

Creative Education Trust

Registered number: 07617529

Trustees report and financial statements

For the year ended 31 August 2016

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CREATIVE EDUCATION TRUST

(A Company Limited by Guarantee)

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CREATIVE EDUCATION TRUST
(A Company Limited by Guarantee)

REFERENCE AND ADMINISTRATIVE DETAILS OF THE TRUST, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016

Trustees

David Anderson, Chair
John Allwood (appointed 1 September 2015)
Kevin Butler
Creative Education Charitable Trust
Michael Dickson CBE
Mary Groom
Marc Jordan
Sadie Morgan (resigned 3 February 2016)
Dr William Richardson
Peter Walls

Company registered number

07617529

Company name

Creative Education Trust

Registered office

7 Sicilian Avenue
London
WC1A 2QR

Company secretary

Nicholas Brann

Senior management team

Marc Jordan, Chief Executive Officer
Phillip Cantwell, Director of Education
Emily Campbell, Director of Programmes
Nicholas Brann, Director of Finance and Resources (appointed 1 February 2016)
Mark Mumby, Director of Standards (appointed 1 September 2015)

Auditors

Mazars LLP
Chartered Accountants
90 Victoria Street
Bristol
BS1 6DP

CREATIVE EDUCATION TRUST
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REFERENCE AND ADMINISTRATIVE DETAILS OF THE TRUST, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016

Advisers (continued)

Bankers

Lloyds Bank Commercial
3rd Floor, Queen Square
Queen Square
Wolverhampton
WV1 1TF

HSBC
69 Pall Mall
London
SW1Y 5EY

Solicitors

Veale Wasbrough Vizards
Narrow Quay House
Narrow Quay
Bristol
BS1 4QA

CREATIVE EDUCATION TRUST

(A Company Limited by Guarantee)

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 AUGUST 2016

The Trustees present their annual report together with the financial statements and Auditor's report of the charitable Company for the year 1 September 2015 to 31 August 2016. The Annual Report serves the purposes of both a Trustees' Report and a Directors' report under Company law.

Objectives and Activities

a. Objects and aims

The Trust's primary object is to establish, maintain, carry on and develop primary and secondary schools ("the Academies") that are open to all children and offer a broad and balanced curriculum.

b. Objectives, strategies and activities

The Trust's mission is to improve standards of education, knowledge and skills for children and young people across the UK, equipping them to be successful adults in the competitive, globalised world of the future.

The Trust seeks to deliver its mission through exciting innovations in curriculum, teaching and learning which are driving educational improvement and developing students with modern employable skills in the Trust's primary and secondary academies across England. The Trust believes that creativity is the ability to recognise or to make new connections between things. Connecting knowledge is at the heart of an effective education and is what will make young people employable in the world of tomorrow.

c. Activities for achieving objectives

During the year to 31 August 2016 the principal activity was the continuing operation and improvement of educational standards in the Trust's existing portfolio of primary and secondary schools in the Midlands and on the East Norfolk coast. During the course of the year the portfolio consisted of twelve schools. The secondary schools were - The Rugeley Academies (Fair Oak and Hagley Park); Ash Green School, Bedworth; Abbeyfield School Northampton; Thistley Hough Academy, Stoke on Trent; Weavers Academy, Wellingborough; Caister Academy, Great Yarmouth and Lynn Grove Academy, Great Yarmouth. The primary schools were Queen Eleanor Primary Academy, Northampton; Harpfield Primary Academy, Stoke-on-Trent; Three Peaks Primary Academy, Tamworth and Woodlands Primary Academy, Great Yarmouth. As part of an ongoing review of provision the two Rugeley schools were merged into a single new entity, The Hart School, which opened on 1 September 2016.

Trustees continued to take a cautious and considered approach to further expansion. A number of projects were examined for strategic fit and future viability. It was decided to bring two major feeder schools to Lynn Grove Academy into the Trust – Wroughton Infants School and Wroughton Junior School, which were deemed to be of strategic importance to securing educational quality in the lower forms at Lynn Grove. The Trust worked closely with the two schools in the course of the year and they joined CET on 1 December 2016. In other respects the year was one of consolidation and the development of infrastructure to support a more ambitious programme of expansion planned for academic years 2016/17 and 2017/18.

Activities for the year focused on the following key strands:

- (i) The further development of the Trust's educational improvement strategies
- (ii) Increasing the capacity of the Trust's central team
- (iii) Embedding the Key Concepts more widely across school activity through the 'Knowledge Connected' programme
- (iv) Further expansion of co-curricular activities to provide a culturally rich curriculum for our students
- (v) Continuing development of governance across the Trust with a focus on streamlining local governance
- (vi) Further development of opportunities for career development and engagement for staff across the Trust.

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TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 AUGUST 2016

d. Public benefit

In setting objectives and planning activities the Trustees have given careful consideration to the Charity Commission's general guidelines on public benefit. The Trust looks to promote, for the benefit of the communities in the areas surrounding its Academies, the provision of facilities for learning and recreation with the object of improving the condition of life of said communities.

Achievements and performance

a. Key performance indicators

Exam and test results for the year were strong, particularly at Key Stage 4 and Post-16. At Key Stage 4 all the Trust's secondary schools moved forward whether judged by attainment or by the new progress measures. In particular Weavers Academy, Wellingborough moved forward significantly at Key Stage 4 and Abbeyfield School, Northampton was deemed to have become a 'good' school at the end of its Section 5 Ofsted inspection.

A-level results and university entrance patterns continued the improving trend with Trust academic and vocational qualification averages rising to 204 and 242 points per entry respectively. The new curriculum and testing regime for 11-year olds has been successfully introduced and notable performances achieved, especially in maths and writing, in three schools.

CREATIVE EDUCATION TRUST

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TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 AUGUST 2016

b. Review of activities

The Trust made good progress against its overarching objectives this year and the specific target activities for the year.

Further development of the Trust's educational achievement improvement strategies

The Trust is committed to a process of continuous review and development of its systems for school improvement. During the course of the year the following developments were introduced and made the expected contribution to securing a strong set of exam and test results at the year-end, as well as continuing our strategy to build a high-performing and sustainable educational capacity.

These developments included:

- A more formalised annual cycle of education monitoring visits accompanied by enhanced improvement planning and reporting by schools
- Introduction of a focused and standardised approach to reporting by the schools, designed and monitored by the new Director of Standards
- Further strengthening of a systematic framework of external moderation and advice from expert subject advisors to support our schools with achievement and progress, monitoring and forecasting, and deeper understanding of exam board requirements in particular subjects
- Further development of our secondary subject leader groups, including regular developmental work with external subject experts
- Developing primary leadership under our new Director of Standards, including regular strategic meetings of our primary Head Teachers and culminating at the end of the year in our first primary staff awayday
- Expansion of our middle leaders talent development programme with significant expansion of number of staff participating in high-grade national career development programmes.

Increasing capacity of the Trust Head Office Team

At the beginning of the academic year 2015/16 the Trust was able to appoint to the new role of Director of Standards an experienced former Senior HMI and primary Head Teacher, strengthening the Education Team throughout the year under review. Central Office was further strengthened by the creation of the new role of *Director of Finance and Resources* and the appointment of an individual with significant high-level commercial business experience. In addition, in the second half of the year, we commenced a search for a Director of Human Resources, a newly-created role to reflect the importance that Trustees attach to high-grade recruitment, staff development and retention as the Trust expands. A high calibre individual has been appointed and is expected to join the Trust in due course.

Embedding the Trust's six Key Concepts across school activity through the 'Knowledge Connected' programme

The Trust's pioneering Design Programme was conceived as a pilot for a broader approach to providing a distinctive educational offer that would equip young people educated in the Trust's schools to thrive in the competitive world of the 21st century, increasing students' engagement, intellectual attainment and employability.

The Design Programme is now embedded at Key Stage 3 with significant influence over teaching at KS2 and KS4. Its framing concepts – structure, pattern, meaning, performance, human interaction and practice – now extend to the whole school curriculum in a creative education programme called Knowledge Connected. In addition to the established design programme, CET schools are developing practical ways to help students link their academic knowledge in discrete subjects, and to foster personal development, resilience and employability.

CREATIVE EDUCATION TRUST

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TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 AUGUST 2016

Further expansion of co-curricular activities, providing a culturally rich curriculum for our students

The Trust is committed to creating cultural capital for its students at both primary and secondary levels. We continued to work actively with our schools to encourage and enable a high level of ambition and achievement in sport, performance and civic engagement. The expert external audits of PE & Sport and of Music carried out in academic year 2014/15 have translated into a new range of initiatives within the schools with a renewed commitment to, and success in, competitive sport and a Trust-wide music initiative with the Voices Foundation to encourage student participation in musical activity even where there has been no tradition of acquisition of instrumental skills.

The annual Day of Shakespeare has now become an eagerly awaited annual tradition, with clear evidence that standards of engagement and performance are increasing year by year. The same may be said of the annual Trust-wide day of Musical Performance – this year focused on an original musical celebration of the 70th anniversary of D-Day. The Sixth-Form Public Speaking Prize and the Sixth-Form Essay Prize attracted a higher number of entries of a higher quality in their second year, and a Primary Day of Sport was launched as the counterpart to the existing Secondary Day of Sport.

Financial review

a. Going concern

After making appropriate enquiries, the Board of Trustees has a reasonable expectation that the academy 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 Accounting Policies.

b. Financial risk management objectives and policies

The Trust's exposure to risk is largely bank balances, cash and trade creditors, with limited trade and other debtors. The Trust has inherited various Local Government Defined Benefit Pension Scheme deficits for support staff.

The Trust's financial risks are also monitored through regular review of financial controls. The Trust's internal auditors, Smith Cooper LLP, visit sites on a regular basis and carry out a review of controls; all their reports with management responses are reviewed by the Audit Committee.

c. Principal risks and uncertainties

The principal risks for the Trust during the next few years are:

- Recruitment of students in those schools that are under-capacity. This is monitored carefully and the financial impact is modelled.
- Ensuring individual schools operate with a balanced budget each year. Restructure plans are in place to address those schools that do not currently achieve this.
- Recruitment of suitably experienced Principals, Headteachers and teachers. The Trust continues to follow a number of initiatives to widen its search.
- Continuing increases in basic pay, pension and other employee-related costs. The potential effects of such increases are kept under regular review.

CREATIVE EDUCATION TRUST

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TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 AUGUST 2016

d. Reserves policy

The Trustees' policy is to carry forward a prudent level of resources designed to meet the long term cyclical needs of renewal and any other unforeseen contingencies plus a contribution towards future capital projects, subject to the constraint that the level of resources does not exceed the level permitted by the Trust's Funding Agreement and the Education Funding Agency.

e. Effectiveness review

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; 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 further strengthen controls and ensure continuous improvement of the system is in place.

f. Investment policy and performance

All the Trust's funds have been held by UK banks in current and fixed term deposit accounts, in accordance with the Trust's investment policy.

Structure, governance and management

a. Constitution

The Trust is a charitable Company limited by guarantee and an exempt Charity.

The Trustees referred to on page 1 are also Directors, and the term "Trustee" and "Director" are used interchangeably in this report.

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

The principal object of the Trust is to advance for the public benefit, education in the United Kingdom, in particular but without prejudice to the generality of the foregoing; by establishing, maintaining, carrying on, managing and developing schools ("the Academies") offering a broad and balanced curriculum.

b. 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.

CREATIVE EDUCATION TRUST

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TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 AUGUST 2016

c. Method of recruitment and appointment or election of Trustees

The management of the Trust is the responsibility of the Trustees, who are elected and co-opted under the terms of the Articles of Association.

During the year the Trust has the following categories of Trustee who are, in company law terminology, Directors:

- Sponsor Directors nominated by the Sponsor,
- the Chief Executive Officer (CEO),
- other Directors who may be co-opted or appointed.

d. Policies and procedures adopted for the induction and training of Trustees and employees

All Trustees are inducted when appointed. This induction includes a meeting with the Executive Team, visits to a selection of the Trust academies and provision of relevant documentation. They continue to receive appropriate training throughout their appointment, including briefings by specialists throughout the year. The Trust holds awayday events to ensure Trustees are fully briefed and participate in setting the strategic plan for the Trust.

The Trust is committed to the provision of information to its employees and the consideration of its employees' views. It holds an annual staff away day in order to facilitate such communication. Other measures in place include a termly staff magazine, an intranet forum and staff satisfaction surveys.

The Trust is committed to equal opportunities for disabled people in recruitment and employment and aims to create an environment which enables them to work effectively as part of the Trust community.

e. Pay policy for key management personnel

In the course of the year the Remuneration Committee was re-designated the Remuneration and People Committee and the chair was taken by a Trustee who is a senior Human Resources professional in a large privatised former public sector company. Considerable effort was put into consulting widely with colleagues in the world of academies and independent schools, as well as with remuneration consultants, to establish appropriate criteria and benchmarks for setting remuneration for senior employees that were fair and transparent and which would enable the Trust to attract and retain the best professional talent to enable it to fulfil its aims whilst providing value for the expenditure of public monies. The appointment of a Director of Human Resources to will lead to further developments in this area. In the meantime, Trustees are satisfied that adequate processes are in place to ensure that remuneration proposals are rigorously scrutinised and approved by the Board.

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TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 AUGUST 2016

f. Organisational structure

The following were the various committees of the Trust operating in the year and their respective objects:

Executive Committee

- a. With the CEO, to give detailed consideration to strategic matters in preparation for later deliberation by the Board as a whole;
- b. To provide a mechanism for making decisions on and for responding to urgent matters which arise between meetings of the Board;
- c. To support the CEO in the development of strategic planning for the Group.

Finance Committee

- a. To take a proactive and strategic stance in support of the financial affairs of the Group;
- b. To receive and review financial data relating to the Group;
- c. To oversee, review and make recommendations relating to financial matters and to report these to the Board.

Audit Committee

- a. To oversee, review and make recommendations relating to governance, financial procedures, accounts and risks and to report these to the Board;
- b. To recommend to the Members the appointment of external and internal auditors.

Remuneration and People Committee

- a. To receive remuneration recommendations in relation to designated senior staff;
- b. On behalf of Trustees, to determine the remuneration of designated senior staff;
- c. To monitor and review the pay structure for senior staff.

Estates and Property Committee

- a. Oversee the Trust's management of its property and those of its subsidiaries and, where necessary or appropriate, make recommendations to the Board;
- b. Monitor the implementation of all policies relating to Health and Safety, and Safeguarding and Child Protection, as they relate to Trust property, and reporting to the Board accordingly; and
- c. Advise on the appointment of relevant professionals (architects, engineers etc).

Education Advisory Board

- a. Monitor educational standards and performance
- b. Advise on strategies for educational improvement

In addition, for each Academy within the Trust there is one Local Governing Body. The Local Governing Body ("LGB") is a sub-committee of the Board. It is the LGB's role to hold the Academy Principal and Senior Leadership Team ("SLT") to account for the Academy's educational, operational and financial performance. In addition, the LGB has an important role in representing the Academy to parents and the local community. The LGB is also responsible for adjudicating on disciplinary and behaviour matters in accordance with the Trust's policies.

g. Connected organisations, including related party relationships

The Trust's work is sponsored by the Creative Education Charitable Trust ("CECT"), a registered charity (registration number 1138868). CECT and the Directors of CECT (David Anderson, Michael Dickson and Marc Jordan) are Directors of the Trust and, with the exception of Marc Jordan, are also members of the Trust.

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TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 AUGUST 2016

Plans for future periods

The Trust continues to realise its ambition to be a significant and influential participant in the national educational reform movement. In doing this it places emphasis on the quality of its educational provision and on the effectiveness of its educational improvement and co-curricular programmes, rather than on maximising the number of schools within the group. The Trust's attitude to growth continues to be a prudent and strategic one.

While resolutely fixed on ensuring that the students in its academies achieve the very best results of which they are capable in national exams and qualifications, the Trust is also committed to giving them a rich and rounded education through a wide variety of co-curricular activities, including sport, music, drama, art, debating and travel, as well as increasing their future employability in a competitive world.

With the support of the Department for Education, the Trust continues to seek partnerships with primary and secondary schools across the country in places where standards of education have not been historically strong. It values potential partnerships with schools that have ambitions to provide the highest quality of education to their pupils and which share the Trust's educational and social mobility agendas.

School Fund

Each Academy has a School Fund that is created through fund raising and contributions. The majority of the funds held are related to specific projects that range from trips by pupils to asset enhancement. Each fund is managed by the relevant Academy and is reported on the Trust's Balance Sheet.

Disclosure of information to auditors

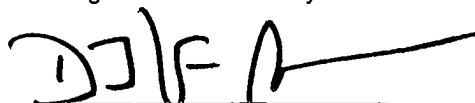
Each of the persons who are Trustees at the time when this Trustees' Report is approved has confirmed that:

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

Auditors

The Auditors, Mazars LLP, have indicated their willingness to continue in office and were reappointed for a period of 3 years by the Trustees at the meeting in December 2014.

This report was approved by order of the Board of Trustees as the Company Directors, on 16 December 2016 and signed on its behalf by:



David Anderson
Chair of Trustees

CREATIVE EDUCATION TRUST

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GOVERNANCE STATEMENT

Scope of Responsibility

As Trustees, we acknowledge we have overall responsibility for ensuring that the 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 Officer, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between the Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees has met formally 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
David Anderson, Chair	4	4
John Allwood	4	4
Kevin Butler	2	4
Michael Dickson CBE	3	4
Mary Groom	4	4
Marc Jordan	4	4
Sadie Morgan	0	2
Dr William Richardson	4	4
Peter Walls	2	4

The Finance Committee is a sub committee of the main Board of Trustees. Its purpose is to take a proactive and strategic stance in support of the financial affairs of the group; to receive and review financial data relating to the group; and to take decisions relating to financial matters and to report these to the Board.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
John Allwood (Chair)	3	3
David Anderson	1	3
Kevin Butler	2	3
Michael Dickson	3	3
Marc Jordan	3	3

The Audit Committee is a sub committee of the main Board of Trustees. Its purpose is to oversee, review and make recommendations relating to governance, financial procedures, accounts and risks, and to report these to the Board. The audit committee also recommends to the Members the appointment of external and internal auditors.

CREATIVE EDUCATION TRUST

(A Company Limited by Guarantee)

GOVERNANCE STATEMENT (continued)

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
Kevin Butler (Chair)	2	3
John Allwood	2	2
David Anderson	2	3
Michael Dickson	3	3

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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 for the year 1 September 2015 to 31 August 2016 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 ongoing process for identifying, evaluating and managing the Academy Trust's significant risks, that has been in place for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

The Risk and Control Framework

The 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 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 appointed Smith Cooper LLP as internal auditor.

The internal auditor's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. On a termly basis, the internal auditor reports to the Board of Trustees on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.

Audit Committee Opinion

Given the opinion of the internal auditors and external auditors as expressed in their reports, and the other information available to it from its work during the year, the Audit Committee was able to provide the Accounting

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GOVERNANCE STATEMENT (continued)

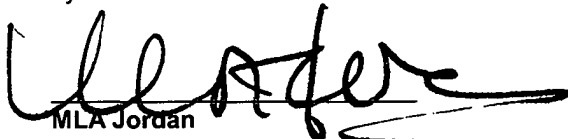
Officer, the Chief Executive Officer, with reasonable assurance that the Trust's control mechanisms were working satisfactorily; and the Committee was satisfied that management within the Trust was committed to maintaining an appropriate level of internal control and prudent use of resources.

Review of Value for money

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

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

Approved by order of the members of the Board of Trustees on 16 December 2016 and signed on their behalf, by:


MLA Jordan

Accounting Officer

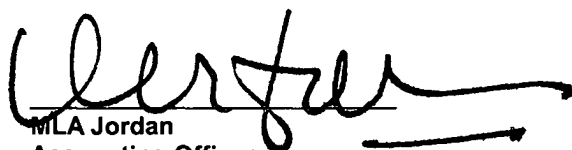
CREATIVE EDUCATION TRUST
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Creative 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 2015.

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 2015.

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.



MLA Jordan
Accounting Officer

CREATIVE EDUCATION TRUST

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STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 AUGUST 2016

The Trustees (who act as governors of Creative 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 issued 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 the Group and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to:

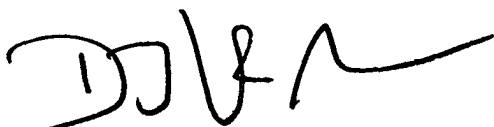
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies' Accounts Direction 2015 to 2016;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable Group will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable Company and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the charitable Company and the Group 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 the Group 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 and the Group apply financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the 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 Group'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 December 2016 and signed on its behalf by:



David Anderson
Chair of Trustees

CREATIVE EDUCATION TRUST

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF CREATIVE EDUCATION TRUST

We have audited the financial statements of Creative Education Trust for the year ended 31 August 2016 which comprise the Group Statement of Financial Activities, the Group and Trust Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

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

Respective responsibilities of Trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees (who are also the directors of the charitable Trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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 Group's and the parent Trust'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 group's and the parent charitable Trust's affairs as at 31 August 2016 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

CREATIVE EDUCATION TRUST
(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE
MEMBERS OF CREATIVE EDUCATION TRUST**

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

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:

- the parent charitable Trust has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable Trust 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.



Richard Bott (Senior Statutory Auditor)

For and on behalf of Mazars LLP

Chartered Accountants
Statutory Auditor

90 Victoria Street
Bristol
BS1 6DP

Date: 7 October 2016

CREATIVE EDUCATION TRUST

(A Company Limited by Guarantee)

INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO CREATIVE EDUCATION TRUST AND THE EDUCATION FUNDING AGENCY

In accordance with the terms of our engagement letter dated September 2016 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Creative Education Trust during the year 1 September 2015 to 31 August 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of Creative Education Trust's accounting officer and the reporting auditors

The accounting officer is responsible, under the requirements of Creative Education Trust's funding agreement with the Secretary of State for Education dated 28 January 2011, and the Academies Financial Handbook extant from 1 September 2015, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2015 to 2016. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2015 to 2016 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

A summary of the work we have undertaken is as follows:

- Planned our assurance procedures including identifying key risks;
- Carried out sample testing on controls;
- Carried out substantive testing including analytical review; and
- Concluded on procedures carried out.

INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO CREATIVE EDUCATION TRUST AND THE EDUCATION FUNDING AGENCY (continued)

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Mazars

Mazars LLP

Chartered Accountants
Statutory Auditor

90 Victoria Street
Bristol
BS1 6DP

Date: 21/11/16

CREATIVE EDUCATION TRUST
(A Company Limited by Guarantee)

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME
AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2016**

		Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
	Note					
Income from:						
Donations and capital grants	3	-	-	-	-	29,722
Other trading activities	5,6	1,574	-	-	1,574	1,167
Investments	7	26	-	-	26	35
Charitable activities	4	-	44,580	853	45,433	39,964
Other income		94	102	-	196	238
Total income		1,694	44,682	853	47,229	71,126
Expenditure on:						
Raising funds	9	121	-	-	121	176
Charitable activities		1,738	46,294	2,919	50,951	45,082
Total expenditure		1,859	46,294	2,919	51,072	45,258
Net income / (expenditure) before transfers		(165)	(1,612)	(2,066)	(3,843)	25,868
Transfers between Funds	25	-	247	(247)	-	-
Net income / (expenditure) before other gains and losses		(165)	(1,365)	(2,313)	(3,843)	25,868
Actuarial gains/(losses) on defined benefit pension schemes	30	-	(5,243)	-	(5,243)	326
Net movement in funds		(165)	(6,608)	(2,313)	(9,086)	26,194
Reconciliation of funds:						
Total funds brought forward		1,772	(8,642)	134,405	127,535	101,341
Total funds carried forward		1,607	(15,250)	132,092	118,449	127,535

CREATIVE EDUCATION TRUST

Registered number: 07617529

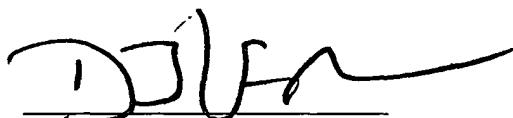
(A Company Limited by Guarantee)**CONSOLIDATED BALANCE SHEET****AS AT 31 AUGUST 2016**

	Note	£000	2016 £000	£000	2015 £000
Fixed assets					
Tangible assets	19		132,092		134,404
Current assets					
Stocks	20	5		14	
Debtors	21	1,945		1,439	
Cash at bank and in hand		7,605		7,593	
		<u>9,555</u>		<u>9,046</u>	
Creditors: amounts falling due within one year	22	<u>(5,117)</u>		<u>(4,222)</u>	
Net current assets			4,438		4,824
Total assets less current liabilities			<u>136,530</u>		<u>139,228</u>
Creditors: amounts falling due after more than one year	23		(42)		-
Provisions for Liabilities	24		<u>-</u>		<u>(134)</u>
Net assets excluding pension scheme liabilities			136,488		139,094
Defined benefit pension scheme liability	30		<u>(18,039)</u>		<u>(11,559)</u>
Net assets including pension scheme liabilities			<u>118,449</u>		<u>127,535</u>
Funds of the academy					
Restricted funds:					
Restricted funds	25	2,789		2,917	
Restricted fixed asset funds	25	132,092		134,405	
Restricted funds excluding pension liability		<u>134,881</u>		<u>137,322</u>	
Pension reserve		<u>(18,039)</u>		<u>(11,559)</u>	
Total restricted funds			116,842		125,763
Unrestricted funds	25		<u>1,607</u>		<u>1,772</u>
Total funds			<u>118,449</u>		<u>127,535</u>

CREATIVE EDUCATION TRUST
(A Company Limited by Guarantee)

CONSOLIDATED BALANCE SHEET (continued)
AS AT 31 AUGUST 2016

The financial statements were approved by the Trustees, and authorised for issue, on 16 December 2016 and are signed on their behalf, by:

A handwritten signature in black ink, appearing to read 'DA Anderson', written over a horizontal line.

David Anderson
Chair of Trustees

The notes on pages 26 to 52 form part of these financial statements.

CREATIVE EDUCATION TRUST

Registered number: 07617529

(A Company Limited by Guarantee)**TRUST BALANCE SHEET
AS AT 31 AUGUST 2016**

	Note	£000	2016 £000	£000	2015 £000
Fixed assets					
Tangible assets	19		132,092		134,404
Current assets					
Stocks	20	5		14	
Debtors	21	1,925		1,426	
Cash at bank		7,593		7,559	
		<u>9,523</u>		<u>8,999</u>	
Creditors: amounts falling due within one year	22	<u>(5,090)</u>		<u>(4,188)</u>	
Net current assets			4,433		4,811
Total assets less current liabilities			<u>136,525</u>		<u>139,215</u>
Creditors: amounts falling due after more than one year	23		(42)		-
Provisions for Liabilities	24		<u>-</u>		<u>(134)</u>
Net assets excluding pension scheme liabilities			136,483		139,081
Defined benefit pension scheme liability	30		<u>(18,039)</u>		<u>(11,559)</u>
Net assets including pension scheme liabilities			<u>118,444</u>		<u>127,522</u>
Funds of the academy					
Restricted funds:					
Restricted funds	25	2,908		2,890	
Restricted fixed asset funds	25	132,092		134,405	
		<u>135,000</u>		<u>137,295</u>	
Restricted funds excluding pension asset					
Pension reserve		<u>(18,039)</u>		<u>(11,559)</u>	
Total restricted funds			116,961		125,736
Unrestricted funds	25		<u>1,483</u>		<u>1,786</u>
Total funds			<u>118,444</u>		<u>127,522</u>

CREATIVE EDUCATION TRUST
(A Company Limited by Guarantee)

TRUST BALANCE SHEET (continued)
AS AT 31 AUGUST 2016

The financial statements were approved by the Trustees, and authorised for issue, on 16 December 2016 and are signed on their behalf, by:



David Anderson
Chair of Trustees

The notes on pages 26 to 52 form part of these financial statements.

CREATIVE EDUCATION TRUST
(A Company Limited by Guarantee)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Net cash (used in)/provided by operating activities	27	(14)	1,305
Cash flows from investing activities:			
Purchase of property, plant and equipment		(607)	(423)
Capital grants from DfE/EFA		607	423
Net cash provided by investing activities		-	-
Cash flows from financing activities:			
Interest received		26	35
Net cash provided by financing activities		26	35
Change in cash and cash equivalents in the year	28	12	1,340
Cash and cash equivalents brought forward		7,593	6,253
Cash and cash equivalents carried forward	28	7,605	7,593

CREATIVE EDUCATION TRUST

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

Creative Education Trust constitutes a public benefit entity as defined by FRS 102.

The Statement of Financial Activities (SOFA) and Balance Sheet consolidate the financial statements of the Trust and its subsidiary undertaking. The results of the subsidiary are consolidated on a line by line basis.

No separate SOFA has been presented for the Trust alone as permitted by section 408 of the Companies Act 2006.

First time adoption of FRS 102

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

Reconciliations to previous UK GAAP for the comparative figures are included in note 34.

1.2 Fund accounting

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

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

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

CREATIVE EDUCATION TRUST

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

1. Accounting Policies (continued)

1.3 Income

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

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the Balance Sheet. Where income is received in advance of entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

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

Sponsorship income provided to the Trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where there is certainty of receipt and it is measurable.

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

1.4 Expenditure

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

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

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

All resources expended are inclusive of irrecoverable VAT.

CREATIVE EDUCATION TRUST

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

1. Accounting Policies (continued)

1.5 Going concern

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

1.6 Basis of consolidation

The financial statements consolidate the accounts of Creative Education Trust and all of its subsidiary undertakings ('subsidiaries').

The Trust has taken advantage of the exemption contained within 408 of the Companies Act 2006 not to present its own Income and Expenditure Account.

The income and expenditure account for the year dealt with in the accounts of the Trust was £444,000 (2015 - £226,000).

1.7 Turnover

Turnover comprises revenue recognised by the Trust in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.8 Tangible fixed assets and depreciation

All assets costing more than £1,000 are capitalised.

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

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.

Where the properties occupied by acquired academies are the subject of PFI contracts, consideration is given to the detailed terms of the relevant contract and to whether or not the PFI contract transfers the risks and rewards of ownership to the Trust. If there is such a transfer of risk and reward, such assets are accounted for under the policies for land and buildings set out above. If such risks and rewards are not transferred, the nature of the properties is deemed to be akin to serviced accommodation, and payments under the PFI contract are treated as operating lease payments.

CREATIVE EDUCATION TRUST

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

1. Accounting Policies (continued)

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

Freehold property	-	2% straight line
Motor vehicles	-	20% straight line
Fixtures and fittings	-	12.5% straight line
Fixtures and fittings	-	Inherited assets 25% straight line
Computer equipment	-	33.3% straight line

1.9 Investments

Fixed asset investments are a form of financial instrument and are initially recognised at their transaction cost and subsequently measured at fair value at the Balance Sheet date, unless fair value cannot be measured reliably in which case it is measured at cost less impairment. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading 'Gains/(losses) on investments' in the Statement of Financial Activities.

1.10 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the Trust; this is normally upon notification of the interest paid or payable by the Bank.

1.11 Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

Operating lease income from the sub-lease of a portion of Head Office is charged to the Statement of Financial Activities on a straight line basis over the lease term.

1.12 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.13 Debtors

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

CREATIVE EDUCATION TRUST

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

1. Accounting Policies (continued)

1.14 Cash at Bank and in hand

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

1.15 Liabilities and provisions

Liabilities are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the Trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.16 Taxation

The Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable Company for UK corporation tax purposes. Accordingly, the Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.17 Pensions

Retirement benefits to employees of the Trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Schemes ("LGPS"). These are defined benefit schemes and the assets are held separately from those of the 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 Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 30, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

CREATIVE EDUCATION TRUST

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

1. Accounting Policies (continued)

The LGPS schemes are funded schemes 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 credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each Balance Sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

1.18 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 30, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. General Annual Grant (GAG)

At the end of the financial year, the Academy Trust may carry forward unspent GAG funding from previous years without limit. The Academy Trust must use any GAG funding carried forward only for purposes of GAG as set out in the funding agreement.

CREATIVE EDUCATION TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

3. Income from donations

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Inherited defined benefit pension scheme liability	-	-	-	-	(2,302)
Fixed assets transferred on acquisition	-	-	-	-	14,774
Fixed assets gifted from Local Authority	-	-	-	-	6
Small equipment inherited from Local Authority	-	-	-	-	50
Other assets transferred from Local Authority	-	-	-	-	105
Fixed assets transferred from Local Authority on conversion	-	-	-	-	15,520
Other assets transferred on acquisition	-	-	-	-	1,569
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total donations and legacies	-	-	-	-	29,722
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

CREATIVE EDUCATION TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

4. Funding for Academy's educational operations

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
DfE/EFA grants				
General Annual Grant (GAG)	-	38,544	38,544	33,107
Start Up Grant	-	174	174	345
Pupil Premium	-	2,193	2,193	1,933
Capital Grant	-	853	853	1,403
16-18 Funding	-	2,282	2,282	2,338
Other EFA Grant	-	192	192	144
	-	44,238	44,238	39,270
Other government grants				
SEN Funding	-	300	300	239
Local Authority Grants	-	834	834	455
	-	1,134	1,134	694
Other funding				
Other Grants Received	-	61	61	-
	-	61	61	-
	-	45,433	45,433	39,964

5. Other trading activities

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Hire of facilities	197	-	197	90
Trip Income	437	-	437	374
Catering Income	541	-	541	386
Music Services Income	41	-	41	27
Other Income	234	-	234	163
	1,450	-	1,450	1,040

CREATIVE EDUCATION TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

6. Trading activities

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Charity trading income				
Donations	-	-	-	22
Rent receivable - Domestic	112	-	112	102
Other income - Domestic	12	-	12	3
	<u>124</u>	<u>-</u>	<u>124</u>	<u>127</u>
Income from trading activities	<u>124</u>	<u>-</u>	<u>124</u>	<u>127</u>

7. Investment income

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Investment income	<u>26</u>	<u>-</u>	<u>26</u>	<u>35</u>

8. Resources expended

	Staff costs £000	Premises £000	Other costs £000	Total £000
Academy's educational operations				
- Direct costs	29,536	2,027	2,893	34,456
- Allocated support costs	6,487	5,515	4,278	16,280
	<u>36,023</u>	<u>7,542</u>	<u>7,171</u>	<u>50,736</u>
Total	<u>36,023</u>	<u>7,542</u>	<u>7,171</u>	<u>50,736</u>

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9. Direct costs

	Subsidiary costs £000	Academy £000	Total 2016 £000	Total 2015 £000
Pension finance costs (note 17)	-	444	444	326
Educational supplies	-	608	608	406
Examination fees	-	657	657	694
External education and fees	-	821	821	520
Depreciation	-	2,364	2,364	1,789
Other direct costs	-	157	157	394
Educational trips	-	612	612	470
Other fundraising costs	38	-	38	96
Wages and salaries including national insurance & pension	83	29,009	29,092	25,313
	<u>121</u>	<u>34,672</u>	<u>34,793</u>	<u>30,008</u>

10. Support costs

	Academy £000	Total 2016 £000	Total 2015 £000
Maintenance of premises and equipment	3,050	3,050	3,261
Student bursary and rewards	148	148	190
IT support costs	660	660	470
Cleaning and waste management	432	432	386
Rates	1,256	1,256	1,278
Insurance	220	220	305
Minibus costs	53	53	41
Catering costs	991	991	844
Bank charges	2	2	2
Other support costs	1,069	1,069	895
Legal and professional fees	24	24	106
Recruitment costs	310	310	230
Governance Costs	1,023	1,023	1,034
Wages and salaries (including national insurance and pension)	6,487	6,487	5,486
Depreciation	555	555	722
	<u>16,280</u>	<u>16,280</u>	<u>15,250</u>

11. Turnover

The whole of the turnover is attributable to the provision of education.

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12. Net incoming resources/(resources expended)

This is stated after charging:

	2016 £000	2015 £000
Depreciation of tangible fixed assets:		
- owned by the charitable group	555	722
Auditors' remuneration	60	73
Auditors' remuneration - non-audit	7	11
Governance Internal audit costs	25	22
Operating lease rentals:		
- other operating leases	108	45
Depreciation on freehold property - direct costs	2,027	1,789

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13. Staff costs

Staff costs were as follows:

	2016	2015
	£000	£000
Wages and salaries	28,080	24,775
Social security costs	2,333	1,762
Other pension costs (Note 30)	4,918	4,056
	<u>35,331</u>	<u>30,593</u>
Staff restructuring costs	248	375
	<u>35,579</u>	<u>30,968</u>

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

	2016	2015
Teachers	485	416
Administration and support	619	558
Management	69	57
	<u>1,173</u>	<u>1,031</u>

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

	2016	2015
In the band £60,001 - £70,000	12	7
In the band £70,001 - £80,000	7	1
In the band £80,001 - £90,000	4	2
In the band £90,001 - £100,000	2	3
In the band £100,001 - £110,000	1	1
In the band £110,001 - £120,000	2	2
In the band £120,001 - £130,000	0	1
In the band £130,001 - £140,000	2	0
In the band £150,001 - £160,000	0	2
In the band £160,001 - £170,000	1	0

25 of the employees shown in the above salary bandings participated in the Teachers' Pension Scheme. The other employees shown in the above salary bandings participated in the Local Government Pension Scheme.

In 2015/16 the value of all non-statutory/non-contractual severance payments made by the Trust totalled £42,000 for both teachers and support staff (2015: £95,000). Individual payments were £25,000, £9,000, £8,500 and £8,000.

Key management personnel comprise of the Executive team at Head Office. Remuneration and benefits received by key management personnel was £782,000 (2015: £767,000) for 7 employees (2015: 6).

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One Trustee has been paid remuneration and has received other benefits from an employment with the academy trust. The value of the Trustee's remuneration and other benefits was as follows:

M. Jordan (CEO and Trustee)

Remuneration: £160,000 - £170,000 (2015: £140,000 - £150,000)

Employer's pension contributions paid: £20,000 - £30,000 (2015: £20,000 - £30,000)

14. Central services

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

- Financial services
- Legal services
- Human resources
- Education support services
- Governance support services
- ICT support services
- Others as arising

The Trust charges for these services on the following basis:

The Trust charges for these on a percentage of GAG income that is appropriate to the individual academy.

The actual amounts charged during the year were as follows:

	2016	2015
	£000	£000
Abbeyfield Academy	337	346
Ash Green Academy	233	214
Caister Academy	158	82
Fair Oak Academy	164	176
Harpfield Primary Academy	41	39
Hagley Park Academy	164	171
Lynn Grove Academy	275	133
Queen Eleanor Academy	56	55
Thistely Hough Academy	187	187
Three Peaks Primary Academy	76	57
Weavers Academy	258	256
Woodlands Primary Academy	75	34
Total	<u>2,024</u>	<u>1,750</u>

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15. Trustees' remuneration and expenses

During the year retirement benefits were accruing to 1 Trustee (2015 - 1) in respect of defined benefit pension schemes.

During the year, travel expenses totalling £6,162 (2015 - £3,611) were reimbursed for 8 Trustees (2015 - 8).

16. Trustees' and Officers' Insurance

The Academy Trust has opted into the Department for Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business, and provides cover up to £10,000,000. It is not possible to quantify the Trustees and officers indemnity element from the overall cost of the RPA scheme.

17. Other finance costs

	2016	2015
	£000	£000
Expected return on pension scheme assets	451	469
Interest on pension scheme liabilities	(895)	(795)
	<u>(444)</u>	<u>(326)</u>

18. Taxation

	2016	2015
	£000	£000
UK corporation tax charge on surplus for the year	<u>-</u>	<u>12</u>

2015's tax charge relates to the profit of the subsidiary. The gift aid from 2014 was not paid to the Trust within nine months and therefore the subsidiary had to pay corporation tax on the profit of £61,431 at 20%.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

19. Tangible fixed assets

	Freehold property £000	Motor vehicles £000	Fixtures and fittings £000	Computer equipment £000	Work in progress £000	Total £000
Group						
Cost						
At 1 September 2015	137,401	97	1,830	1,088	-	140,416
Additions	-	-	85	180	342	607
Disposal	(374)	-	-	-	-	(374)
At 31 August 2016	137,027	97	1,915	1,268	342	140,649
Depreciation						
At 1 September 2015	4,282	40	1,211	479	-	6,012
Charge for the year	2,027	19	126	410	-	2,582
Impairment charge	(37)	-	-	-	-	(37)
At 31 August 2016	6,272	59	1,337	889	-	8,557
Net book value						
At 31 August 2016	130,755	38	578	379	342	132,092
At 31 August 2015	133,119	57	619	609	-	134,404
Trust						
Cost						
At 1 September 2015	137,401	97	1,830	1,088	-	140,416
Additions	-	-	85	180	342	607
Impairment charge	(374)	-	-	-	-	(374)
At 31 August 2016	137,027	97	1,915	1,268	342	140,649
Depreciation						
At 1 September 2015	4,282	40	1,211	479	-	6,012
Charge for the year	2,027	19	126	410	-	2,582
Impairment charge	(37)	-	-	-	-	(37)
At 31 August 2016	6,272	59	1,337	889	-	8,557
Net book value						
At 31 August 2016	130,755	38	578	379	342	132,092
At 31 August 2015	133,119	57	619	609	-	134,404

Included in land and buildings is freehold land at cost of £33,527,765 (2015 - £33,527,765) which is not depreciated.

CREATIVE EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

20. Stocks

	Group		Trust	
	2016	2015	2016	2015
	£000	£000	£000	£000
Finished goods and goods for resale	5	14	5	14

21. Debtors

	Group		Trust	
	2016	2015	2016	2015
	£000	£000	£000	£000
Trade debtors	35	19	21	18
Other debtors	44	136	34	131
Prepayments and accrued income	1,436	924	1,436	915
VAT recoverable	430	360	434	362
	1,945	1,439	1,925	1,426

22. Creditors

Amounts falling due within one year

	Group		Trust	
	2016	2015	2016	2015
	£000	£000	£000	£000
Trade creditors	1,285	1,444	1,285	1,442
Other taxation and social security (see below)	1,044	1,005	1,044	1,005
Amounts owed to EFA	471	179	471	179
Other creditors	56	219	28	207
Accruals and deferred income	2,261	1,375	2,262	1,355
	5,117	4,222	5,090	4,188

Other taxation and social security

	Group		Trust	
	2016	2015	2016	2015
	£000	£000	£000	£000
PAYE/NI control	1,044	1,005	1,044	1,005

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22. Creditors
Amounts falling due within one year (continued)

	Group		Trust	
	2016	2015	2016	2015
	£000	£000	£000	£000
Deferred income				
Deferred income at 1 September 2015	589	299	589	299
Resources deferred during the year	1,107	589	1,107	589
Amounts released from previous years	(589)	(299)	(589)	(299)
Deferred income at 31 August 2016	<u>1,107</u>	<u>589</u>	<u>1,107</u>	<u>589</u>

Amounts deferred in the year includes £500,000 of SCA grant funding which is to be used in 16/17 for capital works at Ash Green School. Other funding amounts in deferred income include £178,000 of funding income (SEN, Cera) received in advance, universal infant free school meals of £46k and National non-domestic rates (NNDR) of £49,000. £92,000 of the deferred income balance relates to trips, projects and music lessons taking place after year end. Also included in this balance at year end is £95,000 income received in advance to acquire the Wroughton Schools.

23. Creditors:
Amounts falling due after more than one year

	Group		Trust	
	2016	2015	2016	2015
	£000	£000	£000	£000
Other creditors	<u>42</u>	<u>-</u>	<u>42</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS
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24. Provisions

Group	Provisions £000
At 1 September 2015	134
Amounts used	(134)
At 31 August 2016	-

Trust	Provisions £000
At 1 September 2015	134
Amounts used	(134)
At 31 August 2016	-

At 31 August 2015 there was a provision for restructuring at the following academies: Fair Oak Academy, Hagley Park Academy and Rugeley Sixth Form. This has been fully utilised in the year.

25. Statement of funds

	Brought Forward £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Carried Forward £000
Unrestricted funds						
General Funds - all funds	1,772	1,694	(1,859)	-	-	1,607
Restricted funds						
General Annual Grant (GAG)	2,917	43,064	(43,439)	247	-	2,789
Pension reserve	(11,559)	1,618	(2,855)	-	(5,243)	(18,039)
	(8,642)	44,682	(46,294)	247	(5,243)	(15,250)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

25. Statement of funds (continued)

Restricted fixed asset funds

Restricted Fixed Asset Funds - all funds	134,405	853	(2,919)	(247)	-	132,092
Total restricted funds	125,763	45,535	(49,213)	-	(5,243)	116,842
Total of funds	127,535	47,229	(51,072)	-	(5,243)	118,449

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

- Unrestricted funds represent those resources which may be used towards meeting any of the charitable objects of the Trust at the discretion of the Trustees;
- Restricted funds (excluding pension reserve) represent funds received from the Department for Education and is specifically spent on the running of the academies;
- Pension reserve represents the movements on the Local Government Pension Schemes' Liabilities;
- Restricted fixed asset funds represent resources which are applied to specific capital purposes imposed by the Department for Education where the asset acquired or created is held for a specific purpose.
- The transfer represents monies unspent on fixed assets, moved to restricted funds.

Analysis of academies by fund balance

Fund balances at 31 August 2016 were allocated as follows:

	Total 2016 £000	Total 2015 £000
Abbeyfield School	1,180	997
Ash Green School	636	200
Caister Academy (1)	(295)	21
Central Services	619	520
Fair Oak Academy (1)	(367)	(94)
Hagley Park Academy	214	208
Harpfield Primary Academy	111	170
Lynn Grove Academy	1,277	1,055
Queen Eleanor Academy	170	61
Rugeley Sixth Form	87	205
Thistley Hough Academy (1)	(276)	104
Three Peaks Primary Academy	144	118
Weavers Academy	647	863
Woodlands Primary Academy	249	261
Total before fixed asset fund and pension reserve	4,396	4,689
Restricted fixed asset fund	132,092	134,405
Pension reserve	(18,039)	(11,559)
Total	118,449	127,535

Note 1: Schools showing a deficit on reserves are receiving financial and operational support from the

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25. Statement of funds (continued)

Trust to enable them to return to a surplus: it is not possible to state with certainty at this time how long this process is likely to take.

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 depr'n £000	Total 2016 £000	Total 2015 £000
Abbeyfield School	4,778	424	318	1,414	6,934	7,179
Ash Green School	3,140	570	213	742	4,665	4,522
Caister Academy	2,594	488	464	446	3,992	1,855
Central Services	175	1,245	146	835	2,401	2,103
Fair Oak Academy	2,696	449	155	780	4,080	4,446
Hagley Park Academy	672	135	19	256	1,082	3,781
Harpfield Primary Academy	1,814	458	234	638	3,144	985
Lynn Grove Academy	3,692	763	428	854	5,737	3,103
Queen Eleanor Academy	792	105	36	274	1,207	1,319
Rugeley Sixth Form	510	109	17	50	686	611
Thistley Hough Academy	2,742	565	290	1,179	4,776	4,588
Three Peaks Primary Academy	1,137	189	43	379	1,748	1,263
Weavers Academy	3,560	793	274	1,236	5,863	5,873
Woodlands Primary Academy	1,151	194	61	312	1,718	849
	<u>29,453</u>	<u>6,487</u>	<u>2,698</u>	<u>9,395</u>	<u>48,033</u>	<u>42,477</u>

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26. Analysis of net assets between funds

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Tangible fixed assets	-	-	132,092	132,092	134,405
Current assets	6,768	2,789	-	9,557	9,046
Creditors due within one year	(5,119)	-	-	(5,119)	(4,223)
Creditors due in more than one year	(42)	-	-	(42)	-
Provisions for liabilities and charges	-	(18,039)	-	(18,039)	(11,693)
	<u>1,607</u>	<u>(15,250)</u>	<u>132,092</u>	<u>118,449</u>	<u>127,535</u>

27. Reconciliation of net movement in funds to net cash flow from operating activities

	2016 £000	2015 £000
Net (expenditure)/income for the year (as per Statement of financial activities)	(3,843)	25,868
Adjustment for:		
Depreciation charges	2,582	2,511
Returns on investments and servicing of finance	(26)	(35)
Capital grants from DfE and other capital income	(853)	(1,403)
Defined benefit scheme cost less contributions payable	1,237	1,034
(Increase)/Decrease in stocks	9	(11)
(Increase) in debtors	(504)	(83)
Increase in creditors	1,139	1,355
Donated assets	-	(30,367)
Defined benefit pension scheme obligation inherited	-	2,302
Increase in creditors over one year	42	-
Impairment charge	337	-
Increase/(decrease) in provisions	(134)	134
Net cash (used in)/provided by operating activities	<u>(14)</u>	<u>1,305</u>

28. Analysis of cash and cash equivalents

	2016 £000	2015 £000
Cash in hand	7,605	7,593
Total	<u>7,605</u>	<u>7,593</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

29. Capital commitments

At 31 August 2016 the Group and Trust had capital commitments as follows:

	<u>Group</u>		<u>Trust</u>	
	2016	2015	2016	2015
	£000	£000	£000	£000
Contracted for but not provided in these financial statements	53	79	53	79

30. Pension commitments

The Group's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Staffordshire County Council, Warwickshire County Council, Norfolk County Council, Northamptonshire County Council and Westminster City Council. All are Multi-Employer Defined Benefit Pension 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 £229,942 were payable to the scheme at 31 August 2016 (2015 - 213,422) 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%)

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30. Pension commitments (continued)

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

The employer's pension costs paid to TPS in the period amounted to £2,759,622 (2015 - £2,029,989).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx).

Under the definitions set out in FRS 102, 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 (as opposed to a defined benefit scheme). The Trust has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £1,599,000 (2015 - £1,708,000), of which employers' contributions totalled £1,156,000 (2015 - £1,271,000) and employees contributions totalled £433,000 (2015 - £437,000).

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.

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2016	2015
Discount rate for scheme liabilities	2.10 %	3.80 %
Rate of increase in salaries	3.40 %	4.60 %
Rate of increase for pensions in payment / inflation	2.10 %	2.70 %
Commutation of pensions to lump sums	50.00 %	50.00 %

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

30. Pension commitments (continued)

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

	2016	2015
Retiring today		
Males	22.2	22.1
Females	24.4	24.3
Retiring in 20 years		
Males	24.3	24.2
Females	26.8	26.6

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

	Fair value at 31 August 2016 %	Fair value at 31 August 2015 %
Equities	69	68
Debt instruments	19	19
Property	9	10
Cash	3	3
Total market value of assets	<u>100</u>	<u>100</u>

The actual return on scheme assets was £2,205,000 (2015 - £469,000).

The amounts recognised in the Statement of Financial Activities are as follows:

	2016 £000	2015 £000
Current service cost	(1,942)	(1,986)
Interest on obligation	(895)	(795)
Expected return on scheme assets	451	469
Past service cost	(18)	(2)
Total	<u>(2,404)</u>	<u>(2,314)</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

30. Pension commitments (continued)

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

	2016	2015
	£000	£000
Opening defined benefit obligation	22,504	13,910
Inherited	-	6,060
Current service cost	1,942	1,986
Interest cost	895	816
Employee contributions	443	437
Actuarial Losses/(gains)	6,997	(606)
Past service costs	18	2
Other experience gains	-	(21)
Benefits paid	(65)	(69)
Estimated Unfunded Benefits Paid	(11)	(11)
	<u>32,723</u>	<u>22,504</u>
Closing defined benefit obligation	<u>32,723</u>	<u>22,504</u>

Movements in the fair value of the Group's share of scheme assets:

	2016	2015
	£000	£000
Opening fair value of scheme assets	10,945	5,359
Inherited	-	3,758
Expected return on assets	451	469
Contributions by employer	1,156	1,271
Actuarial gains and (losses)	1,754	(280)
Contributions by employees	443	437
Benefits paid	(65)	(69)
Contributions in respect of Unfunded Benefits	11	11
Estimated Unfunded Benefits Paid	(11)	(11)
	<u>14,684</u>	<u>10,945</u>
	<u>14,684</u>	<u>10,945</u>

31. Operating lease commitments

At 31 August 2016 the total of the Group's future minimum lease payments under non-cancellable operating leases was:

Group and Trust	2016	2015
	£000	£000
Amounts payable:		
Within 1 year	177	191
Between 1 and 5 years	510	539
After more than 5 years	413	517
	<u>1,100</u>	<u>1,247</u>
Total	<u>1,100</u>	<u>1,247</u>

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32. Related party transactions

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

33. Post balance sheet events

On 1st December 2016 two new Academies joined the group; however, this does not affect the financial position as at 31 August 2016. There are no post balance sheet events which affect the financial position at 31 August 2016.

34. First time adoption of FRS 102

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

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

Reconciliation of total funds	Notes	1 September 2014 £000	31 August 2015 £000
Total funds under previous UK GAAP		101,364	127,558
Holiday pay accrual		(23)	(23)
Total funds reported under FRS 102		<u>101,341</u>	<u>127,535</u>

The holiday pay accrual has been adjusted for on transition to FRS 102 as no provision for short term benefits such as holiday pay was made under the previous UK GAAP. Under FRS 102 the costs of short-term employee benefits are recognised as a liability and an expense. Thus an accrual of £23,000 has been recognised. There are no other adjustments to total funds under FRS 102.

Reconciliation of net income	Notes	31 August 2015 £000
Net income previously reported under UK GAAP		26,138
Net movement in funds reported under FRS 102		<u>26,138</u>

There are no adjustments to net income for the year ended 31 August 2015 as the holiday pay accrual was measured at £23,000 for both the year ended 2013/14 and 2014/15. Therefore no remeasurement is necessary.

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35. Principal subsidiaries

Company name	Country	Percentage Shareholding	Description
Creative Education Academies Limited	England and Wales	100	Provision of leisure services