

# Financial Statements Salford Academy Trust (A company limited by guarantee)

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**For the year ended 31 August 2015**



**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		Committee Membership	Representing
L Dowd (Chair)			Salford City College
K Cash	Resigned 6 May 2015		Salford City College
R J Cavanagh	Appointed 24 May 2015		External Business
D A Cowpe	Resigned 6 May 2015		Academy Governor
A Fidler	Resigned 12 May 2015	Audit Committee	Salford City College
A J Humphrey	Appointed 14 May 2015		External Business
G Lagan			Salford City College
W O'Donovan	Appointed 14 May 2015		Salford City College
M A Pearson		Audit Committee	The University of Salford
P S Renshaw	Appointed 14 May 2015		External Business
B Rogers	Resigned 29 June 2015		Head Teacher
C A Starbuck			Salford City Council
C M Taylor			Head Teacher
H P Wilson	Resigned 6 May 2015		Academy Governor
D Wootton (Chief Executive and Accounting Officer)			Chief Executive

## Charitable company information

**Company Secretary:**

Laura Williams

**Bankers:**

Lloyds plc  
53 King Street  
Manchester  
M3 3EB

**Solicitors:**

Browne Jacobson  
Ground Floor  
3 Piccadilly Place  
Manchester  
M1 3BN

**Independent Auditor:**

Grant Thornton UK LLP  
Chartered Accountants  
Statutory Auditors  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

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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 2015.

### **The Trustees**

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

### **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 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 2015 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.

### **Connected organisations and related parties**

Although there are a number of professional links to other schools and third party organisations, the Trust is an independent company with no affiliation to outside bodies.

## 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 2015 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 balance and the right skill set at Board Level
- Ensuring schools benefit from the economies of scales 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 1500 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 achieved improvements this year.

Attendance rates are improving and students are punctual: they appear to enjoy learning and consequently engagement, behaviour and outcomes are improving rapidly as is their thirst for knowledge. Many parents, pupils and students like our Academies; they are friendly, warm and welcoming. All feel safe and valued through the Trust's inclusive ethos.



## Trustees Report (continued)

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

During the year, The Trust has continued to build additional capacity to facilitate progress in our academies. We have re-focussed the Board of Directors and have implemented a structured Collaborative Challenge approach to school improvement. There is a sharp focus on raising the pace of progress for our children through improving teaching, learning, achievements and standards.

In March 2015, the Local Governing Body of Irlam and Cadishead College agreed to convert to an academy and join Salford Academy Trust. This follows an OFSTED inspection of the college which judged it in special measures and an academy order was issued. The conversion process is ongoing and it is expected that the college will join the Trust in early 2016 which will bring the total number of schools in the Trust to four.

In our drive to continually improve standards for children, a number of building projects have been completed during the year, including a major new play area at the Marlborough Road Academy. This will help improve the play and educational facilities and enhance the learning environment of the pupils and 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 2015, 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 assets are £17.2m and net current assets are £0.8m. 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.

Expenditure across the Trust is typical for the education sector with the main area of expenditure being staff costs of £7.0m.

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 2015 total £767,000 (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

## Trustees Report (continued)

maintain its facilities and resources.

The deficit on the Local Government Pension Scheme (£1,256,000 at 31 August 2015) 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.

### **Investment Policy**

A formal investment policy will be developed and proposed for adoption by the Trust.

The aim of the policy will be to ensure funds that the Trust does not immediately need to cover anticipated expenditure are invested in such a way as to maximise the Trust's income but with minimal risk. The aim is to research where funds may be deposited applying prudence in ensuring there is minimum risk. The Trust does not consider the investment of surplus funds as a primary activity, rather as a result of good stewardship and as and when circumstances allow.

The Trust will, after constructing and reporting forecasts versus budgets, consider whether it is prudent to deposit funds into an account where improved terms are offered. As improved terms are generally only offered where funds are invested for a fixed term, it may be prudent for the Trust not to invest funds in this manner.

### **Principal Risks and Uncertainties**

The Trust is currently implementing a Risk Management Policy and have created a risk register and risk review process. These determine an approach, and where it is considered necessary put in place measures of control and mitigation in order to manage risk.

The principal risks are the loss of reputation through falling standards, falling student rolls and failure to safeguard the students.

Key controls in place are:

- an organisational structure with defined roles, responsibilities and authorisation levels;
- terms of reference for the committees of the Governing Body;
- financial planning, budgeting and regular management reporting highlighting areas of financial risk;
- formal written and published policies for employees; and
- vetting procedures as required by law for the protection of the vulnerable.

## Trustees Report (continued)

The Trust's employees are members of two defined benefit pension schemes, the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). The Trust has recognised its share of the LGPS assets and liabilities in accordance with Financial Reporting Standard no. 17. A deficit has been recognised at 31 August 2015. The TPS has been accounted for as a defined contribution scheme. Further details of the accounting policy adopted for each scheme are included in note 1 to the financial statements.

Due to the nature of the two pension schemes there is an underlying risk to the Trust which relates primarily to the uncertainty of the future funding requirements of each scheme, the results of which impact on the contribution rates for future employer contributions to each scheme. The governors have given due consideration to this risk.

### **Plans for Future Periods**

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

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

The Trust aims to create a learning centred organisation by:

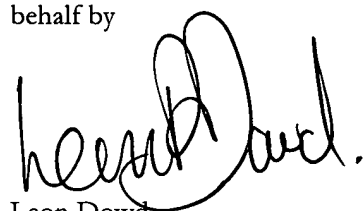
- Improving Achievement and Attainment in line with national Averages and the new Ofsted framework;
- Raising the quality of Learning and Teaching;
- Improving the effectiveness of Leadership at all levels, developing Senior Leaders, improving the capacity and capability of Middle Leaders and growing 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;
- Implementing a challenging curriculum that engages, inspires and develops aspiration within our communities;
- Placing quality at the heart of all we do through a rigorous and dynamic quality assurance system;
- Developing a culture of collaboration and critical self-assessment throughout the Trust;
- Using finances creatively to achieve more rapid transformation 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 9 December 2015 and signed on its behalf by



Leon Dowd  
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
L Dowd	4	4
D Wootton	4	4
K Cash	1	4
R J Cavanagh	1	1
D A Cowpe	3	3
A Fidler	3	3
A J Humphrey	1	1
G Lagan	2	2
W O'Donovan	1	1
M A Pearson	2	4
P S Renshaw	1	1
B Rogers	0	4
C Starbuck	1	4
C M Taylor	0	4
H P Wilson	3	3

## 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:

	<b>Meetings attended</b>	<b>Out of a possible</b>
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 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 implementation of an entirely new finance system that has delivered real transaction processing efficiencies whilst improving financial control. The system has also enabled the improvement in the timeliness and quality of financial management information which has been used to better support the financial management of both the academies and trust.
- The trust has continued to deliver cost efficiencies and has used its combined purchasing power to negotiate some favourable rates for supplies and services. For instance, a series of negotiations has delivered a significant reduction in the annual cost of school insurance whilst maintaining the levels of insured risk. The trust has also delivered an in-house IT support arrangement which has delivered significant cost savings whilst improving the quality and timeliness of service.
- There are many significant pockets of good practice within trust schools that are being shared and built upon, including aspects of teaching and management. The trust has a collaborative approach that is continuing to develop and the structured approach to school improvement through the "Collaborative Challenge" approach is showing real improvements. During the year the trust also developed its governance arrangements to ensure high quality governance in a multi-academy-trust structure. The Board has been re-shaped to bring in the depth and breadth of skills needed to provide strategic oversight and scrutiny and challenge.

### **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

## Governance statement (continued)

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 2015 and up to the date of approval of the annual report and financial statements.

### **Capacity to Handle Risk**

The board of trustees has reviewed the key risks to which the 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 2015 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

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

The 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 Funding and Audit Committee who report to the full governing body;
- regular reviews by the Funding and 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.

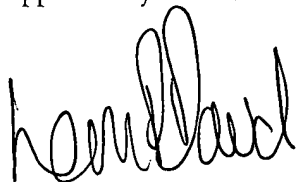
## Governance statement (continued)

### Review of Effectiveness

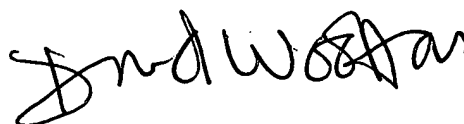
As Accounting Officer, the Chief Executive Officer has responsibility for reviewing the effectiveness of the system of internal control. During the period in question the review has been informed by the work of the executive managers within the Trust who have responsibility for the development and maintenance 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 9 December 2015 and signed on its behalf by:



Leon Dowd  
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.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date.



David Wootton  
Accounting Officer  
9 December 2015

## 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

## Statement of trustees' responsibilities (continued)

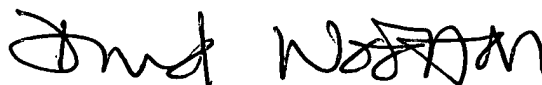
The trustees confirm that:

- 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 9 December 2015 and signed on its behalf by:



Leon Dowd  
Chairman



David Wootton  
Accounting Officer



## Independent auditor's report to the members of Salford Academy Trust

We have audited the financial statements of Salford Academy Trust for the year ended 31 August 2015 which comprise the Statement of Financial Activities (including the income and expenditure account), the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Account Direction 2014 to 2015 issued by the Education Funding Agency.

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

### **Respective responsibilities of governing body and auditor**

As explained more fully in the statement of trustees' responsibilities set out on page 17 and 18, 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.

### **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 website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2015 and of its incoming resources and application of resources, including its income and expenditure, for the 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 Academies Accounts Direction 2014 to 2015 issued by the Education Funding Agency.



## Independent auditor's report to the members of Salford Academy Trust (continued)

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

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

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

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

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

*Grant Thornton UK LLP*

Christopher Martin  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Manchester

*17 December 2015*



## Independent reporting auditor's assurance report on Regularity to Salford Academy Trust and the Education Funding Agency

In accordance with the terms of our engagement letter dated 15th December 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2014 to 2015, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Salford Academy Trust during the year ended 31 August 2015 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

### **Respective responsibilities of Salford Academy Trust's Accounting Officer and the reporting auditor**

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 2014, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

### **Approach**

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

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

A limited assurance engagement is more limited in scope 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



## Independent reporting auditor's assurance report on Regularity to Salford Academy Trust and the Education Funding Agency

of the academy trust's income and expenditure.

The work undertaken to draw our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the Academy Trust's activities;
- evaluation of the processes and controls established and maintained in respect of regulatory, propriety and compliance of the case of public funds through observation and vesting of the arrangements in place and enquiry of the Accountancy Officer;
- consideration and corroboration of the evidence supporting the Accountancy Officer's statement on regularity, propriety and compliance; and
- detailed testing on a sample basis of income and expenditure for the areas identified as high risk.

### 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 to 31 August 2015 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

*Grant Thornton UK LLP*

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Manchester

*17 December 2015*

## Statement of financial activities (including income and expenditure account)

	Note	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	2015 Total £'000	2014 Total £'000
<b>Incoming resources</b>						
<i>Income from generated funds</i>						
Voluntary income	3	-	7	-	7	7
Activities for generating funds	4	237	69	-	306	239
Investment income	5	-	2	-	2	3
<i>Income from charitable activities</i>						
Funding for the academies' educational operations	6	-	9,064	88	9,152	11,218
<b>Total incoming resources</b>		<u>237</u>	<u>9,142</u>	<u>88</u>	<u>9,467</u>	<u>11,467</u>
<b>Resources expended</b>						
<i>Charitable activities</i>						
Academies' educational operations	8	334	9,389	552	10,275	9,981
<i>Governance costs</i>	9	-	33	-	33	27
<b>Total resources expended</b>		<u>334</u>	<u>9,422</u>	<u>552</u>	<u>10,308</u>	<u>10,008</u>
<b>Net incoming resources before transfers</b>		(97)	(280)	(464)	(841)	1,459
Transfers between funds		-	(114)	114	-	-
<b>Net incoming resources for the year</b>		(97)	(394)	(350)	(841)	1,459
<b>Other recognised gains and losses</b>						
Actuarial losses on defined benefit pension schemes	24	-	(121)	-	(121)	(403)
<b>Net movement in funds</b>		(97)	(515)	(350)	(962)	1,056
<b>Reconciliation of funds</b>						
Funds brought forward at 1 September 2014		582	(459)	18,017	18,140	17,084
<b>Funds carried forward at 31 August 2015</b>		<u>485</u>	<u>(974)</u>	<u>17,667</u>	<u>17,178</u>	<u>18,140</u>

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 26 to 44 form part of these financial statements.**



## Balance sheet

	Note	2015 £'000	2015 £'000	2014 £'000	2014 £'000
<b>Fixed assets</b>					
Tangible assets	13		17,667		18,017
<b>Current assets</b>					
Debtors	14	600		567	
Cash at bank and in hand		<u>1,101</u>		<u>1,510</u>	
		1,701		2,077	
<b>Creditors: amounts falling due within one year</b>	15	<u>(934)</u>		<u>(904)</u>	
<b>Net current assets</b>			<u>767</u>		<u>1,173</u>
<b>Total assets less current liabilities and net assets excluding pension liability</b>			18,434		19,190
<b>Pension scheme liability</b>	24		<u>(1,256)</u>		<u>(1,050)</u>
<b>Net assets including pension liability</b>			<u>17,178</u>		<u>18,140</u>
<b>Funds</b>					
Restricted fixed asset fund	16	17,667		18,017	
Restricted general fund	16	282		591	
Pension reserve	16	<u>(1,256)</u>		<u>(1,050)</u>	
<b>Total restricted funds</b>			16,693		17,558
Unrestricted funds	16		<u>485</u>		<u>582</u>
<b>Total funds</b>			<u>17,178</u>		<u>18,140</u>

The financial statements were approved by the Trustees and authorised for issue on 9 December 2015 and signed on their behalf by:



Leon Dowd  
Chairman



David Wootton  
Accounting Officer

	Note	2015 £'000	2014 £'000
<b>Net cash (outflow)/inflow from operating activities</b>	20	<b>(298)</b>	<b>(772)</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		2	3
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(201)	(2,146)
Capital grants from DfE/EFA		88	1,852
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(113)</b>	<b>(294)</b>
<b>(Decrease)/Increase in cash</b>	21	<b>(409)</b>	<b>(1,063)</b>

**The accompanying notes on pages 26 to 44 form part of these financial statements.**

# Notes to the financial statements

## **1 Principal accounting policies**

### **Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards (United Kingdom Generally Accepted Accounting Practice), the Charity Commission Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005), the Academies Accounts Direction issued by the EFA and the Companies Act 2006.

The principal accounting policies are set out below.

### **Going concern**

The board of 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 board of 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 not identified any material uncertainties from their review 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, certainty of receipt and the amount can be measured with sufficient reliability.

### **Grants receivable**

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt its recognition is deferred and 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.

### **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 certainty of receipt.

### **Donations**

Donations are recognised on a receivable basis or on an accruals basis where there is certainty 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.

## Notes to the financial statements (continued)

### **Donated services and gifts in kind**

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.

### **Costs of generating funds**

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

### **Charitable activities**

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

### **Governance costs**

These include the costs attributable to the academy trust's compliance with constitutional and statutory requirements, including audit, strategic management and governors' meetings and reimbursed expenses.

All resources expended are net of recoverable VAT.

### **Tangible fixed assets**

Tangible fixed assets acquired since the trust was established are included in the accounts at cost.

In the case of fixed assets transferred from predecessor schools these are treated as acquired at fair value, calculated by reference to either:

- net book value at date of transfer; or
- in the absence of reliable net book value data, an estimate of fair value calculated by reference to an assumed value of fixed assets as compared to the pupil roll.

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.

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

## Notes to the financial statements (continued)

### **Depreciation**

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write down the cost of each asset to its estimated residual value on a straight line, reducing balance basis over their expected useful lives. No depreciation is provided on freehold land or assets under construction.

The rates generally applicable are:

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

### **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.

### **Retirement 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, are contracted out of the State Earnings-Related Pension Scheme ('SERPS'), and the assets are held separately from those of the academy trust.

#### *Teachers' Pension Scheme*

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.

## Notes to the financial statements (continued)

### *Local Government Pension Scheme*

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.

### **Conversion to an academy trust**

The conversion of three predecessor schools to academies involved the transfer to the trust of identifiable assets and liabilities and the operation of the school's for £nil consideration and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion to academies trust have been valued at their fair value, being a reasonable estimate of the current market value that the board of trustees would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for the Trust.

The valuation of the properties transferred to the Trust relating to The Albion, Dukesgate and Marlborough Road Academies have been based on a valuation commissioned by the EFA during 2012/13.

The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as net income or other resources expended in the Statement of Financial Activities and analysed as appropriate under unrestricted funds, restricted general funds (pension liability) and restricted fixed asset funds (buildings, fixtures and fittings).

## **2 General Annual Grant (GAG)**

Under the funding agreement with the Secretary of State the academy trust was not subject to limits at 31 August 2015 on the amount of GAG that could be carried forward from one year to the next.

## Notes to the financial statements (continued)

### **3 Voluntary income**

	Unrestricted funds £'000	Restricted funds £'000	2015 Total £'000	2014 Total £'000
Donations on conversion	-	-	-	-
Other donations	-	7	7	7
	-	7	7	7

### **4 Activities for generating funds**

	Unrestricted funds £'000	Restricted funds £'000	2015 Total £'000	2014 Total £'000
Hire of facilities	43	-	43	28
Catering income	101	-	101	76
Other generated income	93	69	162	135
	237	69	306	239

## Notes to the financial statements (continued)

### 5 Investment income

	Unrestricted funds £'000	Restricted funds £'000	2015 Total £'000	2014 Total £'000
Bank interest receivable	-	2	2	3

### 6 Funding for the academy's educational operations

	Unrestricted funds £'000	Restricted funds £'000	2015 Total £'000	2014 Total £'000
General Annual Grant (note 2)	-	8,629	8,629	8,792
Start-up grants	-	6	6	91
Other DfE/EFA grants	-	87	87	1,852
Other grants	-	429	429	483
	-	9,152	9,152	11,218

### 7 Analysis of total resources expended

	Staff costs £'000	Premises costs £'000	Other Costs £'000	2015 Total £'000	2014 Total £'000
Costs of activities for generating funds	-	-	335	335	278
Academy's educational operations					
- direct costs	5,885	-	1,672	7,557	7,426
- allocated support costs	1,132	887	370	2,389	2,277
Governance costs	-	-	27	27	27
	7,017	887	2,404	10,308	10,008

Total resources expended include:

	2015 £'000	2014 £'000
Operating lease rentals	17	30
Auditor's remuneration	13	13
Depreciation	551	514



## Notes to the financial statements (continued)

### **8 Charitable activities – academy's educational operations**

	2015 Total £'000	2014 Total £'000
<b>Direct costs</b>		
Teaching and educational support staff	5,885	5,870
Educational supplies	452	363
Examination fees	64	52
Staff development	80	114
Educational consultancy	269	105
Depreciation	522	486
Other direct costs	279	436
	<hr/>	<hr/>
	7,551	7,426
<b>Allocated support costs</b>		
Support staff costs	1,132	986
Depreciation	27	26
Maintenance of premises and equipment	367	271
Cleaning	145	201
Rent and rates	31	63
Insurance	87	95
Catering	335	278
Energy	156	143
Other occupancy costs	101	61
Other support costs	343	431
	<hr/>	<hr/>
	2,724	2,555
	<hr/>	<hr/>
	10,275	9,981

### **9 Governance costs**

	2015 Total £'000	2014 Total £'000
Expenses	6	2
Legal and professional fees	11	6
Staff costs		
Depreciation	2	2
Auditor's remuneration		
- audit of the financial statements	13	13
- other services	1	4
	<hr/>	<hr/>
	33	27

## Notes to the financial statements (continued)

### 10 Staff costs

Staff costs during the period were as follows:

	2015 £'000	2014 £'000
Wages and salaries	5,534	5,315
Social security costs	383	387
Other pension costs	681	642
	<u>6,598</u>	<u>6,344</u>
Supply teacher and temporary staff costs	419	512
	<u>7,017</u>	<u>6,856</u>

Included above are staff restructuring costs of £67,196 which includes two non-statutory/non-contractual severance payment of £43,987 (individual payments of £20,904.87 and £23,083.05) and one statutory payment of £23,208.50.

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

	2015 Number	2014 Number
Teachers	85	98
Administration and support	86	83
Management	5	6
	<u>176</u>	<u>187</u>

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

	2015 Number	2014 Number
£60,000 to £70,000	3	4
£70,001 to £80,000	-	-
£80,001 to £90,000	1	1

During the year the following pension contributions were paid in respect of the four (2014 five) higher paid employees as shown above:

	2015 £'000	2014 £'000
Pension contributions to Teachers Pension Scheme	<u>40</u>	<u>48</u>
Pension contributions to Local Government Pension Scheme	<u>-</u>	<u>-</u>

## Notes to the financial statements (continued)

### 11 Governors' remuneration and expenses

The Chair and staff trustees only receive remuneration in respect of services they provide undertaking the roles of Chair and staff and not in respect of their services as trustees. Other trustees/directors did not receive any payments, other than expenses, from the Trust in respect of their role as trustees/directors. The value of trustees'/directors' remuneration in their role as trustees was £nil during the year (2014: £nil).

During the year travel expenses were reimbursed to governors totalling £6,000 (2014: £2,000).

### 12 Governors' 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 charitable company will also insure against any losses of money or goods resulting from fraud or dishonesty by the charitable company's employees.

### 13 Tangible fixed assets

	Assets under construction £'000	Leasehold Land & Buildings £'000	Furniture & Equipment £'000	Motor Vehicles £'000	Computer Equipment £'000	Total £'000
<b>Cost</b>						
At 1 September 2014	-	18,094	506	19	352	18,971
Re-classification						
Additions	-	22	99	-	80	201
At 31 August 2015	-	18,116	605	19	432	19,172
<b>Depreciation</b>						
At 1 September 2014	-	661	95	7	191	954
Provided in the year	-	343	60	4	144	551
At 31 August 2015	-	1,004	155	11	335	1,505
<b>Net book value</b>						
At 31 August 2015	-	17,112	450	8	97	17,667
<b>Net book value</b>						
At 31 August 2014	-	17,433	411	12	161	18,017

## Notes to the financial statements (continued)

### **14 Debtors**

	2015 £'000	2014 £'000
VAT recoverable	171	222
Prepayments	204	113
Accrued income	225	232
	<u>600</u>	<u>567</u>

### **15 Creditors: amounts falling due within one year**

	2015 £'000	2014 £'000
Trade creditors	424	489
Other creditors	39	90
Taxation and social security	105	77
Accruals and deferred income	366	248
	<u>934</u>	<u>904</u>

	£'000	£'000
<b>Deferred income</b>		
Resources deferred in the year	<u>111</u>	<u>105</u>
Deferred income at 31 August	<u>111</u>	<u>105</u>

## Notes to the financial statements (continued)

### 16 Funds

	Balance at 1 September 2014	Incoming resources £'000	Resources expended £'000	Gains, Losses & Transfer £'000	Balance at 31 August 2015 £'000
<b>Restricted general funds</b>					
General Annual Grant	523	8,629	(8,902)	(114)	136
Start-Up Grant	-	6	(6)	-	-
Other grants	-	429	(429)	-	-
Other Activities	68	78	-	-	146
Assumed LGPS liabilities on conversion	(686)	-	-	-	(686)
Pensions reserve	(364)	-	(85)	(121)	(570)
	<u>(459)</u>	<u>9,142</u>	<u>(9,422)</u>	<u>(235)</u>	<u>(974)</u>
<b>Restricted fixed asset funds</b>					
DfE/EFA capital grants	2,772	88	(552)	-	2,308
Capital expenditure from GAG	544	-	-	114	658
Donated on conversion	14,701	-	-	-	14,701
	<u>18,017</u>	<u>88</u>	<u>(552)</u>	<u>114</u>	<u>17,667</u>
<b>Total restricted funds</b>	<u>17,558</u>	<u>9,230</u>	<u>(9,974)</u>	<u>(121)</u>	<u>16,693</u>
<b>Unrestricted funds</b>	<u>582</u>	<u>237</u>	<u>(334)</u>	<u>-</u>	<u>485</u>
<b>Total funds</b>	<u>18,140</u>	<u>9,467</u>	<u>(10,308)</u>	<u>(121)</u>	<u>17,178</u>

Under the funding agreement with the Secretary of State, the academy trust was not subject to limits on the amount of GAG that it could carry forward at 31 August 2015.

#### Analysis of academies by fund balance

	Balance at 31 August 2015 £'000
Albion Academy	262
Dukesgate Academy	28
Marlborough Road Academy	477
Total before fixed assets and pension reserve	767
Restricted fixed asset fund	17,667
Pension reserve	(1,256)
	<u>17,178</u>

## Notes to the financial statements (continued)

### Analysis of academies by cost

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

	Teaching and Educational Support Staff Costs £'000	Other Support Staff Costs £'000	Educational Supplies £'000	Other Costs (excluding Depreciation) £'000	Total £'000
Albion Academy	3,447	652	173	1,294	5,566
Dukesgate Academy	855	105	100	220	1,280
Marlborough Road Academy	1,496	218	178	519	2,411
Central Services	-	158	-	256	414
<b>Total</b>	<b>5,798</b>	<b>1,133</b>	<b>451</b>	<b>2,289</b>	<b>9,671</b>

### 17 Analysis of net assets between funds

Fund balances at 31 August 2015 are represented by:

	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	Total funds £'000
Tangible fixed assets	-	-	17,667	17,667
Current assets	485	1,216	-	1,701
Current liabilities	-	(934)	-	(934)
Pension scheme liability	-	(1,256)	-	(1,256)
<b>Total</b>	<b>485</b>	<b>(974)</b>	<b>17,667</b>	<b>17,178</b>

### 18 Capital commitments

Capital Spend of £nil was contracted for as at 31 August 2015 (2014: £nil), but not provided in the Financial Statements in respect of planned works.

## Notes to the financial statements (continued)

### 19 Operating lease commitments

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

	2015 Land & buildings £'000	2015 Other £'000	2014 Land & buildings £'000	2014 Other £'000
Expiring within one year	-	-	-	10
Expiring within two and five years inclusive	-	17	-	17

### 20 Reconciliation of net income to net cash outflow from operating activities

	2015 £'000	2014 £'000
Net (expenditure)/ income	(841)	1,459
Depreciation	551	514
Capital grants	(88)	(1,852)
Interest receivable	(2)	(3)
FRS17 gains and losses	85	50
Decrease/(Increase) in debtors	(33)	48
(Decrease)/Increase in creditors	30	(988)
Net cash outflow from operating activities	(298)	(772)

### 21 Analysis of changes in net funds

	At 1 September 2014 £'000	Cash flows £'000	At 31 August 2015 £'000
Cash at bank and in hand	1,510	(409)	1,101

## Notes to the financial statements (continued)

### **22 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.

### **23 Members' liability**

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

### **24 Pension and similar obligations**

The 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 was as at 31 March 2004 and of the LGPS as at 31 March 2013.

Contributions amounting to £nil were payable to the schemes at 31 August 2015 (2014: £32,000) and are included within creditors.

#### **Teachers' Pension Scheme (TPS)**

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.

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



## Notes to the financial statements (continued)

### **Pensions and similar obligations (continued)**

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

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 for service to the effective date of £191,500 million, and notional assets of £176,600 million, giving a notional past service deficit of £14,900 million; and
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations.

The new employer contribution rate is applicable from 1 April 2015 and will be implemented for the TPS from September 2015.

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

#### **Teachers' Pension Scheme Changes**

Lord Hutton made recommendations in 2011 about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation with trade unions and other representative bodies. In March 2012 the Department for Education published proposals for the design for a reformed TPS.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Pension benefits built up before 1 April 2015 will be fully protected.

In addition, the proposed final agreement includes a Government commitment that those within 10 years of normal pension age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases have been phased in since April 2012 on a 40:80:100% basis.

The Department for Education has continued to work closely with trade unions and other representatives bodies to develop the reformatted Teachers' Pension Scheme and regulations giving effect to it came into force on 1 April 2014. Communications are being rolled out and the reformatted scheme will commence on 1 April 2015.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The academy is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the academy has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy has set out above the information available on the scheme.

## Notes to the financial statements (continued)

### **Pensions and similar obligations (continued)**

#### **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 2015 was £320,000 (2014: £247,000), of which employer contributions totalled £242,000 (2014: £185,000) and employees' contributions totalled £78,000 (2014: £62,000). 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 principal actuarial assumptions used by the actuaries at 31 August 2015 were as follows:

	2015 %	2014 %
Discount rate	3.7	3.7
Expected return on plans' assets	3.7	5.5
Rate of increase in pensions in payment	2.6	2.6
Rate of increase in salaries	3.8	3.7
Inflation assumption	3.5	3.4

## Notes to the financial statements (continued)

### Pensions and similar obligations (continued)

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

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

	2015 Males	2015 Females	2014 Males	2014 Females
Current Pensioners	21.4	24.0	21.4	24.0
Future Pensioners*	24.0	26.6	24.0	26.6

\*Figures assume members aged 50 as at the last formal valuation date

The expected return on plans' assets is based on market expectations for investment returns over the life of the related obligation.

The amounts recognised in the balance sheet are as follow:

	Expected return at 31 August 2015	Fair value at 31 August 2015 £'000	Expected return at 31 August 2014	Fair value at 31 August 2014 £'000
Equities	3.7%	2,087	6.3%	1,865
Bonds	3.7%	522	3.2%	473
Property	3.7%	174	4.5%	158
Cash	3.7%	116	3.3%	131
Total fair value of scheme assets		2,899		2,627
Present value of funded scheme liabilities		(4,155)		(3,677)
<b>Deficit in the scheme</b>		<b>(1,256)</b>		<b>(1,050)</b>

The actual return on scheme assets during the year was £62,000 (2014: £235,000).

The amounts charged or (credited) in the statement of financial activities in calculating net incoming resources are as follows:

	2015 £'000	2014 £'000
Current service cost	336	237
<b>Total operating charge</b>	<b>336</b>	<b>237</b>
Interest on obligation	142	136
Expected return on plans' assets	(151)	(138)
<b>Total finance charge</b>	<b>(9)</b>	<b>(2)</b>
<b>Total charge</b>	<b>327</b>	<b>235</b>

## Notes to the financial statements (continued)

### Pensions and similar obligations (continued)

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

The actuarial gains and losses for the current year are recognised in the statement of financial activities.  
The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £386,000 loss.

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

	2015 £'000	2014 £'000
Opening defined benefit liabilities at 1 September 2014	3,677	2,825
Current service cost	336	237
Interest cost	142	136
Actuarial losses	33	430
Contributions by plan participants	78	62
Benefits paid	(111)	(13)
Closing defined benefit liabilities at 31 August 2015	<u>4,155</u>	<u>3,677</u>

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

	2015 £'000	2014 £'000
Opening fair value of plans' assets at 1 September 2014	2,627	2,228
Expected return	151	138
Actuarial gains	(88)	27
Contributions by employer	242	185
Contributions by plan participant	78	62
Benefits paid	(111)	(13)
Closing fair value of plans' assets at 31 August 2015	<u>2,899</u>	<u>2,627</u>

The estimated value of employer contributions for the year ended 31 August 2015 is £252,000.

## Notes to the financial statements (continued)

### Pensions and similar obligations (continued)

The history of experience adjustments is as follows:

	2015 £'000	2014 £'000
Fair value of plans' assets at 31 August	2,899	2,627
Present value of defined benefit obligation at 31 August	(4,155)	(3,677)
Surplus/(deficit) in the plan	(1,256)	(1,050)
Experience adjustments arising on plans' assets	(88)	27
Experience adjustments arising on plans' liabilities	<u>1</u>	<u>(50)</u>

### 25 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 sectors 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 £108,000 (2014: £82,000). At the year end, £32,000 (2014: £18,000) 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 £1,543,000 (2014: £1,661,000) during the year in question. There were no related party transactions with the University of Salford. At the year end, £105,000 (2014: 148,000) was owed to Salford City Council. This has been disclosed within trade creditors.

Wootton Education Limited is a company in 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 £64,000 (2014: £56,000). There was £20,000 outstanding at 31 August 2015 (2014: £33,200). In entering into the transaction, the Trust has complied with the requirements of the EFA's Academies Financial Handbook.