

Financial Statements

Salford Academy Trust

(A company limited by guarantee)

For the year ended 31 August 2016

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		A22	29/04/2017	#323
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		COMPANIES HOUSE		

Company No: 08115121 (England and Wales)

Charitable Company limited by guarantee exempt from registration

Charitable company information

Company registration number:

08115121

Registered office:

Frontier House
 Merchants Quay
 Salford
 M50 3SR

Trust Directors

(charity trustees and directors of the company)

Director/ Trustee		Committee Membership	Representing
M Walsh (Chair)	Appointed 1 April 2016		Salford City College
L Dowd (Chair)	Resigned 31 March 2016		Salford City College
K Cash	Appointed 10 October 2015		
R J Cavanagh			External Business
A J Humphrey	Resigned 12 September 2016		External Business
G Lagan	Resigned 31 December 2015		Salford City College
W O'Donovan			Salford City College
M A Pearson	Resigned 31 December 2015	Audit Committee	The University of Salford
P S Renshaw			External Business
C A Starbuck			Salford City Council
D Wootton (Chief Executive and Accounting Officer)			
P Rowlett	Appointed 1 February 2016, Resigned 31 August 2016		The University of Salford

Charitable company information

Senior management team

Accounting Officer

David Wootton

CFO

Laura Williams

The Albion Academy Principal

Jennifer Langley

The Albion Academy Vice Principal

Deanna Owen

Marlborough Road Academy Principal

Alison Cookson

Dukesgate Academy Principal

Jane Garner

Company Secretary:

Gilda Kaseke

Bankers:

Lloyds plc
53 King Street
Manchester
M3 3EB

Solicitors:

Browne Jacobson
Ground Floor
3 Piccadilly Place
Manchester
M1 3BN

Independent Auditor:

Mazars LLP, Manchester
Chartered Accountants
Statutory Auditors
One St Peter's Square
M2 3DE

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Statement of Trustees' Responsibilities

The trustees, who are also directors for the purposes of company law, present their report and the audited financial statements of Salford Academy Trust ('the Company', 'Charitable Company', 'Academy Trust' or 'the Trust') for the year ended 31 August 2016.

Structure, Governance and Management

Constitution

Salford Academy Trust is a company limited by guarantee (No. 08115121) and an exempt charity in accordance with the Academies Act 2010. The charitable company was incorporated on 21 June 2012.

The fully transitioned operations of the Company's schools (The Albion Academy, Marlborough Road Academy and Dukesgate Academy) commenced on 1 September 2012 following a decision by the governing body and acceptance by the Secretary of State for Education that the schools become academies as of this date.

The trustees who served the trust during the period, and at the date of this report are shown in the table on page one.

The trustees listed above act as the trustees for the charitable activities of Salford Academy Trust and are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as Salford Academy Trust.

The schools have local boards of governors which comprise appointed authority governors, parent governors, staff governors and other appointed governors.

Members' liability

Every member of the Charitable Company undertakes to contribute to the assets of the Charitable Company in the event of it being wound up while he/she is a member, or within one year after he/she ceases to be a member and to pay such amounts as may be required not exceeding £10 for the debt and liabilities contracted before he/she ceased to be a member. The Secretary of State for Education can direct the trustees of the Trust in certain circumstances where the quality of education is deemed unsatisfactory.

Trustees' indemnities

The Trust has purchased insurance to cover trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business.

Trustees' Report (continued)

Method of recruitment and appointment of directors

The Board of Directors may comprise of up to eight Sponsor Directors, appointed by the Sponsors (Salford City College, Salford City Council and the University of Salford), the Chief Executive Officer and two Parent Directors selected by the Parent members of the Local Governing Bodies if it was decided not to have parents as members of Local Governing Bodies.

In addition the Secretary of State has, in exceptional circumstances, the power to appoint directors.

The term of office for any director is four years. Subject to eligibility any retiring director may offer themselves for re-election or reappointment.

Policies and procedures adopted for the induction and training of directors

No formal policy has been adopted. Training requirements are discussed at directors' board meetings.

Organisational structure

The governance of the Trust is defined in the Memorandum and Articles of Association together with the funding agreements with the Department of Education. In addition to the trustees (see above), Local Governing Bodies have been appointed for each school within the Trust. These bodies offer local support and challenge to the Principal. The Board of Directors has appointed an Audit Committee.

The Audit Committee reports to the full Board of Directors on risk management and financial control related issues.

During the year under review the Directors held four meetings. The membership of the Board of Directors as at 31 August 2016 is set out in the Charitable Company Information section of this report.

The day to day running of the Trust is delegated by the trustees to management under the leadership of the Chief Executive, who is also the Accounting Officer.

Arrangements for setting pay and remuneration of key management personnel

There is a Performance Management Policy for the Trust - Key Management Personnel pay and remuneration is set against this. This involves for Central Staff the setting of appropriate stretch targets relating to key areas of performance and then progress if monitored against this in Line Management meetings with a review annually attended by the CEO. For Principals of Academies the process is similar but targets are agreed and reviewed by the CEO and Chair of the Local Governing Body the end of the year following the target setting and performance review of direct reports (therefore all targets feed in to each other and make sense). The CEO is Line Managed by the Chair of the SAT Board. When new appointments are made for Key Management Personnel remuneration is benchmarked against similar roles with similar contexts in a national setting.

Connected organisations and related parties

The charitable company is sponsored by Salford City College ("The College") which has 75% control, along with Salford City Council and The University of Salford, with 12.5% each. The Trust benefits from representation of the sponsors as trustees on the Trust Board and on the Academy Local Governing Board. The Sponsors support the activities of the Trust in many ways, educationally and informally. Individual Academies have some SLAs with Salford City Council, but the Trust as an entity does not. Neither the Trust or Academies have related party transactions with The University of Salford; the same is true for the Academies and Salford City College. However the Trust has a rental agreement at cost with the College for office premises.

Trustees' Report (continued)

Objectives and Activities

Objects and aims

The Trust's object is to advance for public benefit education in the United Kingdom.

Our vision is:

“a) 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 and

b) providing recreational and leisure time facilities in the interests of social welfare for the inhabitants of the United Kingdom especially those who have need of such facilities by reason of their youth, age, infirmity or disablement, poverty or social and economic circumstances.”

The Charitable Company aims to provide a local solution for schools wishing to become Academies and drive improvements in education standards in the Salford area, with the help of local people and to forge long term relations with local business and further education establishments.

We aim to create a unique, high achieving collaborative network within Salford. The Trust works collaboratively to drive school improvement across Salford, transforming lives, fostering enthusiasm and realising potential.

Our working will be characterised by the following behaviours:

EQUITY - we will work to secure equity of outcomes for all to achieve the same. We will not accept that our students' identity must be their destiny

TRANSPARENCY - we will be honest and straightforward with Principals about progress, performance and resources

COLLEGIALITY - we will work with Principals and their teams shoulder to shoulder

INTEGRITY - we will be principled in all we do and in the relationships we have

INCLUSION - we will not exclude children or adults unless the safety of others is in danger

Trustees' Report (continued)

Objectives, strategies and activities

The Trust's main objectives for the year ended 31 August 2016 were to:

1. Continue to improve achievement, attainment and outcomes in trust academies, transforming learning and moving the academies towards Outstanding.
2. Create within the Trust organisational capacity that challenges and supports existing Trust academies, gives additionality to Trust academies and builds a scalable organisation.
3. Create a Trust offer, internal capacity and external school to school capability that plans for measured growth at the appropriate time.

The strategies to achieve this were:

- Communicating the vision and moral purpose of the Trust to all our people
- Having a sound infrastructure with financial checks and balances and the right skill set at Board Level
- Ensuring schools benefit from the economies of scale possible by being members of a multi academy trust
- Delivering capability and capacity for measured growth
- Investing in high quality staff development
- Demonstrating clear and streamlined lines of accountability
- Providing the right proportion of support and challenge to the schools in the Trust
- Ensuring school performance monitoring is transparent and rigorous
- Ensuring that schools have autonomy and use it to drive continuous improvement
- Having a robust set of delivery plans to focus operations

Public benefit

The Academy Trust directors have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their powers or duties.

The schools' catchment areas are as designated in the Admissions Policies and have not changed since academy status. School governors have reviewed the pupil admissions policies' and consider there to be no barriers to entry on the grounds of gender, ethnicity or family circumstances.

Strategic Report

Achievements and Performance

The Trust serves around 1,500 pupils and students across all sites with over 50% of students eligible for Free School Meals and/or Pupil Premium payments. A significantly high percentage of children come from areas of significant social challenge and the wards serving our schools are the most deprived in the City of Salford and feature highly in the IDACI indices of multiple deprivation.

Each of our constituent academies has made further improvements this year.

There are many pockets of good practice within Trust schools that are being shared and built upon, including aspects of teaching and learning, and management. The Trust has a collaborative approach that is quickly developing.

There has been no change in the Ofsted categorisations for Trust schools this year. Dukesgate Academy has achieved good with an outstanding in leadership and management; Marlborough Road Academy has achieved a good with an outstanding in leadership and management, and The Albion Academy has been classed as Requires Improvement following the inspection in June 2016.

Trustees' Report (continued)

Overall trends in relation to key performance indicators for pupil outcomes continue to move positively. The Albion Academy showed a 4.8% improvement in the 5A*-CEM measure – although at 39%, the Academy still remains below the National Floor Target of 40%.

Meanwhile, Dukesgate Academy continues to maintain excellent outcomes for its pupils, which are significantly above national average. These are particularly pleasing when the 'starting points' of pupils are considered, showing that teaching and learning at the Academy adds significant value.

Finally, Marlborough Road Academy has a 'spikey' achievement profile due to the transient nature of its community, which includes many refugee families and others new to the UK. Nevertheless, its 'constant' cohort of pupils show positive and sustained progress. Arithmetic results are pleasing, whilst combined results and literacy-based tests are below national floor targets.

Irlam and Cadishead College has been involved in a long process of conversion to join the Trust, following a Financial Ofsted judgement. This has been complicated by a PFI process. However, conversion looks set for December 2016 or January 2017. During this time, College school improvement and other support is provided by the Trust. The result has been a halt in the decline of KS4 results and a 3% rise to 39%, which is still below the National Floor Target.

There has also been a most pleasing Section 8 Ofsted report, which charted the College's progress. The College has a positive outlook, improved staffing and significant potential once joined the Trust. This will bring the total number of schools in the Trust to four, although others are in the process of considering joining, and one has even begun this process and should join in springtime.

Attendance continues to be good within the Trust schools and they all (including Irlam and Cadishead College) are becoming more popular and therefore recruiting additional students on entry.

In our drive to continually improve standards for children, a number of continuing important building projects have been completed during the year, including a major new play area at the Marlborough Road Academy. Educational facilities have been enhanced, and learning environment for pupils improved. We will continue to invest in our schools and build upon this success.

Going Concern

After making appropriate enquiries, the board of trustees has a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies (Note 1 in the Financial Statements).

Financial Review

For the financial year ended 31 August 2016, financial performance has been analysed across the four distinct divisions of the Trust which are largely responsible for managing delegated budgets. These are: The Albion Academy, Dukesgate Academy, Marlborough Road Academy and Trust Executive.

In summary, total funds are £16.3m and net current assets are £1.1m. All schools within the Trust finished the year in a healthy financial position that was largely in line with budget expectations.

The main source of income for the Trust is revenue grant funding for individual academies. Funding is based largely on pupil numbers, and the key risk moving forward is a reduction in the number of pupils at schools within the Trust.

Trustees' Report (continued)

Expenditure across the Trust is typical for the education sector with the main area of expenditure being staff costs of £7.1m.

The trustees' policy on reserves is to strike a balance between financial prudence and achieving the Trust's charitable objectives. It is acknowledged that available assets should remain at a financially secure level and that current year government funding is to meet the educational needs of current year pupils.

Reserves Policy

The level of reserves held at 31 August 2016 total £1.1m (excluding the fixed asset and pension liability reserves). The reserves will be allocated and spent as part of the Trust's plan to deliver its objectives and maintain its facilities and resources.

The deficit on the Local Government Pension Scheme (£2,344,000 at 31 August 2016) does not mean that an immediate liability crystallises. The deficit results in a cash flow effect for the Academy Trust in the form of possible future increases in pension contributions, which, if required, will be met from the budgeted annual income. There is therefore considered to be no material impact on free reserves of the Academy Trust because of recognising the deficit.

Financial and Risk Management Objectives and Policies

The Trust has developed and implemented risk management procedures including a strategic risk register and the governors continue to undertake an assessment of the major risks to which the individual schools are exposed.

The Trust uses a variety of financial instruments, including cash and items such as trade debtors and trade creditors that arise directly from day to day activities. The main purpose of these financial instruments is to ensure liquidity for the Trust's operations.

Principal Risks and Uncertainties

The Schools have implemented a Risk Management Policy which includes a risk register and the risk review process is undertaken at the Audit Committee Meetings. The objective is the measurement control and mitigation in order to manage risk.

The principal risks are the loss of reputation through falling standards, falling student's numbers and failure to safeguard the students, and these risks are addressed below:

- Failure to make progress to achieve satisfactory Ofsted standards - the mitigation in place is through a school improvement partnership with St Patrick's National Leader of Education and Teaching Strategic Alliance which builds capacity in the Academies. Additional capacity has been built in through the appointment of a full time CEO who can provide closer governance scrutiny. The newly appointed CEO will drive the objectives of the Trust and through improved educational provision mitigate the falling student numbers.
- Academy safeguarding issues are routinely reviewed, with checks of procedures and policies in place to continuously monitor any safeguarding incidents that may arise.
- The Trust is mitigating the risk of ineffective governance by Local Governing Boards by providing training, and through the scheme of delegation.

Investment Policy

A formal investment policy is still being formulated by the Trust. At the moment all the Trust funds are held in the account to maintain the Trust's liquidity as any investments would be for a fixed term period and would impact on the Trust's flexibility.

Trustees' Report (continued)

Plans for Future Periods

There are three core strategic objectives for the Salford Academy Trust:

1. To improve achievement, attainment and outcomes in trust academies, transforming learning and moving academies towards Outstanding.
2. To create an organisation, that challenges and supports Trust academies, gives additional value to Trust academies and builds a scalable organisation.
3. To create a climate to facilitate measured growth.

The Trust aims to create a learning centred organisation by:

- Improving Achievement and progress to at least national Averages and to at least Good in the new Ofsted framework;
- Raising the quality of Learning and Teaching;
- Improving the effectiveness of Leadership at all levels, developing Senior Leaders, improving the capacity and capability of Middle Leaders and growing leadership capacity in the classroom;
- Creating systems that 'spot' talent and grow leadership capacity in Trust academies;
- Developing people within and throughout the Trust, creating a research organisation;
- Supporting a challenging curriculum that engages, inspires and develops aspiration within our communities;
- Placing quality at the heart of all we do
- Developing a culture of collaboration and critical self-assessment throughout the Trust;
- Using finances creatively to achieve more rapid development in Trust academies, to balance budgets and achieve best value;
- Developing partnership arrangements which build collaboration with and between Trust academies and other schools in Salford, to strengthen further the mutual benefits of the sponsorship of Salford City College and Salford University; and
- Complying fully with statutory requirements

Trustees' Report (continued)

Auditor

The Trust commenced a retender process for external audit services during the year. A recommendation will be made at the Trust's AGM to appoint Mazars as the Trust's external auditors for the financial year ended 31 August 2016.

Approved by order of the members of the board of directors on 14 December 2016 and signed on its behalf by

Michael Walsh
Chairman

David Wootton
Accounting Officer

Governance statement

Scope of Responsibility

As trustees, we acknowledge we have overall responsibility for ensuring that the Academy 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 only provide reasonable and not absolute assurance against material misstatement or loss.

The governing body 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 academy trust and the Secretary of State for Education. They are also responsible for reporting to the governing body 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 body has formally met four times during the year. Attendance during the year at meetings of the governing body was as follows:

Trustee	Meetings attended	Out of a possible
Kimberley Cash	2	4
Leon Dowd	2	2
Roy James Cavanagh	2	4
Andrew James Humphrey	4	4
Warren O'Donovan	3	4
Paul Stephen Renshaw	3	4
Catherine Ann Starbuck	3	4
David Wootton	4	4
Gabrielle Lagan	0	2
Margaret Anne Pearson	0	2
Paul Rowlett	2	2
Michael Walsh	2	2

Governance statement (continued)

The Audit Committee is a sub-committee of the main board of directors. Its purpose is to review the systems of internal control, and the Board has appointed an independent committee chair.

Attendance at meetings in the year was as follows:

	Meetings attended	Out of a possible
A Humphrey (Chair – DTE Business Advisers)	4	4
K Cash	2	4
S Clare (Salford City Council)	4	4
A Fidler	3	4
M Pearson	1	4

Review of Value for Money

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

The accounting officer considers how the trust's use of its resources has provided good value for money during each academic year, and reports to the board of trustees where value for money can be improved, including the use of benchmarking data where available. The accounting officer for the academy trust has delivered improved value for money in the year by:

- The trust reshaped the finance function as a cost saving mechanism by hiring a Financial Accountant in place of a Finance Director and combining the roles of a CFO and COO. This organisational redesign was aimed at strengthen the impact of finance within the Academies, and building capacity in relation to the long term changing organisational structure.
- The in-house IT support has continued to be developed and has illustrated efficiencies and effectiveness during specialist purchases and license renewal negotiations. The IT provision provides economies of scale across the Academies, and will continue to modify to bring all IT systems and consumables under one central management.
- This year has shown improvements in the data at each of the Academies, particularly at Dukesgate as the Academy has exceeded national targets. The trust continues to support the Academies, and ensure budgets are aimed at providing services that are value for money for the students and attainment of trust objectives.

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 Salford Academy Trust for the year ended 31 August 2016 and up to the date of approval of the annual report and financial statements.

Governance statement (continued)

Capacity to Handle Risk

The board of trustees has reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the for the year ended ending 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 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 Audit Committee who report to the full governing body;
- regular reviews by the Audit Committee of reports which indicate financial performance against forecasts, capital expenditure plans and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset and general expenditure purchase) guidelines;
- delegation of authority and segregation of duties; and
- identification and management of risks.

Governance statement (continued)

Review of Effectiveness

As Accounting Officer, the Chief Executive Officer has responsibility for reviewing the effectiveness of the system of internal control. During the period in question the review has been informed by the work of the executive managers within the Trust who have responsibility for the development and maintenance of the internal control framework, the external auditor and the financial management and governance process employed by the Trust.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control and together with the Audit Committee will address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Trust on 14 December 2016 and signed on its behalf by:

Michael Walsh
Chairman

David Wootton
Accounting Officer

Statement on Regularity, Propriety and Compliance

As accounting officer of Salford Academy Trust I have considered my responsibility to notify the Academy Trust board of directors and the Education Funding Authority 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. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the Academy Trust governing body are able to identify any material irregularity 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.

Other than the issues raised in the regularity report from the Reporting accountant, no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. The issues raised will be actioned by the Trust in a timely fashion.

David Wootton
Accounting Officer
14 December 2016

Statement of Trustees' Responsibilities

The trustees (who are also 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 Requirements 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 of its incoming resources and application of resources, including its income and expenditure. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for ensuring that in its conduct and operations the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the EFA/DfE have been applied for the purposes intended.

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

The trustees confirm that:

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

Approved by order of the members of the board of trustees on 14 December 2016 and signed on its behalf by:

Michael Walsh
Chairman

David Wootton
Accounting Officer



Independent auditor's report to the Trustees of Salford Academy Trust

We have audited the financial statements of Salford Academy Trust for the year ended 31 August 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) ((Charities SORP 2015 (FRS 102))

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 17, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 (APB's) Ethical Standards for Auditors. This report is made solely to the trustees as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy Trust and the members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs at 31 August 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.



Independent auditor's report to the Trustees of Salford Academy Trust

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report including the incorporated strategic report for the 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:

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

Janine Fox (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
The Lexicon
Mount Street
Manchester
M2 5NT

Date



Independent Reporting Accountant's Assurance Report on Regularity to the Governing Body of Salford Academy Trust and the Education Funding Agency

In accordance with the terms of our engagement letter 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 Salford Academy Trust during the period 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 Salford Academy Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Salford Academy Trust and the EFA those matters we are required to state to it 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 Salford Academy Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

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

The accounting officer is responsible, under the requirements of Salford Academy Trust's funding agreement with the Secretary of State for Education 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 period 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.

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



Independent Reporting Accountant's Assurance Report on Regularity to the Governing Body of Salford Academy Trust and the Education Funding Agency

matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

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

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.

Conclusion

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

- Declaration of interest forms have not been completed by all trustees or by senior staff. One form which had been completed omitted an interest.
- The Trust does not have an up to date complete Fixed Asset Register.
- No evidence exists of a contract in place with one connected party. As a consequence, it cannot be established if "at cost" requirements are required and, if so, whether they are being met. For two additional connected parties, written agreements are in place but the documentation provided does not incorporate the stipulated "at cost" requirements.
- On one occasion the Trust's tendering policy was not adhered to.

Mazars LLP
Reporting Accountant
The Lexicon
Mount Street
Manchester
M2 5NT

Statement of Financial Activities (including income and expenditure account) for the year ended 31 August 2016

	Notes	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	2016 Total £'000	2015 Total £'000
Income and endowments from:						
Donations and capital grants	2	-	3	341	344	95
Charitable activities:						
Funding for education operations	3	108	9,372	-	9,480	9,165
Other trading activities	4	193	331	-	524	205
Investments	5	-	1	-	1	2
Total income and endowments		301	9,707	341	10,349	9,467
Expenditure on:						
Raising funds		320	-	-	320	334
Charitable activities:						
Academy trust education operations		-	9,403	544	9,947	10,024
Other						
Total	7	320	9,403	544	10,267	10,358
Net income / (expenditure)		(19)	304	(203)	82	(891)
Transfers between funds		-	(120)	120	-	-
Other recognised gains / (losses):						
Actuarial (losses) / gains on defined benefit pension schemes	22	-	(960)	-	(960)	(71)
Net movement in funds		(19)	(776)	(83)	(878)	(962)
Reconciliation of funds						
Total funds brought forward		485	(974)	17,667	17,178	18,140
Total funds carried forward		466	(1,750)	17,584	16,300	17,178

All the above results are derived from continuing operations during the above two financial periods.

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

The accompanying notes on pages 25 to 45 form part of these financial statements.

Balance Sheet as at 31 August 2016

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Tangible assets	11		17,584		17,667
Current assets					
Debtors	12	499		600	
Cash at bank and in hand		<u>1,321</u>		<u>1,101</u>	
		1,820		1,701	
Liabilities					
Creditors: amounts falling due within one year	13	<u>(760)</u>		<u>(934)</u>	
Net current assets			<u>1,060</u>		<u>767</u>
Total assets less current liabilities			18,644		18,434
Creditors: amounts falling due after more than one year			-		-
Net assets excluding pension liability			<u>18,644</u>		<u>18,434</u>
Defined benefit pension scheme liability	22		<u>(2,344)</u>		<u>(1,256)</u>
Total net assets			<u>16,300</u>		<u>17,178</u>
Funds of the academy trust:					
Restricted funds					
Fixed asset fund	14	17,584		17,667	
Restricted income fund	14	594		282	
Pension reserve	14	<u>(2,344)</u>		<u>(1,256)</u>	
Total restricted funds			15,834		16,693
Unrestricted income funds	14		<u>466</u>		<u>485</u>
Total funds			<u>16,300</u>		<u>17,178</u>

The financial statements were approved by the Trustees and authorised for issue on 14 December 2016 and signed on their behalf by:


Michael Walsh
Chairman

David Wootton
Accounting Officer

MICHAEL WALSH

The accompanying notes on pages 25 to 45 form part of these financial statements.

Statement of Cash flows for the year ended 31 August 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Net cash provided by (used in) operating activities	18	339	(298)
Cash flows from investing activities	19	(119)	(111)
Cash flows from financing activities		-	-
Change in cash and cash equivalents in the period		<u>220</u>	<u>(409)</u>
Cash and cash equivalents at 1 September 2015		1,101	1,510
Cash and cash equivalents at 31 August 2016		<u><u>1,321</u></u>	<u><u>1,101</u></u>

The accompanying notes on pages 25 to 45 form part of these financial statements.

Notes to the financial statements

1 Principal accounting policies

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

Basis of preparation

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention and 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.

Salford Academy Trust meets the definition of a public benefit entity under FRS 102.

These accounts for the year ended 31 August 2016 are the first accounts of Salford Academy Trust prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition was 1 September 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 24.

Going concern

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

In undertaking their review the trustees have taken into account various factors including the Trust's relative youth and the ongoing organisational and operational challenges presented by its programme of expansion. Such ongoing changes take place in a general environment of reduced public sector funding which in the medium to long-term is likely to reduce. The trustees have paid particular attention to the forecasted impact of new schools joining the Trust.

The trustees have not identified any material uncertainties from their review that they consider will impact upon the ability of the Trust to pay its debts as they fall due and accordingly have applied the basis of going concern in preparing these financial statements.

Incoming resources

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

Grants receivable

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt its recognition is deferred and it is included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued. General Annual Grant is recognised in the period to which it relates as part of restricted general funds. Capital grants are recognised when receivable and are not deferred over the life of asset on which they are expended. Unspent amounts of capital grants are reflected in the balance of the restricted fixed asset fund.

The accompanying notes on pages 25 to 45 form part of these financial statements.

Notes to the financial statements

Sponsorship income

Sponsorship income provided to the academy 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 probability of receipt.

Donations

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

Other income

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

Donated goods, facilities and services

The value of donated services and gifts in kind provided to the academy trust is recognised as incoming resources at open market value in the period in which they are receivable, where the benefit to the academy trust can be reliably measured. An equivalent amount is included as expenditure under a relevant heading in the Statement of Financial Activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category and depreciated over its useful economic life in accordance with the academy trust's policy.

Resources expended

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

Expenditure on raising funds

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

Charitable activities

These are costs incurred on the academy trust's educational operations, 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.

Tangible fixed assets

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the balance sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the academy trust's depreciation policy.

The accompanying notes on pages 25 to 45 form part of these financial statements.

Notes to the financial statements

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

Long leasehold land and buildings	50 years
Furniture and equipment	10 years
Computers	3 years
Motor vehicles	5 years

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

Liabilities

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

Leased assets

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

Taxation

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

Pensions Benefits

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

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

The accompanying notes on pages 25 to 45 form part of these financial statements.

Notes to the financial statements

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on high quality corporate bonds of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus as part of staff costs are the current service costs and gains and losses on settlements and curtailments. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period till vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount. Actuarial gains and losses are recognised immediately in other gains and losses.

Fund accounting

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

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

Restricted general funds comprise all other restricted funds received and include grants received from the Education Funding Agency and the Department for Education.

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

The academy trust makes estimates and assumptions concerning the future. The resulting accounting estimates 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.

- Impairment of fixed assets

At each balance sheet date, management undertake an assessment of the carrying value of tangible fixed assets to determine whether there is any indication that the value has been impaired. Where necessary, an impairment is recorded as an impairment loss.

- Valuation of the Local Government Pension Scheme defined benefit liability

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 of income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, 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 pension 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.

The accompanying notes on pages 25 to 45 form part of these financial statements.

Notes to the financial statements

Critical areas of judgement

- Classification and valuation of long leasehold land and buildings

The academy's long leasehold land and buildings are held under a 125 year lease and are wholly used in the course of the academy's business and are held within the academy.

Long leasehold land and buildings are held at cost.

2 Donations and capital grants

	Unrestricted funds	Restricted funds	2016 Total	2015 Total
	£'000	£'000	£'000	£'000
Capital grants	-	341	341	88
Donations	-	3	3	7
	<u>-</u>	<u>344</u>	<u>344</u>	<u>95</u>

3 Funding for the Academy Trust's educational operations

	Unrestricted funds	Restricted funds	2016 Total	2015 Total
	£'000	£'000	£'000	£'000
DfE / EFA grants				
General Annual Grant (GAG)	-	7,665	7,665	7,359
Start Up Grants	-	1	1	6
Other DfE / EFA grants		1,338	1,338	1,270
	<u>-</u>	<u>9,004</u>	<u>9,004</u>	<u>8,635</u>
Other government grants				
Local authority grants	-	368	368	429
Other income from the academy trust's educational operations	108	-	108	101
Total funding	<u>108</u>	<u>9,372</u>	<u>9,480</u>	<u>9,165</u>

The accompanying notes on pages 25 to 45 form part of these financial statements.

Notes to the financial statements

4 Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	2016 Total £'000	2015 Total £'000
Hire of facilities	41	-	41	43
Other generated income	151	332	483	162
	<u>192</u>	<u>332</u>	<u>524</u>	<u>205</u>

5 Investment income

	Unrestricted funds £'000	Restricted funds £'000	2016 Total £'000	2015 Total £'000
Bank interest receivable	-	1	1	2
	<u>-</u>	<u>1</u>	<u>1</u>	<u>2</u>

6 Analysis of total resources expended

	Staff costs £'000	Premises costs £'000	Non Pay Expenditure Other Costs £'000	2016 Total £'000	2015 Total £'000
Expenditure on raising funds	-	-	320	320	334
Academy's educational operations:					
• direct costs	5,991	396	754	7,141	7,608
• allocated support costs	1,124	636	1,046	2,806	2,416
	<u>7,115</u>	<u>1,032</u>	<u>2,120</u>	<u>10,267</u>	<u>10,358</u>

The accompanying notes on pages 25 to 45 form part of these financial statements.

Notes to the financial statements

Analysis of total resources expended (continued)

Net income / (expenditure) for the year includes:

	2016 £'000	2015 £'000
Operating lease rentals	41	17
Depreciation	544	551
Fees payable to auditor for:		
• Audit	15	13
• Other Services	8	1

7 Charitable activities – academy's educational operations

	2016 Total £'000	2015 Total £'000
Direct costs – educational operations	7,141	7,607
Support costs – educational operations	3,126	2,751
	10,267	10,358

	2016 £'000	2015 £'000
Analysis of support costs		
Support staff costs	1,124	1,132
Depreciation	27	27
Technology costs	31	-
Premises costs	636	624
Other support costs	965	600
Governance costs	23	33
Total support costs	2,806	2,416

The accompanying notes on pages 25 to 45 form part of these financial statements.

Notes to the financial statements

8 Staff costs

Staff costs during the period were as follows:

	2016 £'000	2015 £'000
Wages and salaries	5,501	5,534
Social security costs	433	383
Other pension costs	884	681
	<u>6,818</u>	<u>6,598</u>
Supply teacher and temporary staff costs	297	419
	<u>7,115</u>	<u>7,017</u>

Staff Numbers

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

	2016 Number	2015 Number
Teachers	87	88
Administration and support	124	117
Management	7	5
	<u>218</u>	<u>210</u>

Higher paid staff

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

	2016 Number	2015 Number
£60,000 to £70,000	4	3
£70,001 to £80,000	1	-
£80,001 to £90,000	-	1
£90,001 to £100,000	1	-
£100,001 to £110,000	1	-

The member of staff in the highest paid category is paid through Salford Academy Trust but recharged to Irlam and Cadishead College. The cost is not, therefore, borne by Salford Academy Trust.

Key Management Personnel

The key management personnel of the academy trust comprise of the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £396,000 (2015: £373,000).

In addition to the above, the Accounting Officer, who is not an employee of the Trust but who is a member of Key Management Personnel received £70,000 (2015 - £64,000) as disclosed in note 23.

The accompanying notes on pages 25 to 45 form part of these financial statements.

Notes to the financial statements

9 Related Party Transactions – Trustees' remuneration and expenses

One or more Governors has been paid remuneration or has received other benefits from an employment with the Academy Trust. The staff Governors only receive remuneration in respect of services they provide undertaking the roles as staff members under their contracts of employment, and not in respect of their services as a Governor. Other Governors did not receive any payments, other than expenses, from the Academy Trust in respect of their role as Governors.

The value of Governors remuneration and other benefits was as follows:

J Garner – Dukesgate principal and staff governor

- Remuneration £55,000 - £60,000 (2015: £55,000 - £60,000)
- Employer's pension contributions £5,000 - £10,000 (2015: £5,000 - £10,000)

Y Dolan – staff governor

- Remuneration £35,000 - £40,000 (2015: £30,000 - £35,000)
- Employer's pension contributions £5,000 - £10,000 (2015: £5,000 - £10,000)

E Belcher – staff governor

- Remuneration £35,000 - £40,000 (2015: £25,000 - £30,000)
- Employer's pension contributions £0 - £5,000 (2015: £0 - £5,000)

C Fynan – staff governor

- Remuneration £25,000 - £30,000 (2015: £0 - £5,000)
- Employer's pension contributions £0 - £5,000 (2015: £0 - £5,000)

During the year, travel and subsistence payments totalling £5,000 (2015: £6,000) were reimbursed or paid directly to governors.

Other related party transactions involving the Governors are set out within the related parties note.

10 Trustees' and officers' insurance

In accordance with normal commercial practice the academy trust has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on the academy trust's business. The insurance provides cover for up to £1,000,000 on any one claim and the cost for the period ended 31 August 2016 was £250 (2015: £250). The cost of this insurance is included in the total insurance cost.

Notes to the financial statements

11 Tangible fixed assets

	Leasehold Land & Buildings £'000	Furniture & Equipment £'000	Motor Vehicles £'000	Computer Equipment £'000	Total £'000
Cost					
At 1 September 2015	18,116	605	19	432	19,172
Additions	365	49	-	47	461
At 31 August 2016	18,481	654	19	479	19,633
Depreciation					
At 1 September 2015	1,004	155	11	335	1,505
Provided in the year	349	62	4	129	544
At 31 August 2016	1,353	217	15	464	2,049
Net book value					
At 31 August 2015	17,112	450	8	97	17,667
Net book value					
At 31 August 2016	17,128	437	4	15	17,584

12 Debtors

	2016 £'000	2015 £'000
Trade debtors	8	-
VAT recoverable	125	171
Prepayments	69	204
Accrued income	297	225
	499	600

The accompanying notes on pages 25 to 45 form part of these financial statements.

Notes to the financial statements

13 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	177	424
Other creditors	103	39
Taxation and social security	133	105
Accruals and deferred income	347	366
	<u>760</u>	<u>934</u>

Deferred Income

	2016 £'000	2015 £'000
Deferred income at 1 September 2015	111	105
Released from previous years	(111)	(105)
Resources deferred in the year	<u>40</u>	<u>111</u>
Deferred income at 31 August 2016	<u>40</u>	<u>111</u>

Notes to the financial statements

14 Funds

	Balance at 1 September 2015	Incoming resources £'000	Resources expended £'000	Gains, Losses & Transfer £'000	Balance at 31 August 2016 £'000
Restricted general funds					
General Annual Grant	136	7,665	(7,233)	(120)	448
Start-Up Grant	-	1	(1)	-	-
Other grants	-	1,706	(1,706)	-	-
Other Activities	146	335	(335)	-	146
Pensions reserve	(1,256)	-	(128)	(960)	(2,344)
	(974)	9,707	(9,403)	(1,080)	(1,750)
Restricted fixed asset funds					
DfE/EFA capital grants	2,308	341	(544)	120	2,225
Capital expenditure from GAG	658	-	-	-	658
Donated on conversion	14,701	-	-	-	14,701
	17,667	341	(544)	120	17,584
Total restricted funds	16,693	10,048	(9,947)	(960)	15,904
Unrestricted funds	485	301	(320)	-	466
Total funds	17,178	10,349	(10,267)	(960)	16,300

Under the funding agreement with the Secretary of State, the academy trust was not subject to limits on the amount of GAG that it could carry forward at 31 August 2016.

Notes to the financial statements

Analysis of academies by fund balance

	Balance at 31 August 2016
	£'000
Albion Academy	61
Dukesgate Academy	62
Marlborough Road Academy	894
Central Services	43
Total before fixed assets and pension reserve	1,060
Restricted fixed asset fund	17,584
Pension reserve	(2,344)
	<u>16,300</u>

15 Analysis of net assets between funds

Fund balances at 31 August 2016 are represented by:

	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	Total funds £'000
Tangible fixed assets	-	-	17,584	17,584
Current assets	466	1,354	-	1,820
Current liabilities	-	(760)	-	(760)
Pension scheme liability	-	(2,344)	-	(2,344)
Total	<u>466</u>	<u>(1,750)</u>	<u>17,584</u>	<u>16,300</u>

16 Capital commitments

Capital Spend of £nil was contracted for as at 31 August 2016 (2015: £nil), but not provided in the Financial Statements in respect of planned works.

The accompanying notes on pages 25 to 45 form part of these financial statements.

Notes to the financial statements

17 Operating lease commitments

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

	2016 Land & buildings £'000	2016 Other £'000	2015 Land & buildings £'000	2015 Other £'000
Amounts due within one year	9	19	10	16
Amounts due within two and five years inclusive	-	22	-	27
	<u>9</u>	<u>41</u>	<u>10</u>	<u>43</u>

18 Reconciliation of net income to net cash outflow from operating activities

	2016 £'000	2015 £'000
Net income / (expenditure)	82	(891)
Depreciation	544	551
Capital grants	(341)	(88)
Interest receivable	(1)	(2)
Defined benefit pension costs less contributions payable	80	94
Defined benefit pension net finance cost	48	41
Decrease/(Increase) in debtors	101	(33)
(Decrease)/Increase in creditors	(174)	30
	<u>339</u>	<u>(298)</u>
Net cash outflow from operating activities		

19 Cash flows from investing activities

	2016 £'000	2015 £'000
Dividends, interest and rents from investments	1	2
Purchase of tangible fixed assets	(461)	(201)
Capital grants from DfE/EFA	341	88
	<u>(119)</u>	<u>(111)</u>
Net cash provided by / (used in) investing activities		

The accompanying notes on pages 25 to 45 form part of these financial statements.

Notes to the financial statements

20 Contingent liabilities

If a capital asset acquired by the academy trust for market value using a capital grant made available to the academy trust by the Department for Education, is disposed of during the currency of the relevant funding agreement between the charitable company and the Secretary of State, the academy trust is required to repay to the Secretary of State the same proportion of the proceeds of the disposal as equates with the proportion of the agreed costs met by the Secretary of State, unless the Secretary of State agrees to all proceeds being retained by the academy trust for its charitable purposes.

21 Members' liability

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

22 Pension and similar obligations

The academy's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Schemes (LGPS) for non-teaching staff, which is managed by the Greater Manchester Pension Fund. Both are defined benefit schemes.

The pension costs are assessed in accordance with the recommendations of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £99,000 were payable to the schemes at 31 August 2016 (2015: £nil) and are included within creditors.

Teachers' Pension Scheme (TPS)

Introduction

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

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

Notes to the financial statements

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

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

During the 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 £530,000 (2015: £439,000).

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

Under the definitions set out in FSR 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. The trust has set out above the information available on the scheme.

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contributions made for the period ended 31 August 2016 was £356,000 (2015: £320,000), of which employer contributions totalled £275,000 (2015: £242,000) and employees' contributions totalled £81,000 (2015: £78,000). The agreed contribution rates for the future years are 16.9% per cent for employers and between 5.5% and 7.5% for employees, depending on salary.

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

The accompanying notes on pages 25 to 45 form part of these financial statements.

Notes to the financial statements

Pensions and similar obligations (continued)

The principal actuarial assumptions used by the actuaries at 31 August 2016 were as follows:

	2016	2015
	%	%
Discount rate	2.0	3.7
Expected return on plans' assets	3.8	3.7
Rate of increase in pensions in payment	2.1	2.6
Rate of increase in salaries	3.4	3.8
Inflation assumption	3.1	3.5

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

	2016	2015
	Years	Years
Retiring today		
- Males	21.4	21.4
- Females	24.0	24.0
Retiring in 20 years		
- Males	24.0	24.0
- Females	26.6	26.6

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

	Fair value	Fair value
	at	at
	31 August	31 August
	2016	2015
	£'000	£'000
Equities	2,699	2,087
Bonds	637	522
Property	225	174
Cash	187	116
Total market value of assets	3,748	2,899

The actual return on scheme assets during the year was £607,000 (2015: £63,000).

The accompanying notes on pages 25 to 45 form part of these financial statements.

Notes to the financial statements

Pensions and similar obligations (continued)

Amount recognised in the Statement of Financial Activities

	2016 £'000	2015 £'000
Current service costs	353	336
Net interest cost	48	41
Total operating charge	401	377

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

	2016 £'000	2015 £'000
Obligations at 1 September 2015	4,155	3,677
Current service cost	353	336
Interest cost	160	142
Actuarial losses	1,455	33
Contributions by plan participants	80	78
Benefits paid	(111)	(111)
Closing at 31 August 2016	6,092	4,155

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

	2016 £'000	2015 £'000
At 1 September 2015	2,899	2,627
Expected return	112	101
Actuarial gains	495	(38)
Contributions by employer	273	242
Contributions by plan participant	80	78
Benefits paid	(111)	(111)
At 31 August 2016	3,748	2,899

The accompanying notes on pages 25 to 45 form part of these financial statements.

Notes to the financial statements

23 Related party transactions

Owing to the nature of the academy 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 academy trust's financial regulations and normal procurement procedures.

The charitable company is sponsored by Salford City College ("The College") which has 75% control and The Salford City Council and the University of Salford with 12.5% each.

During the year The College provided some financial services and governance functions. These combined with some chargeable course fees amounted to £31,180 (2015: £108,000). At the year end, £1,290 (2015: £32,000) was owed to The College. This has been disclosed within trade creditors.

In addition, Salford City Council provides some Traded Services (including payroll) to the Trust. These services (which include the remittance of payroll deductions and on-costs) amounted to £1,800,428 (2015: £1,543,000) during the year in question. There were no related party transactions with the University of Salford. At the year end, £44,700 (2015: £105,000) was owed to Salford City Council. This has been disclosed within trade creditors.

Wootton Education Limited is a company which Mr D Wootton (a Salford Academy Trust Trustee, Chief Executive and Accounting Officer) is a Director and Shareholder. The Trust purchased consultancy services relating to the post of Chief Executive amounting to £70,000 (2015: £64,000). There was £2,000 outstanding at 31 August 2016 (2015: £20,000). In entering into the transaction, the Trust has complied with the requirements of the EFA's Academies Financial Handbook.

Notes to the financial statements

24 Transition to FRS 102

It is the first year that the Academy Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The latest financial statements prepared under previous UKGAAP were for the year ended 31 August 2015 and the date of transition to FRS102 and SORP 2015 was therefore 1 September 2014.

Comparative figures have been restated to reflect the adjustments made.

Reconciliation and descriptions of the effects of the transition to FRS102 and SORP 2015 on total funds and net income/(expenditure) for the comparative period reported under previous UKGAAP and SORP 2005 are given below:

Reconciliation of total funds	1 September 2014 £'000	31 August 2015 £'000
Funds as reported under previous UKGAAP and under FRS 102	<u>18,140</u>	<u>17,178</u>
Reconciliation of net income/(expenditure)		31 August 2015 £'000
Net income/(expenditure) previously reported under UKGAAP		(841)
Change in recognition of LGPS interest costs		(50)
Net movement in funds reported under FRS 102		<u>(891)</u>

Notes to reconciliation on adoption of FRS 102

Change in recognition of LGPS interest cost

Under previous UKGAAP the trust recognised an expected return on defined benefit plan assets in income/expenditure. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in income/ expenditure. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to increase the charge to income/ expenditure by £50,000 and reduce the charge in other recognised gains and losses in the SOFA by an equivalent amount.

The accompanying notes on pages 25 to 45 form part of these financial statements.

Notes to the financial statements

25 2015 restated SOFA

	Notes	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	2015 Total £'000
Income and endowments from:					
Donations and capital grants	2	-	7	88	95
Charitable activities:					
Funding for education operations	3	101	9,064	-	9,165
Other trading activities	4	136	69	-	205
Investments	5	-	2	-	2
Total income and endowments		237	9,142	88	9,467
Expenditure on:					
Raising funds		334	-	-	334
Charitable activities:					
Academy trust education operations		-	9,472	552	10,024
Total	7	334	9,472	552	10,358
Net expenditure		(97)	(330)	(464)	(891)
Transfers between funds		-	(114)	114	-
Other recognised losses:					
Actuarial losses on defined benefit pension schemes		-	(71)	-	(71)
Net movement in funds		(97)	(515)	(350)	(962)
Reconciliation of funds					
Total funds brought forward		582	(459)	18,017	18,140
Total funds carried forward		485	(974)	17,667	17,178

The accompanying notes on pages 25 to 45 form part of these financial statements.