000	2014 £000
Net income	56,047	29,593
Depreciation (note 13)	1,521	270
Impairment of Edinburgh House (note 13)	30	1,069
Capital grants from DfE and other capital income	(53,988)	(30,364)
Interest receivable (note 4)	(70)	(2)
FRS 17 Pension cost less contribution payable (note 26)	76	(18)
FRS 17 Pension finance income (note 26)	(2)	(2)
Decrease / (Increase) in debtors	12,335	(280)
Increase in creditors	30	385
	<b>15,979</b>	<b>651</b>

#### 21. Returns on investments and servicing of finance

	2015 £000	2014 £000
Interest received	70	2
Net cash inflow from returns on investment and servicing of finance	<b>70</b>	<b>2</b>

#### 22. Capital expenditure and financial investment

	2015 £000	2014 £000
Purchase of tangible fixed assets	(39,067)	(15,564)
Capital grants from DfE / EFA	28,534	15,481
Net cash outflow from capital expenditure and financial investment	<b>(10,533)</b>	<b>(83)</b>



## Notes to the Financial Statements

### For the Year Ended 31 August 2015

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#### 23. Analysis of changes in net funds

	At 1 September 2014 £000	Cash flows £000	At 31 August 2015 £000
Cash in hand and at bank	1,410	5,516	6,926
	<hr/> 1,410	<hr/> 5,516	<hr/> 6,926

#### 24. Contingent Liabilities

The Academy Trust had no contingent liabilities at 31 August 2015.

#### 25. Members' Liability

Each member of the Academy Trust 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.



## Notes to the Financial Statements

For the Year Ended 31 August 2015

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### 26. Pension and Similar Obligations

The academy's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Lancashire County Council. Both are multi-employer 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 £99,197 (2014: £39,947) were payable to the schemes at 31 August 2015 and are included within creditors.

#### Teachers' Pension Scheme

##### Introduction

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

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

##### Valuation of the Teachers' Pension Scheme

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

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

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



## Notes to the Financial Statements

### For the Year Ended 31 August 2015

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#### **26. Pension and Similar Obligations (continued)**

The pension costs paid to TPS in the period amounted to £509,441 (2014: £148,052).

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

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust has set out above the information available on the scheme.

#### **Local Government Pension Scheme (LGPS)**

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2015 was £228,935 (2014: £145,678), of which employer's contributions totalled £138,718 (2014: £105,086) and employees' contributions totalled £90,217 (2014: £40,592). The agreed contribution rates for future years are between 6.6% and 12.4% for employers and between 5.5% and 12.5% for employees depending upon income.

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 Academy Trust's fund, within the LGPS is in deficit at the year end of £353,200 (2014: surplus of £2,000). This deficit has mainly arisen upon TIGHS joining TET, at which point there was a deficit on conversion of £309,200. TIGHS have sufficient reserves as well as a repayment plan in place to repay the deficit over the next few years. As at 31 August 2015, TIGHS had already repaid £24,800. It is also planned for the remaining deficit position to be reviewed with Lancashire County Council to assess the options available to TET to ensure that the deficit position is reversed over the next few years.



## Notes to the Financial Statements

### For the Year Ended 31 August 2015

#### 26. Pension and Similar Obligations (continued)

##### Principal Actuarial Assumptions

	At 31 August 2015	At 31 August 2014
Rate of increase in salaries	3.70%	3.70%
Rate of increase for pensions in payment / inflation	2.20%	2.20%
Discount rate for scheme liabilities	4.00%	4.00%
Inflation assumption (CPI)	2.20%	2.20%
Commutation of pensions to lump sums	50%	50%

##### Sensitivity Analysis

Disclosure item	Central £000	Sensitivity 1 +0.1% p.a discount rate £000	Sensitivity 2 +0.1% p.a inflation £000	Sensitivity 3 1 year increase in life expectancy £000
Liabilities	1,212	1,182	1,244	1,234
Assets	(834)	(834)	(834)	(834)
Deficit	378	348	410	400
Projected Service Cost for next year	233	223	244	239
Projected Expected Return on Assets for next year	(51)	(51)	(51)	(51)
Projected Interest Cost for next year	55	55	56	56

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

	At 31 August 2015	At 31 August 2014
Retiring today		
Males	22.9	22.8
Females	25.4	25.3
Retiring in 20 years		
Males	25.1	25
Females	27.8	27.7



## Notes to the Financial Statements

### For the Year Ended 31 August 2015

#### 26. Pension and Similar Obligations (continued)

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

	Expected return at 31 August 2015	Fair Value at 31 August 2015 £000	Expected return at 31 August 2014	Fair Value at 31 August 2014 £000
Equities	6.50%	286	7.00%	288
Government Bonds	2.50%	46	2.90%	1
Other Bonds	3.60%	22	3.80%	154
Property	6.10%	76	6.20%	55
Cash / liquidity	0.50%	11	0.50%	14
Other	6.50%	393	7.00%	66
<b>Total market value of assets</b>		<b>834</b>		<b>578</b>
Present value of scheme liabilities				
- Funded		(1,187)		(576)
		<b>(353)</b>		<b>2</b>

The expected rate of return on plan assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The assumption used is the average of the following assumptions appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class.

The assumed investment return on government bonds is the yield on 20-year fixed interest gilts at the relevant date. As at 31 August 2015 this yield was 2.5% p.a.

The expected investment return on corporate bonds is based on market yields at the relevant date, although this will normally vary by duration, and the expected return should also take into account the risk of default in the corporate bond yield. As at 31 August 2015 we have taken the expected return as 3.6% p.a. which implies a reduction for the risk of default of 0.3% p.a. when compared with the corporate bond yield/discount rate appropriate to the "mature" deviation profile for example.

It is generally accepted that the yield on equity investments will contain an "equity risk premium" in addition to the yield on Government bonds, which are perceived as the "least-risk" investment class, in order to compensate investors for the additional risk of holding this type of investment. Historical excess equity returns over more than 100 years have been approximately 4% p.a. on average. However, the level of equity risk premium can vary from time to time dependent on market levels and expectations for future returns. We have taken the overall expected return on equities as at 31 August 2015 as 6.5% p.a., implying an equity risk premium on equities of 4.0% p.a. over and above the gilt yield of 2.5% p.a.

Assumed returns on property are based on the expected long term returns on cash investments, plus a risk premium to allow for expected out-performance of property over cash, and an adjustment for the impact of the expected volatility of the returns.

The actual return on scheme assets was £39,000 (2014: £26,000).



## Notes to the Financial Statements

### For the Year Ended 31 August 2015

#### 26. Pension and Similar Obligations (continued)

##### Amounts recognised in the statement of financial activities

	2015 £000	2014 £000
Current service cost (net of employee contributions)	223	(87)
Total operating charge	223	(87)

##### Analysis of pension finance income / (costs)

	2015 £000	2014 £000
Expected return on pension scheme assets	39	26
Interest on pension liabilities	(37)	(24)
Pension finance income	2	2

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £9,800 loss (2014: £13,000 loss).

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

	2015 £000	2014 £000
<b>At 1 September 2014</b>	<b>576</b>	<b>423</b>
Current service cost	223	87
Interest cost	37	24
Employee contributions	87	41
Actuarial loss	(17)	(12)
Business combinations	281	13
<b>At 31 August 2015</b>	<b>1,187</b>	<b>576</b>





## Notes to the Financial Statements

### For the Year Ended 31 August 2015

#### 26. Pension and Similar Obligations (continued)

Movement in the fair value of academy's share of scheme assets were as follows:

	2015 £000	2014 £000
<b>At 1 September 2014</b>	<b>578</b>	<b>373</b>
Expected return on assets	39	26
Employer contributions	(17)	105
Employee contributions	147	41
Actuarial gain	87	15
Business combinations	-	18
<b>At 31 August 2015</b>	<b>834</b>	<b>578</b>

The estimated value of employer contributions for the year ended 31 August 2016 is £154,000.

The three year history of experience adjustments is as follows:

	2015 £000	2014 £000	2013 £000
Present value of defined benefit obligations	(1,187)	(576)	(423)
Fair value of share of scheme assets	834	578	373
(deficit) / surplus in the scheme	(353)	2	(50)

**Experience adjustments on share of scheme assets:**

Amount £000	(17)	15	25
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**Experience adjustments on scheme liabilities:**

Amount £000	-	36	-
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## Notes to the Financial Statements

### For the Year Ended 31 August 2015

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#### 27. Related Party Transactions

Owing to the nature of the Academy'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 related party transactions took place in the period of account:

Ebusiness UK Ltd – a company in which K Kothia, a trustee, is a director. Transactions totalling £nil (2014: £473), relating to email hosting and domain name registration took place in the year. There were no amounts outstanding at 31 August 2015 (2014: £nil).

Susan Mary Barkway (Trustee) is also the proprietor of a sole trader business. Transactions totalling £14,375 (2014: £5,925), relating to consultancy services that took place in the year. There were no amounts outstanding at 31 August 2015 (2014: £nil).

TIGHS – previously a state maintained school which was governed in part by TG directors. Management charges totalling £nil (2014: £102,049) and other charges totalling £45,000 (2014: £2,850) were made to TIGHS in the year. £nil (2014: £52,401) was charged from TIGHS for staff paid by TIGHS, but seconded to TIBHS. Other purchases for various sundry items totalling £nil (2014: £2,956) were charged from TIGHS in the year. As at 31 August 2015, any intercompany balances outstanding with TIGHS have been eliminated on consolidation. The net amount outstanding at 31 August 2014 was £13,921 owed to TIGHS.

TC – a charitable company which is run by a number of trustees that are also trustees of TET. Salary and insurance recharges and project costs totalling £1,728 (2014: £5,204) were made to TR in the year. There were no amounts outstanding at 31 August 2015 (2014: £nil).

Z Dasu who is the spouse of F Dasu, a trustee of TET, is employed at TIGHS:  
Remuneration £5,000 - £10,000 (2014: TIGHS was not part of TET)  
Employers pension contributions £nil (2014: TIGHS was not part of TET)

Z Dasu has been employed at TIGHS since 2009, before F Dasu became a Trustee of TET.

UK Kothia who is the son of KI Kothia, the Chair of trustees at TET, is employed at TIBHS:  
Remuneration £20,000 - £25,000 (2014: £20,000 - £25,000)  
Employers pension contributions £nil - £5,000 (2014: £nil - £5,000)

The academy made the above purchases at arm's length in accordance with its financial regulations, which the related parties neither participated in, nor influenced.

In entering into the transactions listed above the academy has complied with the requirements of the EFA's Academies Financial Handbook.



## Notes to the Financial Statements

### For the Year Ended 31 August 2015

#### 28. Conversion to an academy status

On 1 December 2014 Tauheedul Islam Girls' High School (TIGHS) converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Tauheedul Education Trust Limited from the Blackburn with Darwen Local Authority for £nil consideration.

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net incoming resources in the Statement of Financial Activities as voluntary income.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the SOFA.

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2015 £000
Tangible fixed assets				
- Freehold land and buildings	-	-	10,932	10,932
- Leasehold land and buildings	-	-	100	100
- Other tangible fixed assets	-	-	828	828
Budget surplus on LA funds	1,841	-	-	1,841
Budget surplus on other school funds	84	-	-	83
LGPS pension deficit	-	(309)	-	(309)
<b>Total net assets</b>	<b>1,925</b>	<b>(309)</b>	<b>11,860</b>	<b>13,476</b>

The leasehold land included above was transferred for 125 years.