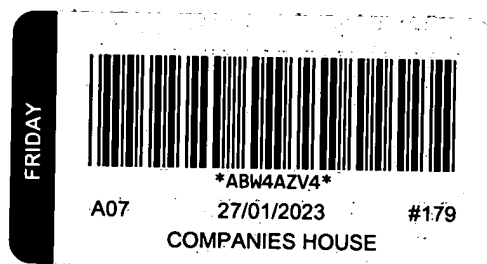


Company registration number 09666511 (England and Wales)

THE SOVEREIGN TRUST
(A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2022



Haines Watts
Chartered Accountants & Registered Auditors
Bridge House
157A Ashley Road
Altrincham
Cheshire
WA14 2UT

THE SOVEREIGN TRUST

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THE SOVEREIGN TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

| | | |
|------------------------------------|---|---|
| Trustees | Susan Gill (Chair of Trustees) (appointed 01/01/2022) Nicholas Gill*, Lorraine Flynn* Chair of Finance, Risk and Audit Committee (appointed 14/10/2021) Ian McGrath Beverley Owens*, Chief Executive Officer and Accounting Officer (retired 31/08/2022) Paul Eckley*, Chief Executive Officer and Accounting Officer (appointed 01/09/2022) David Rowntree, (resigned 16/12/2021) Eddie Austin (Vice Chair of Board) Stephanie Capon * John Lomas | |
| | *Director members of the Finance, Risk and Audit Committee | |
| Members | Rik Waddon Jean Spruce John Lomas Caroline Oxley David Rowntree (resigned 16/12/2021) Susan Gill (appointed 06/11/2021) | |
| Senior leadership team | | |
| Chief Executive Officer | Beverley Owens (retired 31/08/2022) Paul Eckley (appointed 01/09/2022) | |
| Executive Head of Pictor Academy | Andrew Taylor | |
| Executive Head of New Park School | Almut Bever-Warren | |
| Head of Manor Academy | Paul Eckley (to 31/08/2022) Pam Symonds (appointed 01/09/2022) | |
| Head of Longford Park School | Andrew Taylor (to 31/08/2022), Zoe Fernandez (appointed 01/09/2022) | |
| Chief Financial Officer | Lisa Hughes | |
| Trust HR Manager | Lisa-Marie McGrath | |
| Trust IT Manager | Ian Green | |
| Company name | The Sovereign Trust | |
| Company registration number | 09666511 | |
| Registered office | Manor Academy Manor Avenue Sale M33 5JX | |
| Academies operated | Location | Principal |
| Manor Academy | Sale | Paul Eckley (to 31/08/2022) Pam Symonds (01/09/2022) |
| Pictor Academy | Timperley | Andrew Taylor |
| New Park School | Eccles | Almut Bever-Warren |
| Longford Park School | Stretford | Andrew Taylor (to 31/08/2022) Zoe Fernandez (01/09/2022) |

THE SOVEREIGN TRUST

REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)

| | |
|----------------------------|---|
| Company secretary | Elderflower Legal & Secretarial Services Chestnut House 23 Ryles Park Road Macclesfield SK11 8AH |
| Independent auditor | Haines Watts Bridge House Ashley Road Hale Altrincham WA14 2UT |
| Bankers | Lloyds Bank Plc 40-42 School Road Sale |
| Solicitors | Bexley Beaumont Limited |

THE SOVEREIGN TRUST

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 AUGUST 2022

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 1 September 2021 to 31 August 2022. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The trust operated four academies in the period for pupils aged 3 to 19 serving a catchment area of Trafford, Salford and the surrounding boroughs. Its academies have a combined pupil capacity of 475 and had 520 on roll in July 2022. The trust has been successful in applying to open a free school in Warrington, the opening date is delayed until September 2024.

Structure, governance and management

Constitution

The academy trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust. The trustees of The Sovereign Trust are also the directors of the charitable company for the purposes of company law. The charitable company is known as The Sovereign Trust (company number (09666511)).

Details of the trustees who served throughout the year except as noted are included in the Reference and Administrative Details on pages 1 and 2.

Members' liability

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

Trustees' indemnities

The academy trust has opted into the Department for Education's Risk Protection Arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy trust business, and provides cover up to £10,000,000.

Method of recruitment and appointment or election of trustees

Trustees are assessed based on the expertise, experience and skills required by the board in the discharge of their duties as representatives of the academy trust. The members elect trustees and the board contains eight elected trustees who are appointed for a term of four years.

No trustee received any remuneration in respect of their duties as a trustee from the academy trust during the year.

Policies and procedures adopted for the induction and training of trustees

Trustee training is taken very seriously by the academy trust. All new trustees are given the opportunity to develop their knowledge and skills through various online resources, such as 'The Key', that provides a regular update on topical educational matters as well as a new Trust Induction Online Portal. The academy trust provides an online trustees' resource that stores all current policies and procedures, as well as minutes of meetings and other information.

All new trustees are actively encouraged to take advantage of all the support on offer so as to gain a better understanding of the role and responsibilities of being a director. Additionally, trustees with specific roles within the board or advisory committee are strongly encouraged to undertake specific training.

Organisational structure

The trustees are responsible for setting general strategy, approving an annual development plan and budget, monitoring performance against the development plan and budget, monitoring the trust's academies, capital expenditure and senior leadership appointments and approval of the financial statements. The trustees through the chief executive officer also monitor the performance of the executive management team.

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

During 2021/2022, one board trustee was appointed into the permanent role of Finance Risk and Audit Committee Chair to enhance the mix of expertise and skills and the resulting effectiveness of the board. The chair of the board resigned in December 2021 due to his change of job that demanded extensive travel overseas. The role of chair has been filled by one of the members of the trust. The day-to-day management of the academy trust has been delegated to the chief executive officer (who is also the accounting officer) and the executive management team.

The executive management team controls the academies at an executive level implementing the policies laid down by the trustees. Control is devolved to members of the executive management team within agreed limits through the scheme of delegation.

The trustees meet at least once each term to receive reports from the executive management team to manage strategic objectives. The Finance, Risk and Audit Committee meets separately from the main board meetings to discuss the financial position, the risk register and the system of internal controls for the academy trust.

The work of the board consists of:

Finance and risk

Ensures the academy trust acts in accordance with the articles, funding agreements, vision, mission and values; and complies with relevant legislation, regulations, the Academy Trust Handbook and Education & Skills Funding Agency (ESFA) guidance.

Exercise oversight and provide an independent objective view on the appropriateness, adequacy and effectiveness of the academy trust's risk management, financial management, and internal control and assurance arrangements including reviewing the financial statements.

Estates, health and safety

To oversee the use of premises, grounds and extended academy facilities ensuring that the academy complies with health and safety guidelines, including appropriate external advice if required.

HR/staffing

To be responsible for reviewing and agreeing staff provision, agreeing procedures for staff selection, appointment and performance management, contributing to the appraisal of the chief executive officer, reviewing and agreeing staff pay and training programs.

Audit

The Finance, Risk and Audit Committee continues to meet as an advisory body to the board; it has no executive powers, but aims to promote the highest standards of propriety and governance around the use of public funds whilst encouraging proper accountability for the use of these funds.

The committee satisfies the statutory requirements for the use of public funds by reviewing the internal and external financial statements on behalf of the board and promotes a climate of financial discipline and internal control within the academy trust. The committee appoints and oversees the work from the internal and external auditors. It will also obtain independent professional advice if considered necessary.

The advisory committees

Individual academy advisory committees meet termly and comprise all learning and other experiences that each academy provides for its pupils. Responsibilities for the curriculum are shared between the chief executive officer, heads of schools, the board of trustees, and the Secretary of State for Education and Skills Funding Agency. The advisory committee will have responsibility for monitoring test results and teaching of the curriculum including the review of the assessment policy, and all other policies relevant to curriculum, assessment and pupil progress and welfare.

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

Day-to-day management is delegated to the chief executive officer and individual academies' senior leadership teams:

| Senior Leadership Team | Manor | New Park | Pictor | Longford Park |
|-------------------------|--|--------------------|---------------|---------------|
| Chief Executive Officer | Beverley Owens (retired 31/08/2022) Paul Eckley appointed 01/09/2022 | | | |
| Chief Finance Officer | Lisa Hughes | | | |
| Head of Academy | Paul Eckley 31/08/2022 Pam Symonds 01/09/2022 | Almut Bever-Warren | Andrew Taylor | Zoe Fernandez |
| HR / Ops Manager | Lisa-Marie McGrath | | | |

The executive management team and senior leadership teams recognise that equal opportunities should be an integral part of good practice within the workplace. The academy trust aims to establish equal opportunity in all areas of its activities including creating working environments in which the contribution and needs of all people are fully valued.

Arrangements for setting pay and remuneration of key personnel

The trustees consider that they, together with the chief executive officer, heads of school, and the chief finance officer currently comprise the key management personnel. The trustees give of their time freely and the pay and remuneration of the chief executive officer, heads of schools and senior staff is set by the remuneration committee advising the board of trustees and is kept under annual review via a robust performance management and appraisal system.

A number of criteria are used in setting pay:

- nature of the role and responsibilities;
- competitor salaries in the region; and
- the sector average salary for comparable positions.

Trade union facility time

Under the provisions of the Trade Union (Facility Time Publication Requirements) Regulations 2017, where an academy trust has more than 49 full time equivalent employees throughout any 7 months within the reporting period, it must include information included in Schedule 2 of the Regulations.

There are currently no trade union officials or members of staff that take part in trade union activities either paid or not.

Related parties and other connected charities and organisations

Throughout the year, the academy trust has continued to develop partnerships with schools and academies both locally, nationally and internationally. The chief executive officer is a key member of Greater Manchester MAT (GM MAT) Leaders group, the Special School representative on Funding Forum and the High Needs Block funding committee.

The academy trust works with the Greater Manchester Challenge, a collective of nine local authorities and with the GM MAT Leaders group. As a trust, we work with local hospitals and Manchester Metropolitan University who form a base for our Manor College pupils on work placements.

The Pictor Academy Parent, Staff and Friends Association and the Manor Academy Parent Teacher Association are both registered charities; set up to fundraise within The Sovereign Trust. New Park Academy Parent Teacher Association is not a registered charity but also raises money within the trust. Longford Park School does not have a PTA.

The site manager for 2 of our schools is the son of the now-retired chief executive officer, Beverley Owens.

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

Engagement with employees (including disabled persons)

The Sovereign Trust is an equal opportunity employer and proudly discloses this throughout its recruitment processes. The trust welcomes applications for employment from disabled persons.

The trust is responsive to changes to an employee's individual circumstances though becoming disabled, which includes making appropriate adjustments to working conditions. All employees of the trust including those with a disability can expect to be afforded development and career progression that befits their skills and expertise.

The trust acknowledges the trade unions that represent all of its employees. A Joint Consultative Committee comprising of trustees, senior leaders and employee union representatives is an established mechanism to consult employees on matters affecting their employment with the trust.

Engagement with suppliers, customers and others in a business relationship with the trust

The directors of the trust pay close regard to developing and maintaining good business relationships with suppliers, customers and others in order to obtain best value from those services. Integrity and open communication are the attributes that the trust values and displays in all its relationships and therefore expects the same in return.

The trust aims to finalise payments to companies in good time, to have sound processes for tendering and obtaining quotes.

Promoting the success of the company

The directors at The Sovereign Trust promote the success of the company for the benefit of all its stakeholders by:

- regularly reviewing a dashboard of key indicators that measure and illustrate staff and children's wellbeing;
- supporting growth of the trust by taking on new schools through sponsorship, request and engaging in the Free School programme in order to provide more SEND places in areas where there is lack of capacity;
- making key appointments on the board and Academy Advisory Committees (LGBs). Addressing under performance of the board;
- undertaking board effectiveness reviews and skills audits regularly which measure the extent of engagement with wider stakeholders and identify areas for improvement;
- undertaking discussion sessions on strategy and financial performance during 2021-22;
- having a robust audit regime in place with review at Finance, Risk and Audit Committee;
- ongoing CPD available for directors and members;
- having key designated roles on the board that focus on strengths e.g. director responsible for estates (also a parent of a child in the trust) runs a large construction company, has built good relationships with contractors, suppliers and others; and
- a director who has previous experience at a high level of SEND education services, commissioning and strategy to ensure the Board have a deeper understanding of public services and challenges.

Objectives and activities

The principal objective and activity of the charitable company is the operation of The Sovereign Trust to ensure the clarity of vision, ethos and strategic direction to provide education for pupils between the ages of 3 and 19 with a statement of special educational needs or an Education Health and Care Plan.

The trustees carry out the following duties:

- ensure compliance with the laws and regulations applicable to academy trusts;
- ensure the academy trust is managed efficiently and effectively including the employment of additional professional advice on matters where there is a material risk to the charity;
- overseeing the financial performance of the schools and making sure effective use of funds; and
- ensure the academy trust assets and resources are protected and used in the pursuit of the objectives, aims and public benefit of the academy trust. The trustees oversee the finances to make sure it remains solvent and keeps appropriate financial records as per the Academy Trust Handbook 2021/22.

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

Objects and aims

The academy trust's objects, as set out in its articles of association, are specifically restricted to the following:

- 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 offering a broad and balanced curriculum ("the mainstream academies") or educational institutions which are principally concerned with providing full-time or part-time education for children of compulsory school age who, by reason of illness, exclusion from school or otherwise, may not for any period receive suitable education unless alternative provision is made for them ("the alternative provision academies") or 16 to 19 academies offering a curriculum appropriate to the needs of its students ("the 16 to 19 academies") or schools specially organised to make special educational provision for pupils with Special Educational Needs ("the special academies").
- b. To promote for the benefit of the inhabitants of the areas in which the academies are situated the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of life of the said inhabitants.

Our vision

The Sovereign Trust is relentless in our pursuit of ever improving outcomes for ALL children, supported by a wider set of systems, processes and capabilities.

Our mission statement

The Sovereign Trust seeks excellence and growth through acquisitions and development:

- We will offer all pupils access to innovative SEND education in the highest quality environments together with wider trust collaboration and expertise providing opportunities for enriched learning and pathways to employment and independence.
- We will support every pupil to flourish through a challenging, wider curriculum and an enjoyment in learning for life. We provide opportunities for our children to have a brilliant future.
- We provide opportunities for innovative developments in financial and non-financial areas through synergies and savings across the trust.
- Our trust values and celebrates success and builds partnerships.
- We will ensure future viability of the trust.

Our values

The Sovereign Trust is a multi-academy trust and a family of schools who believe that by learning and growing together we can:

| | |
|----------------|---|
| Inspire | Enable all pupils to achieve and develop to their highest potential through inspirational teaching. |
| Nurture | Create an environment that nurtures, encourages exploration, celebrates creativity and forges a love of learning. |
| Support | Support both pupils and families alike in creating the ethos that our family of schools shares. |
| Passion | Encourage strong and passionate leadership that is central in helping every pupil to flourish. |
| Include | Provide a fully inclusive environment to ensure differing needs, cultures and abilities are respected and valued. |
| Respect | Remain vigilant in how we treat each other, ensuring the respect of each other and of the views of others. |
| Enjoy | Include fun and enjoyment in our curriculum that we believe supports a positive learning environment. |

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

Objectives, strategies and activities

The principal strategies of the academy trust are as follows:

- ensuring that each academy enables all pupils to achieve their own outstanding outcomes;
- establishing a culture in each academy where the central focus is on the success and well-being of each child;
- building a self-sustaining, system-led, collaborative approach to school improvement;
- ensure high quality, strong and passionate leadership and governance at all levels throughout the academy trust; and
- to strengthen the academy trust by growing our family of schools who share the academy trust's values.

Public benefit

The trustees confirm that they have complied with their duty in Section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission for England & Wales. The trustees refer to the Charity Commission's general guidance on public benefit when reviewing the academy trust's objectives and aims and in planning future activities for the year. The academy trust continues to be at the heart of its community, promoting community cohesion and sharing facilities with other schools and academies and the wider community.

Strategic report

Achievements and performance

The challenges that Covid presented were still in evidence in September 2021 and have continued to adversely affect staff attendance across the Trust. This has also had a significant effect upon the supply budgets set in all our schools as the level of absence could not have been predicted. The wider implications of Covid, for example on mental health and on waiting lists for operations, has all contributed to the pressures on school budgets.

Furthermore, the rising costs of fuel, food supplies and general day to day expenditure present pressures on school budgets.

The internal appointment of the Interim CEO from September 2022 followed a robust recruitment drive using an external agency. The trust's strategy for creating career pathways across the trust and beyond gave us an ideal candidate who has the breadth of experience and knowledge in leadership in MATs and in the field of SEND that we required. He takes up his position on 01/09/2022 and has had the benefit of a terms handover from the substantive CEO.

The trustees are determined to maintain our ethos, values, standards and achievements, whilst continuing to work to fulfil our medium and longer-term development plans.

In order to maintain educational standards each academy in the trust applies the following strategies:

- **Manor Academy** - transitional pathways leading to fulfilling, contributory and worthwhile opportunities for all students as they progress into adulthood to drive the ethos, aims and curriculum.
- **New Park Academy** - building confidence in learning, developing pupils as respectful, tolerant and well-mannered citizens of the local and wider community is used to drive their ethos and aims, together with a challenging curriculum and supportive partnerships with home and wider services.
- **Pictor Academy** - the ethos, aims and curriculum are driven by supporting development through personalised learning opportunities with a focus on independence and communication.
- **Longford Park School** - offer structure and security through teaching matched to the abilities of their pupils. Many of the pupils need to experience success and praise. They envelop the children in a 'can do' ethos and provide an environment where the school motto is embraced by all - "Our children **believe** in themselves, and **belong** in a strong community, everyone is empowered to **become** the best they can be".

The achievements of our children and young people are outstanding overall across The Sovereign Trust because from very low starting points each student leaves with a range of skills and goes on to a range of opportunities. There is an expectation, in all core areas, that the majority of young people will engage in external accreditation at the end of Key Stage 4 and 5.

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

OFSTED inspections

There have been no Ofsted inspections during the last year mainly due to the impact of Covid restrictions. New Park is overdue and keen to show inspectors their progress.

In February 2019, Pictor Academy achieved a fourth 'Outstanding' judgement following a full Ofsted inspection; Manor Academy's inspection was carried out in October 2018 and achieved a 'Good' judgement. New Park Academy had an inspection in November 2016 and was judged to be 'Inadequate'. This judgement remains for three years despite major improvements made and several external reviews that judged the school to be 'Good'. Longford Park School was judged to be 'Outstanding' for a second time following a short Ofsted Inspection in March 2018.

All of the academies were oversubscribed again throughout the year with demand for places far in excess of our published admission numbers. Manor Academy has further increased pupil numbers to 200 and accommodates pupils to the age of 19.

The free school in Warrington, to be known as 'Seymour Academy' has been delayed due to site issues and is now due to open in September 2024.

COVID-19 impact

The continued impact of Covid 19 affects staff attendance, mental health both in staff and in pupils and their families, financial pressures for families, financial pressures with school budgets for increased supply cover costs. Recruitment has become much more difficult in the last year, the implications are of spending more on supply cover and more on several rounds of advertising and using more prominent advertising platforms e.g TES.

More staff going out to support families in difficulties both financially and personally. Giving meals to children who do not officially qualify for FSM but have little or no lunch, or at worst do not attend school as they have no lunch to bring.

Staff retention. Staff leaving for various reasons – early retirement – different profession – ill Health (not always directly related to Covid).

Key performance indicators

The trust has a number of KPI's set by the trustees and confirmed within the Financial Instructions & Procedures Manual. These KPI's are monitored as part of financial control and reported to the Finance and Risk Committee each term.

Financial:

Income (Percentage of general funds income derived from the GAG & LA Advance – 70% (2021 – 73%)

Staff Costs as a percentage of general funds income – 65% (2021 – 65%)

Cash balance – £2,518,000 (2021 – £1,887,000)

Non-financial:

During the year there has been a safeguarding review completed across the trust by Judicium. All schools are safeguarding compliant with best practice focused around record keeping, partnership working and maintenance of the Single Central Registers.

Attendance at parents' evenings and annual reviews has shown a marked improvement over the year. This is in part to using technology to facilitate meetings. Meetings going forward are now being planned on a hybrid system of face to face meetings and the facility to meet online. This has helped considerably in our ability to meet and support our pupils' families.

Pupils' attendance throughout the year has been excellent for all provisions within the trust.

There has been a significant impact and benefit for pupils being able to access enriching opportunities across the trust after pandemic restrictions. Duke of Edinburgh Awards, residentials, after school clubs, sporting fixtures, forest schools, plays and educational visits help our pupils not only to enrich their learning but also develop resilience, independence and team work. All skills that will help pupils cope in the wider society.

The staff in the trust have worked incredibly hard throughout this difficult period to minimise the negative impact on pupils and maximise opportunities. This has been completed at a time when staff and their families have also been impacted by the illness. Staff have supported each other during this challenging time adapting to ensure pupils get a full and varied curriculum offer.

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

Going concern

COVID-19 has had an impact upon the school budgets with some areas underspent and others overspent due to different demands. The government will refund some of the costs related to this.

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.

Financial review

During the period 1 September 2021 to 31 August 2022 total incoming resources were £12.7m. Total outgoing resources were £13.8m, including depreciation of £0.7m and FRS102 costs of £1.4m. The total movement in free revenue reserves is an in-year deficit of £0.3m.

The academy trust has taken on the deficit in the Local Government Pension Scheme in respect of its non-teaching staff transferred on conversion. The deficit is incorporated within the statement of financial activities. The pension value as at 31 August 2022 has been determined by the actuary which is now showing Manor & Pictor Academy as having a pension asset of £319,000, New Park Academy as having a pension liability of £21,000 and Longford Park School as having a pension liability of £112,000 as at 31 August 2022. This results in the academy trust's consolidated position as showing a pension asset and pension fund surplus. In accordance with applicable accounting standards, the asset value has been deemed to be recognisable on the basis that the academy trust has expectations of reduced future employer contributions at some point during the life of the plan. Although a pension asset is arising, this does not create an immediately realisable asset that can be expended for the specific purposes of the pension fund.

As reported last year it was expected for supply costs to continue to be high. There have been high levels of staff absence for various reasons, not all directly related to Covid, some have been long term and cover has been required. Difficulties have been experienced with recruitment and filling vacancies too and therefore supply has had to be used. Supply costs have increased throughout the year however, they have been balanced with lower staff salary costs.

For next year 22/23 – each academy is very focused on their school development plans and the use of their reserves to support capital investment, growth and investment in staffing resource. All essential to ensure the future needs of our pupils is met.

The level of our Supplementary Grant Funding is considered to be low, the level of funding as set by our local authority is £213/pupil which will be needed in full to offset rising salary pay/pension and NI costs. Benchmarking would show that mainstream settings within the same local authority that have a similar number of staff are receiving twice as much funding due to having more pupils on roll. The formula methodology used by our local authority for the SEN provision is not based on the increase to costs and would appear to be disproportionate when compared across settings and the level of funding received directly from the ESFA for mainstream settings.

We are very much aware therefore to manage our expenditure and review all contracts before renewal to maximise any possible savings. We are working hard to review our energy contracts to minimise impact of price increases as much as possible although initial findings show that we are to expect 107% increase to our electric and 147% to our gas once our fixed term contracts end. These increases are very significant and will not be supported by the Supplementary Grant Funding unless the grant is increased. It was hoped that this funding would extend to supporting the wider cost pressures to us not just those associated with pay and associated costs.

Reserves policy

The policy of the academy trust is to carry forward a prudent level of reserves designed to meet the long-term cyclical needs of renewal and any unforeseen contingencies, subject to the constraint that the level of reserves does not exceed the level permitted by the Education and Skills Funding Agency. In addition, that the resources are primarily used to meet the needs of the pupils within the academies and therefore that any reserves are kept under review and are not deemed excessive. No material funds have been designated in the annual accounts. The academy trust does not have tangible assets that could be released. No deficit fund balances are being carried within academy trust. The academy trust's current level of free reserves (total funds excluding the fixed assets restricted fund and excluding the pension reserve) is £1.9m as at 31 August 2022.

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

The impact of COVID-19 on reserves is that they will be reduced in all our schools as costs that are not refunded by the government will not have been budgeted for e.g costs incurred travelling to visit families and take food etc, call costs.

Investment policy

Any surplus income is held within each academy's designated bank account or within The Sovereign Trust account with Lloyds Bank and accrues interest at the designated rate. The academy trust does not invest funds elsewhere or enter into any schemes e.g. equity bonds. It does not have sufficient reserves to enter into any long term secured investments.

Principal risks and uncertainties

The major risks to which the academy trust is exposed, as identified by the trustees, have been reviewed, and systems and procedures have been established to mitigate those risks. There is a risk register that is regularly reviewed at Finance, Risk and Audit Committee meetings and subsequently at board meetings and any actions are agreed as required. The 'red risks' are listed below. All but the Greater Manchester Pension Fund risk are mitigated, the GMPF risk has been agreed, by the Board, to carry.

| Principal risks | Mitigation |
|---|--|
| Compliance risk There is a risk that the financial reporting requirements are not complied with leading to investigation by the ESFA /lack of support from ESFA for future growth because : <ul style="list-style-type: none"> the regulatory/legislative requirements relating to the production and reporting of the Statutory Accounts are not known or complied with; the regulatory/legislative requirements relating to Accounting Standards are not known or complied with; and the Charities Statement of Recommended Practice (SORP) legislative requirements are not known or complied with. | <ul style="list-style-type: none"> CFO and financial controller in place Finance Risk and Audit committee in place Monthly Financial Accounts/Reporting Budget monitoring Awareness of Financial Regulations Support of the Academies Finance staff and associated policies and procedures Effective Internal and External Audit 3 year financial forecasts Maintain effective relationship and build on with external accountants CEO to access training to increase awareness and develop understanding of required procedures Strengthen budget monitoring Complete draft financial procedures manual |
| Finance risk There is a risk that the trust is unable to maintain overall financial viability leading to an inability to sustain our educational provision because of ineffective financial control policies, processes and operational control. | <ul style="list-style-type: none"> Monthly financial accounts/reporting Budget monitoring reports Regular review by Finance and Risk Committee Board of directors agree a balanced budget Internal and external audits Review of the monthly financial position against budget Continued development of suitable control policies and processes to protect against financial loss Monitoring capital investment to ensure the academy trust maintains its physical assets Ensuring a clear supplier or third party policy and a clear tender process to protect the academy trust financially Strengthen budget monitoring Strengthen internal audit. |
| There is a risk that the academy buildings deteriorate making them unsuitable for pupils and staff, leading to the academy having to close because of inadequate funding from ESFA. | <ul style="list-style-type: none"> Site Manager inspections Annual H&S audits External audit and assessment to support funding bids (E3 Cube) Emergency funding bid Project and capital spend monitoring |

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

| Principal risks | Mitigation |
|--|--|
| There is a risk of significant financial shortfall leading to critical operational difficulties for the Trust because of failing to make provision for pension contingent liability and monitoring the performance of the GMPF pension scheme. | <ul style="list-style-type: none"> Financial policies and procedures operated by the Trust Financial regulations Ill health Strain Insurance in place (April 2016) Secretary of State guarantee to support pension failures |
| Governance risk There is a risk that performance (financial and non financial) across the academies isn't monitored or challenged by the SLT or Board Directors leading to poor performance, financial loss or non compliance because the management information is inadequate, out of date or ill informed. | <ul style="list-style-type: none"> Regular reporting and review of performance SLT Review processes Advice from the ESFA Advice and support from external accountants Embed CFO role Review strategic planning, objective setting & budgeting processes |
| People risk There is a risk that employment requirements are not followed leading to HR issues because the legislative requirements are not known or effective processes/procedures in place. | <ul style="list-style-type: none"> Support from the Trust HR Manager Extra support for HR Manager, recruiting an additional HR assistant September 2022 HR Policy and procedures reviewed with Unions and approved for September 2022 Support from SLA's (HR solicitors) Embed new HR Assistant roles |
| Safeguarding risk There is a risk of safeguarding infringements (including high risk behaviour eg from use of knives, guns, drugs) leading to reputational issues, enforcement action or financial penalties because of inadequate safeguarding procedures. | <ul style="list-style-type: none"> Safeguarding Policy and procedures Annual refresher training on policy and procedure All staff complete mandatory safeguarding training and it is kept up to date Liaison with local police as required External online safeguarding training Regular safeguarding audit Regularly monitor safeguarding controls |
| Strategic risk There is a risk that the trust has no long term strategy in place leading to it losing focus and direction because of poor financial planning, succession planning and vision. | <ul style="list-style-type: none"> Maintenance and development of a suitable long term strategy to give focus and direction to the academy trust Constant review of the external environment of the academy trust to ensure the academy trust is at the forefront of changes |

| Emerging risks | Mitigation |
|---|--|
| The trust recognises that the Local Government Pension Scheme is a significant potential liability. | The academy trust is able to meet its known annual deficit contribution commitments for the foreseeable future, the risk from this liability is minimised where possible and is manageable. |
| New wave of Special Free Schools an AP provision | Applications to be made for free school in Bury SEMH to open in 2025. Discussions with Trafford and Salford re their interest in applying for AP provision and/or Special school this will put pressure on existing operational team but also allow for expansion of the team to support the growth. |
| Manor Academy expansion | Manor Academy pupil numbers still rising. Investigations and discussion are going ahead with Trafford and with other agencies to seek separate accommodation to house the 16-19 provision and potential 19-25 provision to enable additional places to become available in KS3 and 4. One of the main issues arising from the increase in pupil numbers is the lack of pupil toilets. There are no actual boys' toilets on the first floor, 3 cubicles on the ground floor. All pupil and staff toilets are in a poor state of repair so need replacing and increasing in number. This cannot be claimed through CIF funding. Additionally, the building was not designed with disability measures in place. Some of the doorways are not wide enough for wheelchair users, the two lifts are not robust enough for the amount of use they get and will cost £120,000 each to replace. |

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

| Emerging risks | Mitigation |
|--|--|
| | This is not covered by CIF funding or requires any reserves to be accumulated yearly and repairs to be made in the meantime at greater cost. CIF funding for Electrical work is successful in 2022 so funding that Manor has accumulated can be used to fund the projects described above. |
| New Park academy operates from a Private Finance Initiative (PFI) with a repayment programme until 2030. | By monitoring the financial position of the academy, the board will anticipate issues with meeting the requirements of the PFI. |
| COVID-19 | Ongoing Impact on all schools budgets |
| Warrington Free School | This is delayed by two years now due to open in September 2024. Warrington LA have suggested that the school capacity will not be large enough to accommodate the increase in pupil numbers in the borough. They also want the designation to include KS1 and Post 16. |

Fundraising

The majority of our fundraising is done through lettings of the buildings after school hours and of the hydrotherapy pool at Pictor throughout the week (when available), and at weekends. Other fundraising activities usually include events organised by the parent/staff/friend's groups. The academy trust does not use any external fundraisers.

Streamlined energy and carbon reporting

| UK Greenhouse gas emissions and energy use data | 1 September 2021 to 31 August 2022 | 1 September 2020 to 31 August 2021 |
|--|------------------------------------|------------------------------------|
| | Consumption | Consumption |
| Energy consumption Aggregate of energy consumption in the year | 1,885,563.49 kWh | 1,928,638.37 kWh |
| Total Mileage Staff Claims | 37,037.47 kWh | 48,189.80 kWh |
| Total Mileage School Buses | 24713.93 kWh | 7,696 kWh |
| Emissions of CO2 equivalent – Given in Metric Tonnes | | |
| Scope 1 direct emissions | | |
| Gas consumption | 245.79 | 251.67 |
| Owned transport – mini-buses | 10.13 | 3.76 |
| TOTAL Scope 1 | 255.92 | 255.43 |
| Scope 2 indirect emissions | | |
| TOTAL Scope 2 - Purchased electricity | 100.57 | 130.53 |
| Scope 3 other indirect emissions | | |
| Business travel in employee owned vehicles | 10.16 | 11.62 |
| Total gross emissions in metric tonnes CO2e | 366.65 | 397.58 |
| Intensity ratio tonnes CO2e per pupil | 0.72 | 0.80 |

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2021 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO₂e per pupil, the recommended ratio for the sector.

Measures taken to improve energy efficiency

We have installed smart meters across some sites and will extend to cover all sites also increased video conferencing technology for staff and board meetings, to reduce the need for travel between sites. Electricity usage has reduced due to major capital investment in lighting at one of our academies. We hope to see further reductions as the second phase of works is completed throughout year to August 2023. The impact of Covid reduced our travel expenses a little however largely our buildings were open throughout with minimum closures therefore not effecting energy usage. The trust continues to work with staff and pupils to promote being resourceful with energy.

Plans for future periods

Longer-term developmental needs include improving our facilities wherever funding will allow. In particular, we shall strive to secure grants to allow:

- the expansion of pupil opportunities, provision to increase to the age of 25;
- improved academy accommodation at New Park Academy and at Manor Academy;
- increased funding from external grant funding applications; and
- future school acquisitions and growth, free school applications.

Our plans for growth focus on special schools. The free school in Warrington (Seymour Academy) will be officially open in September 2024. We envisage 'growing our own' staff and creating career paths for promotion and alternative opportunities across the trust schools. There is a new wave of special free schools and AP provision recently announced. The trust will be applying for a special SEMH free school in Bury to open in 2025. Furthermore, the trust is in discussion with Trafford and Salford LA's so far to open AP provision or special schools in the boroughs.

Funds held as custodian trustee on behalf of others

During the period from 1 September 2021 to 31 August 2022, The Sovereign Trust did not hold any funds as a custodian trustee on behalf of any other charitable organisation.

Auditor

Insofar as the trustees are aware:

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

This trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors on 15 December 2022 and signed on the board's behalf by:

.....
Susan Gill
Chair of trustees

THE SOVEREIGN TRUST

GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2022

Scope of responsibility

As trustees, we acknowledge we have overall responsibility for ensuring that The Sovereign Trust has an effective and appropriate system of controls, financial and otherwise.

However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The board of trustees has delegated the day-to-day responsibility to the chief executive officer, as accounting officer, for ensuring financial controls conform to the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreements between The Sovereign Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance here supplements that described in the trustees' report and in the statement of trustees' responsibilities. The board of trustees has formally met four times during the year. Attendance during the year at meetings of the board was as follows:

| Trustee | Meetings attended | Out of a possible |
|--|-------------------|-------------------|
| Ian McGrath | 1 | 4 |
| Eddie Austin | 3 | 4 |
| Nicholas Gill | 2 | 4 |
| Susan Gill (Chair appointed 01/01/2022) | 3 | 3 |
| Lorraine Flynn (appointed 14/10/2021) | 1 | 4 |
| Beverley Owens | 4 | 4 |
| David Rowntree (Chair resigned 16/12/21) | 1 | 1 |
| Stephanie Capon | 3 | 4 |
| John Lomas | 2 | 4 |

The Finance, Risk & Audit Committee was formed in order to discuss finance, risk and audit matters. This committee also challenges senior leadership decisions in a knowledgeable way.

The Finance, Risk and Audit committee is a sub-committee of the board of trustees. The purpose and responsibility of the committee is to oversee the financial, risk management and the wider internal control framework of the academy trust and report any findings to the board of trustees. The committee has met four times during the year.

Attendance during the year was as follows:

| Trustee | Meetings attended | Out of a possible |
|---|-------------------|-------------------|
| Nicholas Gill | 2 | 4 |
| Lorraine Flynn (Chair appointed 14/10/21) | 4 | 4 |
| Beverley Owens | 4 | 4 |
| Stephanie Capon | 3 | 4 |

Governance reviews

The Sovereign Trust board of trustees reviews its effectiveness at the end of each meeting and at the end of the year by completing a skills review and a series of surveys sent by the chair of the board. These focus on various areas:

- Governance framework: Compliance and evaluation
- Governance framework: People and structures
- Governance framework: Strategic leadership
- Governance framework: Accountability for educational standards and financial performance

THE SOVEREIGN TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

The chair collates the information to inform discussion about skills development on the board. The resulting actions from the last governance effectiveness review was to further develop the role of the chair and to strengthen the SEN educational knowledge on the board by seeking an additional trustee. We strengthened the trustees' knowledge and understanding of safeguarding by introducing an online training system. There is a new chair of the board with extensive knowledge of organisational development and skills in chairing committees. This has had a considerable positive impact on how the meetings are run. Similarly our newly appointed chair of the Finance and Risk Committee brings vast experience, knowledge and understanding of company accounts and has streamlined the finance meetings.

The board carried out a review of its skills and effectiveness in 2022. The complimentary skill set of the board is good having members who help support the trust with knowledge in risk management, finance, estates, HR and integration and transition. In comparison to the 2020 survey some areas have clearly improved:

- Improved financial data and management
- Improved effectiveness of meetings
- A better focus on strategy and improved tools to manage performance

The 2022 survey identified strengths within the trust:

- A good understanding of the aims and values of the trust
- The effectiveness of meetings
- Effective management of finances

The key areas for development for the trust were identified as:

- There is a lack of diversity within the board
- Tools for measuring performance need to improve
- Focus needs to be on educational improvement
- Too focus on strategic development
- Succession planning
- Onboarding new trustees

A board development event is planned for November 2022 to review and address:

- The vision, mission and culture for the trust
- Board efficiency
- Roles and responsibilities
- Planning for the future

Conflicts of Interest

Upon appointment, and at least annually, directors, members, governors and officers are required to complete a declaration of Outside and Business Interests form. This document must also be updated whenever a material change occurs. A register of interests will be maintained by the secretary and will be made available to the public via the website, in line with the trust's Conflicts of Interest Policy and the requirements of the Academy Trust Handbook.

Failure by a director, member, governor or officer to declare an interest, real or perceived, could result in the complaints process being instigated by the trust. Depending on the circumstances and severity of the conflict, this may result in the person being removed from office in accordance with the trust's Articles of Association.

Review of value for money

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

The accounting officer considers how the trust's use of 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 as described below:

THE SOVEREIGN TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

Improving educational results

Our resources are directed where they will be the most effective in meeting educational requirements, for example;

- robust tracking systems to record and monitor all aspects of pupil data including progress;
- continuing to monitor staffing levels and deploy staff efficiently to support the curriculum and areas of development;
- through robust performance management systems that ensure staff development delivers excellent teaching and learning opportunities for pupils;
- funding is allocated to optimal effect, e.g. through personalised programmes for pupils, after school clubs, breakfast clubs; vocational courses and accreditations, supported internships
- working collaboratively with other schools, forming a Teaching School Alliance to improve CPD and share excellent practice and improve standards;
- implement strategies to improve attendance;
- provide increased speech and language support for pupils;
- increasing age range to 25;
- creating a Post 16 facility for young people with SEMH;
- working with Warrington LA to establish a Free School provision to enable more pupils to be educated in their local area; and
- working with LA's to determine the SEND need to provide AP provision and special school provision in the new wave of free schools.

Financial governance and oversight

Financial governance arrangements include regular monitoring by the board of trustees and through the Finance, Risk and Audit Committee including:

- comprehensive budgeting and monitoring systems with an annual budget and monthly financial reports reviewed and agreed by the board;
- regular monitoring review of reports and data within the board meetings, monitoring the impact of activities and funding streams such as pupil premium;
- monthly reviews by the executive team of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- robust financial procedures and regular policy reviews ensure the academy trust is operating within the regulations of the Academies Financial Handbook; and
- external and internal audit checks, monitoring and reporting on the academy trust's financial procedures and performance.

Better purchasing

- spending proposals are priced and presented to the board, where appropriate, challenged appropriately and recorded in minutes; and
- contracts and service level agreements are reviewed regularly to ensure the service remains suitable for the needs of the academy trust and tenders/quotes are obtained to ensure value for money.

Reviewing controls and managing risks

- cash flow forecasts are included within regular reports to identify surplus cash balances;
- clearly defined purchasing guidelines;
- delegation of authority and segregation of duties are defined within policies and board meetings; and
- a review of risk register is a standing item for all meetings.

THE SOVEREIGN TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Sovereign Trust for the period 1 September 2021 to 31 August 2022 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The board of trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period 1 September 2021 to 31 August 2022 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

The risk and control framework

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

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

The board of trustees has considered the need for a specific internal audit function. Following the revised FRC Ethical Standards for auditors, the academy trust appointed Warrington Local Authority as internal auditor for the 2021-2022 period.

The internal auditor's role included giving advice on financial matters and performing a range of checks on the academy trust's financial systems. In particular, the checks carried out in the year included:

- Leadership and governance
- Financial management and control - including purchasing and procurement practices
- People management
- Income and banking
- Asset and security management

On a quarterly basis, the internal auditor reports to the board of trustees, through the Finance, Risk and Audit Committee on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities. The internal auditor delivered their schedule of work as planned and the trust tailored their programme of checks to the risk register priorities.

THE SOVEREIGN TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

Review of effectiveness

As accounting officer, the chief executive has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the internal auditor;
- the work of the external auditor; and
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the Finance, Risk and Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of directors on 15 December 2022 and signed on its behalf by:


.....
Susan Gill
Chair of trustees


.....
Paul Eckley
Accounting officer

THE SOVEREIGN TRUST

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

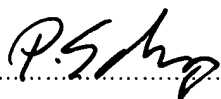
FOR THE YEAR ENDED 31 AUGUST 2022

As accounting officer of The Sovereign Trust, I have considered my responsibility to notify the academy trust board of trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academy Trust Handbook 2021.

I confirm that I and the academy trust's board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academy Trust Handbook 2021.

I confirm that the following instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the board of trustees and ESFA. If any instances are identified after the date of this statement, these will be notified to the board of trustees and ESFA:

One of the academies within the academy trust purchased alcohol in the year. Expense policies and gifts policies have since been updated and all staff reminded that alcohol is prohibited from being purchased.



Paul Eckley
Accounting officer

Date: 15 December 2022

THE SOVEREIGN TRUST

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 AUGUST 2022

The trustees (who are also the directors of The Sovereign Trust for the purposes of company law) are responsible for preparing the trustees' report and the accounts in accordance with the Academies Accounts Direction 2021 to 2022 published by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

In preparing these accounts, the trustees are required to:


- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2019 and the Academies Accounts Direction 2021 to 2022;
- 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the board of trustees on 15 December 2022 and signed on its behalf by:

.....
Susan Gill
Chair of trustees

THE SOVEREIGN TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SOVEREIGN TRUST FOR THE YEAR ENDED 31 AUGUST 2022

Opinion

We have audited the accounts of The Sovereign Trust for the year ended 31 August 2022 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the accounts, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Charities SORP 2019 and the Academies Accounts Direction 2021 to 2022 issued by the Education and Skills Funding Agency.

In our opinion the accounts:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2022 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 2019 and the Academies Accounts Direction 2021 to 2022.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the accounts' section of our report. We are independent of the academy trust in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the academy trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the accounts and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the accounts themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report including the incorporated strategic report for the financial year for which the accounts are prepared is consistent with the accounts; and
- the trustees' report including the incorporated strategic report has been prepared in accordance with applicable legal requirements.

THE SOVEREIGN TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SOVEREIGN TRUST (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the academy trust and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report, including the incorporated strategic report.

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

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

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities, the trustees are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error. In preparing the accounts, the trustees are responsible for assessing the academy trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the accounts

Our objectives are to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the group's or the parent charitable company's financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Identify and test journal entries, in particular any journal entries posting with unusual account combinations.

THE SOVEREIGN TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SOVEREIGN TRUST (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

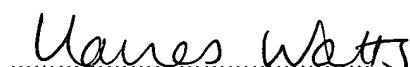
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or parent charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or parent charitable company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (ie. gives a true and fair view).
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Candice Beynon FCCA (Senior Statutory Auditor)

for and on behalf of Haines Watts

Chartered Accountants

Statutory Auditor

Bridge House

Ashley Road

Hale

Altrincham

WA14 2UT

Date: 15/12/2022

THE SOVEREIGN TRUST

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE SOVEREIGN TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY

FOR THE YEAR ENDED 31 AUGUST 2022

In accordance with the terms of our engagement letter dated 25 April 2019 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2021 to 2022, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Sovereign Trust during the period 1 September 2021 to 31 August 2022 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to The Sovereign Trust and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Sovereign Trust and ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Sovereign Trust and ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Sovereign Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of The Sovereign Trust's funding agreement with the Secretary of State for Education dated 16 December 2015 and the Academy Trust Handbook, extant from 1 September 2021, 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 2021 to 2022. 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 2021 to 31 August 2022 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 Framework and Guide for External Auditors and Reporting Accountant of Academy Trusts issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

THE SOVEREIGN TRUST

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE SOVEREIGN TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

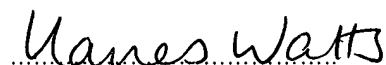
The work undertaken to draw to our conclusion includes:

- We have confirmed that the activities conform to the academy trust's framework of authorities. As identified by review of minutes, management accounts, discussion with the accounting officer and other key management personnel.
- We have carried out an analytical review as part of the consideration of whether general activities of the academy trust are within the academy trust's framework of authorities.
- We have considered the evidence supporting the accounting officer's statement on regularity, propriety and compliance and have evaluated the general control environment of the academy trust and extended the procedures required for financial statements to include regularity.
- We have assessed and tested a sample of the specific control activities over regularity of a particular activity. In performing sample testing of expenditure, we have considered whether the activity is permissible within the academy trust's framework of authorities. We confirm that each item tested has been appropriately authorised in accordance with the academy trust's delegated authorities and that the internal delegations have been approved by the governing body, and conform to the limits set by the Department for Education.
- Formal representations have been obtained from the governing body and the accounting officer acknowledging their responsibilities including disclosing all non-compliance with laws and regulations specific to the authorising framework, access to accounting records, provision of information and explanations, and other matters where direct evidence is not available.
- In performing sample testing of expenditure, we have reviewed against specific terms of grant funding within the funding agreement. We have reviewed the list of suppliers and have considered whether supplies are from related parties and have reviewed minutes for evidence of declaration of interest, and whether or not there was involvement in the decision to order from this supplier.
- We have performed sample testing of other income and tested whether activities are permitted within the academy trust's charitable objects.

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 2021 to 31 August 2022 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

One of the academies within the academy trust purchased alcohol costing £10 in the year. Expense policies and gifts policies have since been updated and all staff reminded that alcohol is prohibited from being purchased.



Haines Watts
Reporting Accountant

Date: 15/12/22

THE SOVEREIGN TRUST

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 AUGUST 2022

| | Notes | Unrestricted funds £'000 | Restricted funds: General £'000 | Fixed asset £'000 | Total 2022 £'000 | Total 2021 £'000 |
|---|-------|--------------------------------|---------------------------------------|----------------------|------------------------|------------------------|
| Income and endowments from: | | | | | | |
| Donations and capital grants | 3 | - | 15 | 435 | 450 | 10 |
| Charitable activities: | | | | | | |
| - Funding for educational operations | 4 | - | 11,847 | - | 11,847 | 11,818 |
| Other trading activities | 5 | 321 | 92 | - | 413 | 360 |
| Total | | <u>321</u> | <u>11,954</u> | <u>435</u> | <u>12,710</u> | <u>12,188</u> |
| Expenditure on: | | | | | | |
| Charitable activities: | | | | | | |
| - Educational operations | 8 | 34 | 13,046 | 679 | 13,759 | 12,757 |
| Total | 6 | <u>34</u> | <u>13,046</u> | <u>679</u> | <u>13,759</u> | <u>12,757</u> |
| Net income/(expenditure) | | 287 | (1,092) | (244) | (1,049) | (569) |
| Transfers between funds | 17 | - | (258) | 258 | - | - |
| Other recognised gains/(losses) | | | | | | |
| Actuarial gains/(losses) on defined benefit pension schemes | 19 | - | 8,920 | - | 8,920 | (1,556) |
| Net movement in funds | | 287 | 7,570 | 14 | 7,871 | (2,125) |
| Reconciliation of funds | | | | | | |
| Total funds brought forward | | 733 | (6,456) | 25,322 | 19,599 | 21,724 |
| Total funds carried forward | | <u>1,020</u> | <u>1,114</u> | <u>25,336</u> | <u>27,470</u> | <u>19,599</u> |

THE SOVEREIGN TRUST

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 AUGUST 2022

| Comparative year information Year ended 31 August 2021 | Notes | Unrestricted funds £'000 | Restricted funds: General £'000 | Fixed asset £'000 | Total 2021 £'000 |
|---|-------|--------------------------------|------------------------------------|----------------------|------------------------|
| Income and endowments from: | | | | | |
| Donations and capital grants | 3 | - | - | 10 | 10 |
| Charitable activities: | | | | | |
| - Funding for educational operations | 4 | - | 11,818 | - | 11,818 |
| Other trading activities | 5 | 191 | 169 | - | 360 |
| Total | | <u>191</u> | <u>11,987</u> | <u>10</u> | <u>12,188</u> |
| Expenditure on: | | | | | |
| Charitable activities: | | | | | |
| - Educational operations | 8 | 9 | 12,099 | 649 | 12,757 |
| Total | 6 | <u>9</u> | <u>12,099</u> | <u>649</u> | <u>12,757</u> |
| Net income/(expenditure) | | 182 | (112) | (639) | (569) |
| Transfers between funds | 17 | - | (67) | 67 | - |
| Other recognised gains/(losses) | | | | | |
| Actuarial losses on defined benefit pension schemes | 19 | - | (1,556) | - | (1,556) |
| Net movement in funds | | 182 | (1,735) | (572) | (2,125) |
| Reconciliation of funds | | | | | |
| Total funds brought forward | | 551 | (4,721) | 25,894 | 21,724 |
| Total funds carried forward | | <u>733</u> | <u>(6,456)</u> | <u>25,322</u> | <u>19,599</u> |

THE SOVEREIGN TRUST

BALANCE SHEET

AS AT 31 AUGUST 2022

| | | 2022 | 2021 |
|---|-------|---------|---------|
| | Notes | £'000 | £'000 |
| Fixed assets | | | |
| Tangible assets | 12 | 25,247 | 25,322 |
| Current assets | | | |
| Debtors | 13 | 631 | 391 |
| Cash at bank and in hand | | 2,535 | 1,881 |
| | | 3,166 | 2,272 |
| Current liabilities | | | |
| Creditors: amounts falling due within one year | 14 | (1,090) | (574) |
| Net current assets | | 2,076 | 1,698 |
| Total assets less current liabilities | | 27,323 | 27,020 |
| Creditors: amounts falling due after more than one year | 15 | (39) | (45) |
| Net assets before defined benefit pension scheme asset/(liability) | | 27,284 | 26,975 |
| Defined benefit pension scheme asset/(liability) | 19 | 186 | (7,376) |
| Total net assets | | 27,470 | 19,599 |
| Funds of the academy trust: | | | |
| Restricted funds | 17 | | |
| - Fixed asset funds | | 25,336 | 25,322 |
| - Restricted income funds | | 928 | 920 |
| - Pension reserve | | 186 | (7,376) |
| Total restricted funds | | 26,450 | 18,866 |
| Unrestricted income funds | 17 | 1,020 | 733 |
| Total funds | | 27,470 | 19,599 |

The accounts were approved by the trustees and authorised for issue on 15 December 2022 and are signed on their behalf by:


 Susan Gill
 Chair of trustees

Company registration number 09666511

THE SOVEREIGN TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2022

| | Notes | 2022 £'000 | £'000 | 2021 £'000 | £'000 |
|--|-------|---------------|--------------|---------------|--------------|
| Cash flows from operating activities | | | | | |
| Net cash provided by operating activities | 20 | | 829 | | 1,232 |
| Cash flows from investing activities | | | | | |
| Capital grants from DfE Group | | 388 | | (23) | |
| Capital funding received from sponsors and others | | 47 | | 33 | |
| Purchase of tangible fixed assets | | (604) | | (327) | |
| Net cash used in investing activities | | | (169) | | (317) |
| Cash flows from financing activities | | | | | |
| Repayment of long term bank loan | | (6) | | (31) | |
| Net cash used in financing activities | | | (6) | | (31) |
| Net increase in cash and cash equivalents in the reporting period | | | 654 | | 884 |
| Cash and cash equivalents at beginning of the year | | | 1,881 | | 997 |
| Cash and cash equivalents at end of the year | | | <u>2,535</u> | | <u>1,881</u> |

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022

1 Accounting policies

The Sovereign Trust is a charitable company. The address of its principal place of business is given on page 1 and the nature of its operations are set out in the trustees' report.

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.

1.1 Basis of preparation

The accounts of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2021 to 2022 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

The Sovereign Trust meets the definition of a public benefit entity under FRS 102.

1.2 Going concern

The trustees assess whether the use of going concern is appropriate, ie whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charitable 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 authorisation for issue of the accounts and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern. Thus they continue to adopt the going concern basis of accounting in preparing the accounts.

1.3 Income

All incoming resources are recognised when the academy trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

Grants

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 meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the statement of financial activities in the period for which it is receivable, and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised in full when there is an unconditional entitlement to the grant. Unspent amounts of capital grants are reflected in the balance sheet in the restricted fixed asset fund. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended.

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 are no performance-related conditions), where the receipt is probable and it can be measured reliably.

Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

1 Accounting policies

(Continued)

Other income

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the academy trust has provided the goods or services.

Donated goods, facilities and services

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the accounts until they are sold. This income is recognised within 'Income from other trading activities'.

Donated fixed assets

Donated fixed assets are measured at fair value unless it is impractical to measure this reliably, in which case the cost of the item to the donor is used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy trust's accounting policies.

Transfer of assets on conversion

Where assets and liabilities are received by the academy trust on conversion to an academy, the transferred net assets are measured at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to the academy trust. Income equal to the net assets transferred on conversion is recognised within donations and capital grant income.

1.4 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably. This includes redundancy payments and settlement payments.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges are allocated on the portion of the asset's use.

All resources expended are inclusive of irrecoverable VAT.

Expenditure on raising funds

This includes all expenditure incurred by the academy trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

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.

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

1 Accounting policies

(Continued)

1.5 Tangible fixed assets and depreciation

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. Where there are specific conditions attached to the funding that require the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the statement of financial activities and carried forward in the balance sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the statement of financial activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

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/reducing balance basis over its expected useful life, as follows:

| | |
|--------------------------------|---|
| Leasehold land and buildings | Land - 0.8% straight line, Buildings - 2% straight line |
| Assets under construction | nil until brought into use |
| Computer equipment | 33 1/3% straight line |
| Fixtures, fittings & equipment | 20% reducing balance |
| Motor vehicles | 25% straight line |

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use and reclassified to freehold or leasehold land and buildings.

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

1.6 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.

1.7 Leased assets

Rentals payable under operating leases are charged on a straight line basis over the period of the lease.

1.8 Financial instruments

The academy trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the academy trust and their measurement basis are as follows.

Financial assets

Trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost. Prepayments are not financial instruments.

Cash at bank is classified as a basic financial instrument and is measured at face value.

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

1 Accounting policies

(Continued)

Financial liabilities

Trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost. Taxation and social security are not included in the financial instruments disclosure definition.

Government loans are recognised at their nominal value and reduced by subsequent repayments.

Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

1.9 Taxation

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

1.10 Pensions benefits

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

The TPS is an unfunded scheme and contributions are calculated to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary based on quadrennial valuations using a prospective unit credit method. The TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions are recognised in the period to which they relate.

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

1.11 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 trustees.

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

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

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

1 Accounting policies

(Continued)

1.12 PFI arrangements

The academy trust has a PFI arrangement in place in New Park Academy which covers rent, rates, maintenance and facility management arrangements. Payments are accounted for in the period to which they relate.

1.13 Agency arrangements

The academy trust acts as an agent in distributing 16-19 bursary funds from the ESFA. Payments received from the ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The funds received and paid and any balances held are disclosed in note 26.

2 Critical accounting estimates and areas of judgement

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, 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 2019 has been used by the actuary in valuing the pensions liability at 31 August 2022. 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.

Critical areas of judgement

The trustees have considered the apportionment of depreciation between direct and support costs. The majority of fixed assets are almost entirely used for the provision of education and only a small part for support services. Therefore a 90% direct cost and 10% support cost apportionment is considered appropriate.

3 Donations and capital grants

| | Unrestricted funds £'000 | Restricted funds £'000 | Total 2022 £'000 | Total 2021 £'000 |
|-----------------|--------------------------------|------------------------------|------------------------|------------------------|
| Capital grants | - | 388 | 388 | (23) |
| Other donations | - | 62 | 62 | 33 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | - | 450 | 450 | 10 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

4 Funding for the academy trust's educational operations

| | Unrestricted funds £'000 | Restricted funds £'000 | Total 2022 £'000 | Total 2021 £'000 |
|--|--------------------------------|------------------------------|------------------------|------------------------|
| DfE / ESFA grants | | | | |
| General annual grant (GAG) | - | 4,870 | 4,870 | 4,490 |
| Other DfE / ESFA grants: | | | | |
| UIFSM | - | 15 | 15 | 24 |
| Pupil premium | - | 284 | 284 | 278 |
| Others | - | 182 | 182 | 74 |
| | - | 5,351 | 5,351 | 4,866 |
| Other government grants | | | | |
| Local authority grants | - | 6,491 | 6,491 | 6,773 |
| | - | 6,491 | 6,491 | 6,773 |
| Exceptional government funding | | | | |
| Coronavirus job retention scheme grant | - | - | - | - |
| Coronavirus exceptional support | - | - | - | 179 |
| Other Coronavirus funding | - | 5 | 5 | 149 |
| | - | 5 | 5 | 328 |
| Total funding | - | 11,847 | 11,847 | 11,967 |

The academy trust received £6,491,000 (2021: £6,773,000) from the local authorities in the year, being £4,907,000 (2021: £5,324,000) High Needs Top Up funding, £322,000 teachers pay and pension grants (2021: £325,000), £60,000 Alternative Provision PRU funding (2021: £60,000), £720,000 (2021: £605,000) Out Of Borough funding, £407,000 (2021: £401,000) unitary charge funding, £30,000 (2021: £45,000) pupil premium funding and £45,000 (2021: £13,000) of other funding.

The academy trust received £5,000 of coronavirus related funding being mass testing and vaccination funding. Costs incurred in respect of this funding totalled £5,000 and so no funds are carried forward at the year end.

There were no unfulfilled conditions or other contingencies relating to the grants in the year.

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

5 Other trading activities

| | Unrestricted funds £'000 | Restricted funds £'000 | Total 2022 £'000 | Total 2021 £'000 |
|--------------------|--------------------------------|------------------------------|------------------------|------------------------|
| Hire of facilities | 75 | - | 75 | 40 |
| Catering income | 34 | - | 34 | 33 |
| Other income | 212 | 92 | 304 | 287 |
| | <u>321</u> | <u>92</u> | <u>413</u> | <u>360</u> |

6 Expenditure

| | Staff costs £'000 | Non-pay expenditure | | Total 2022 £'000 | Total 2021 £'000 |
|---|----------------------|---------------------|----------------|------------------------|------------------------|
| | | Premises £'000 | Other £'000 | | |
| Academy's educational operations | | | | | |
| - Direct costs | 8,030 | 610 | 640 | 9,280 | 8,835 |
| - Allocated support costs | 2,676 | 1,017 | 786 | 4,479 | 3,922 |
| | <u>10,706</u> | <u>1,627</u> | <u>1,426</u> | <u>13,759</u> | <u>12,757</u> |
| Net income/(expenditure) for the year includes: | | | | 2022 £'000 | 2021 £'000 |
| Fees payable to auditor for audit services | | | | 16 | 16 |
| Operating lease rentals | | | | 424 | 427 |
| Depreciation of tangible fixed assets | | | | 679 | 649 |
| Net interest on defined benefit pension liability | | | | 132 | 90 |

7 Central services

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

- human resources;
- financial services;
- legal services; and
- educational support services.

The academy trust charges for these services on the basis of 6% of GAG, LA Top-Up and Out Of Borough income.

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

7 Central services

(Continued)

The amounts charged during the year were as follows:

| | 2022 £'000 | 2021 £'000 |
|----------------------|---------------|---------------|
| Manor Academy | 204 | 191 |
| Pictor Academy | 153 | 155 |
| New Park School | 184 | 175 |
| Longford Park School | 84 | 75 |
| | <u>625</u> | <u>596</u> |

8 Charitable activities

| | Unrestricted funds £'000 | Restricted funds £'000 | Total 2022 £'000 | Total 2021 £'000 |
|------------------------|--------------------------------|------------------------------|------------------------|------------------------|
| Direct costs | | | | |
| Educational operations | 32 | 9,248 | 9,280 | 8,835 |
| Support costs | | | | |
| Educational operations | 2 | 4,477 | 4,479 | 3,922 |
| | <u>34</u> | <u>13,725</u> | <u>13,759</u> | <u>12,757</u> |

Analysis of costs

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Direct costs | | |
| Teaching and educational support staff costs | 8,030 | 7,599 |
| Staff development | 23 | 35 |
| Depreciation | 610 | 584 |
| Technology costs | 13 | 11 |
| Educational supplies and services | 469 | 565 |
| Examination fees | 25 | 16 |
| Other direct costs | 110 | 25 |
| | <u>9,280</u> | <u>8,835</u> |

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

8 Charitable activities

(Continued)

Support costs

| | 2022 | 2021 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Support staff costs | 2,798 | 2,197 |
| Depreciation | 69 | 65 |
| Technology costs | 96 | 116 |
| Maintenance of premises and equipment | 629 | 696 |
| Cleaning | 139 | 125 |
| Energy costs | 108 | 107 |
| Rent, rates and other occupancy costs | 62 | 37 |
| Insurance | 9 | 17 |
| Security and transport | 1 | 1 |
| Catering | 213 | 174 |
| Interest on defined benefit pension scheme | 132 | 90 |
| Legal costs | 103 | 121 |
| Other support costs | 85 | 134 |
| Governance costs | 35 | 42 |
| | <u>4,479</u> | <u>3,922</u> |

Premises costs includes PFI charges totalling £409,000 (2021: £411,000). These amounts are paid to the local authority, are index linked and the academy trust is committed to these payments until 2030.

9 Staff

Staff costs

Staff costs during the year were:

| | 2022 | 2021 |
|---|---------------|--------------|
| | £'000 | £'000 |
| Wages and salaries | 6,973 | 6,721 |
| Social security costs | 693 | 653 |
| Pension costs | 2,658 | 2,188 |
| | <u>10,324</u> | <u>9,562</u> |
| Staff costs - employees | 10,324 | 9,562 |
| Agency staff costs | 359 | 179 |
| Staff restructuring costs | 23 | 10 |
| | <u>10,706</u> | <u>9,751</u> |
| Staff development and other staff costs | 145 | 80 |
| | <u>10,851</u> | <u>9,831</u> |
| Total staff expenditure | <u>10,851</u> | <u>9,831</u> |
| Staff restructuring costs comprise: | | |
| Redundancy payments | 2 | - |
| Severance payments | 21 | 10 |
| | <u>23</u> | <u>10</u> |

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

9 Staff

(Continued)

Severance payments

The academy trust paid 2 severance payments in the year, disclosed in the following bands:

| | |
|-------------|---|
| 0 - £25,000 | 2 |
|-------------|---|

Special staff severance payments

Special staff severance payments are amounts paid to employees outside of statutory and contractual requirements. Included in staff restructuring costs are special severance payments totalling £21,000 (2021: £4,086). Individually, the payments were £3,000 and £18,000.

Staff numbers

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

| | 2022 Number | 2021 Number |
|----------------------------|----------------|----------------|
| Teachers | 90 | 82 |
| Administration and support | 175 | 169 |
| Management | 7 | 6 |
| | <u>272</u> | <u>257</u> |

The number of persons employed, expressed as a full time equivalent, was as follows:

| | 2022 Number | 2021 Number |
|----------------------------|----------------|----------------|
| Teachers | 76 | 73 |
| Administration and support | 126 | 131 |
| Management | 7 | 6 |
| | <u>209</u> | <u>210</u> |

Higher paid staff

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

| | 2022 Number | 2021 Number |
|---------------------|----------------|----------------|
| £60,001 - £70,000 | 5 | 3 |
| £80,001 - £90,000 | 3 | 3 |
| £100,001 - £110,000 | 1 | 1 |
| | <u></u> | <u></u> |

Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of key management personnel benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the academy trust was £697,000 (2021: £636,000).

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

10 Trustees' remuneration and expenses

One or more of the trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The principal and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment, and not in respect of their services as trustees.

The value of trustees' remuneration and other benefits was as follows:

B Owens (Accounting Officer and trustee)

Remuneration: £105,001 - £110,000 (2021: £105,001 - £110,000)

Employer's pension contributions: £25,001 - £30,000 (2021: £25,001 - £30,000)

During the period ended 31 August 2022, travel and subsistence expenses totalling £nil (2021: £54) were reimbursed to 0 trustees (2021: 1 trustee).

11 Trustees' and officers' insurance

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

12 Tangible fixed assets

| | Leasehold land and buildings | Assets under construction | Computer equipment | Fixtures, fittings & equipment | Motor vehicles | Total |
|-----------------------|------------------------------------|---------------------------------|-----------------------|--------------------------------------|-------------------|--------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | | |
| At 1 September 2021 | 26,160 | - | 319 | 2,033 | 138 | 28,650 |
| Additions | - | 234 | 72 | 298 | - | 604 |
| At 31 August 2022 | 26,160 | 234 | 391 | 2,331 | 138 | 29,254 |
| Depreciation | | | | | | |
| At 1 September 2021 | 1,994 | - | 243 | 985 | 106 | 3,328 |
| Charge for the year | 412 | - | 50 | 209 | 8 | 679 |
| At 31 August 2022 | 2,406 | - | 293 | 1,194 | 114 | 4,007 |
| Net book value | | | | | | |
| At 31 August 2022 | 23,754 | 234 | 98 | 1,137 | 24 | 25,247 |
| At 31 August 2021 | 24,166 | - | 76 | 1,048 | 32 | 25,322 |

The net book value of land and buildings comprises:

| | 2022 £'000 | 2021 £'000 |
|---------------------------------|---------------|---------------|
| Long leaseholds (over 50 years) | 23,754 | 24,166 |

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

12 Tangible fixed assets (Continued)

The land and buildings for New Park Academy are provided on a PFI contract which at 31 August 2022 had a further 8 years to run. The land and buildings are owned by Salford City Council.

Land and buildings desktop valuations were received in the year for Pictor Academy from the DfE for which no adjustments have been made. The academy was valued at £6,890,000 (cost at conversion included above is £8,845,000).

13 Debtors

| | 2022 £'000 | 2021 £'000 |
|--------------------------------|---------------|---------------|
| Trade debtors | 21 | 62 |
| VAT recoverable | 156 | 104 |
| Prepayments and accrued income | 454 | 225 |
| | <u>631</u> | <u>391</u> |

14 Creditors: amounts falling due within one year

| | 2022 £'000 | 2021 £'000 |
|------------------------------------|---------------|---------------|
| Government loans | 7 | 7 |
| Trade creditors | 268 | 180 |
| Other taxation and social security | 167 | 158 |
| Other creditors | 153 | 3 |
| Accruals and deferred income | 495 | 226 |
| | <u>1,090</u> | <u>574</u> |

15 Creditors: amounts falling due after more than one year

| | 2022 £'000 | 2021 £'000 |
|------------------|---------------|---------------|
| Government loans | 39 | 45 |
| | <u>39</u> | <u>45</u> |

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

15 Creditors: amounts falling due after more than one year

(Continued)

| | 2022 £'000 | 2021 £'000 |
|---|---------------|---------------|
| Analysis of loans | | |
| Wholly repayable within five years | 46 | 52 |
| Less: included in current liabilities | (7) | (7) |
| | <u>39</u> | <u>45</u> |
| Amounts included above | | |
| | <u>39</u> | <u>45</u> |
| Loan maturity | | |
| Debt due in one year or less | 7 | 7 |
| Due in more than one year but not more than two years | 7 | 6 |
| Due in more than two years but not more than five years | 20 | 20 |
| Due in more than five years | 12 | 19 |
| | <u>46</u> | <u>52</u> |
| | <u>46</u> | <u>52</u> |

At the balance sheet date, the academy trust had the following loans:

- Manor Academy - £8,045 outstanding Salix loan relating to previous capital projects.
- Manor Academy - £30,189 outstanding CIF loan relating to electrical works completed in 2020-21. This was reduced in 2020-21 by the ESFA from the original £60,450 loan shown in the prior year due to an underspend on the CIF project.
- Pictor Academy - £7,036 outstanding Salix loan relating to previous boiler works.

Salix loans are interest free loans approved by the Education and Skills Funding Agency (ESFA) repayable in equal instalments over 8 years.

The CIF loan was also approved by the ESFA as part of the CIF bid and has an interest rate of 2.29% and is repayable over 10 years.

16 Deferred income

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Deferred income is included within: | | |
| Creditors due within one year | 11 | 21 |
| | <u>11</u> | <u>21</u> |
| Deferred income at 1 September 2021 | 21 | 17 |
| Released from previous years | (21) | (17) |
| Resources deferred in the year | 11 | 21 |
| | <u>11</u> | <u>21</u> |
| Deferred income at 31 August 2022 | <u>11</u> | <u>21</u> |

At the balance sheet date, the academy trust was holding £9,000 (2021: £8,000) received in advance for Universal Infant Free School Meals grant for the 2022/23 financial year, £2,000 (2021: £nil) trips income received in advance, £nil (2021: £1,000) of other grant income receipted in advance of the 2022/23 financial year and £nil (2021: £12,000) of invoices raised in advance for outreach support SLAs.

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

17 Funds

| | Balance at 1 September 2021 £'000 | Income £'000 | Expenditure £'000 | Gains, losses and transfers £'000 | Balance at 31 August 2022 £'000 |
|-------------------------------------|--|-----------------|----------------------|--|--|
| Restricted general funds | | | | | |
| General Annual Grant (GAG) | 910 | 4,870 | (4,594) | (258) | 928 |
| UIFSM | - | 15 | (15) | - | - |
| Pupil premium | - | 284 | (284) | - | - |
| Other DfE/ESFA COVID-19 funding | - | 5 | (5) | - | - |
| Other DfE/ESFA grants | 10 | 182 | (192) | - | - |
| Other government grants | - | 6,491 | (6,491) | - | - |
| Other restricted funds | - | 107 | (107) | - | - |
| Pension reserve | (7,376) | - | (1,358) | 8,920 | 186 |
| | <u>(6,456)</u> | <u>11,954</u> | <u>(13,046)</u> | <u>8,662</u> | <u>1,114</u> |
| Restricted fixed asset funds | | | | | |
| Inherited on conversion | 22,387 | - | (430) | - | 21,957 |
| DfE group capital grants | 2,123 | 388 | (163) | - | 2,348 |
| Capital expenditure from GAG | 494 | - | (58) | 258 | 694 |
| Local authority capital grants | 256 | 41 | (20) | - | 277 |
| Other capital grants | 62 | 6 | (8) | - | 60 |
| | <u>25,322</u> | <u>435</u> | <u>(679)</u> | <u>258</u> | <u>25,336</u> |
| Total restricted funds | <u>18,866</u> | <u>12,389</u> | <u>(13,725)</u> | <u>8,920</u> | <u>26,450</u> |
| Unrestricted funds | | | | | |
| General funds | <u>733</u> | <u>321</u> | <u>(34)</u> | <u>-</u> | <u>1,020</u> |
| Total funds | <u>19,599</u> | <u>12,710</u> | <u>(13,759)</u> | <u>8,920</u> | <u>27,470</u> |

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

17 Funds

(Continued)

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

Restricted general funds are those resources that have been designated restricted by the grant provider in meeting the objects of the academy and are restricted to both the day to day running of the academy and capital expenditure.

The pension value as at 31 August 2022 has been determined by the actuary which is now showing Manor & Pictor Academy as having a pension asset of £319,000, New Park Academy as having a pension liability of £21,000 and Longford Park School as having a pension liability of £112,000 as at 31 August 2022. This results in the academy trust's consolidated position as showing a pension asset and pension fund surplus. In accordance with applicable accounting standards, the asset value has been deemed to be recognisable on the basis that the academy trust has expectations of reduced future employer contributions at some point during the life of the plan. Although a pension asset is arising, this does not create an immediately realisable asset that can be expended for the specific purposes of the pension fund.

Restricted fixed asset funds are those funds relating to the long term assets of the academy used in delivering the objects of the academy.

Unrestricted funds are funds which the board of trustees may use in the pursuance of the academy's objects and are expendable at the discretion of the trustees.

The transfer of £258,000 from restricted general GAG fund to restricted fixed asset fund relates to capital additions for which there was no specific capital funding.

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2022.

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

17 Funds

(Continued)

Comparative information in respect of the preceding period is as follows:

| | Balance at 1 September 2020 £'000 | Income £'000 | Expenditure £'000 | Gains, losses and transfers £'000 | Balance at 31 August 2021 £'000 |
|-------------------------------------|--|-----------------|----------------------|--|--|
| Restricted general funds | | | | | |
| General Annual Grant (GAG) | 210 | 4,490 | (3,723) | (67) | 910 |
| UIFSM | - | 15 | (15) | - | - |
| Pupil premium | - | 278 | (278) | - | - |
| Other DfE/ESFA COVID-19 funding | - | 30 | (30) | - | - |
| Other Coronavirus funding | - | 149 | (149) | - | - |
| Other DfE/ESFA grants | 8 | 83 | (81) | - | 10 |
| Other government grants | - | 6,773 | (6,773) | - | - |
| Other restricted funds | - | 169 | (169) | - | - |
| Pension reserve | (4,939) | - | (881) | (1,556) | (7,376) |
| | <u>(4,721)</u> | <u>11,987</u> | <u>(12,099)</u> | <u>(1,623)</u> | <u>(6,456)</u> |
| Restricted fixed asset funds | | | | | |
| Inherited on conversion | 22,853 | - | (466) | - | 22,387 |
| DfE group capital grants | 2,256 | (23) | (110) | - | 2,123 |
| Capital expenditure from GAG | 475 | - | (48) | 67 | 494 |
| Local authority capital grants | 249 | 25 | (18) | - | 256 |
| Other capital grants | 61 | 8 | (7) | - | 62 |
| | <u>25,894</u> | <u>10</u> | <u>(649)</u> | <u>67</u> | <u>25,322</u> |
| Total restricted funds | <u>21,173</u> | <u>11,997</u> | <u>(12,748)</u> | <u>(1,556)</u> | <u>18,866</u> |
| Unrestricted funds | | | | | |
| General funds | <u>551</u> | <u>191</u> | <u>(9)</u> | <u>-</u> | <u>733</u> |
| Total funds | <u>21,724</u> | <u>12,188</u> | <u>(12,757)</u> | <u>(1,556)</u> | <u>19,599</u> |

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

17 Funds

(Continued)

Total funds analysis by academy

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Fund balances at 31 August 2022 were allocated as follows: | | |
| Manor Academy | 498 | 340 |
| Pictor Academy | 267 | 296 |
| New Park School | 801 | 750 |
| Longford Park School | 332 | 216 |
| Central services | 50 | 51 |
| | <hr/> | <hr/> |
| Total before fixed assets fund and pension reserve | 1,948 | 1,653 |
| | | |
| Restricted fixed asset fund | 25,336 | 25,322 |
| Pension reserve | 186 | (7,376) |
| | <hr/> | <hr/> |
| Total funds | 27,470 | 19,599 |
| | <hr/> | <hr/> |

Total cost analysis by academy

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

| | Teaching and educational support staff £'000 | Other support staff costs £'000 | Educational supplies £'000 | Other costs excluding depreciation £'000 | Total 2022 £'000 | Total 2021 £'000 |
|----------------------|---|---------------------------------------|----------------------------------|---|------------------------|------------------------|
| Manor Academy | 1,876 | 1,125 | 120 | 340 | 3,461 | 3,236 |
| Pictor Academy | 1,153 | 1,370 | 58 | 278 | 2,859 | 2,627 |
| New Park School | 1,132 | 1,078 | 399 | 563 | 3,172 | 3,222 |
| Longford Park School | 830 | 584 | 42 | 135 | 1,591 | 1,493 |
| Central services | - | 476 | - | 166 | 642 | 649 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | 4,991 | 4,633 | 619 | 1,482 | 11,725 | 11,227 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

18 Analysis of net assets between funds

| | Unrestricted Funds £'000 | Restricted funds: General £'000 | Fixed asset £'000 | Total Funds £'000 |
|--|--------------------------------|---------------------------------------|----------------------|-------------------------|
| Fund balances at 31 August 2022 are represented by: | | | | |
| Tangible fixed assets | - | - | 25,247 | 25,247 |
| Current assets | 1,020 | 2,057 | 89 | 3,166 |
| Current liabilities | - | (1,090) | - | (1,090) |
| Non-current liabilities | - | (39) | - | (39) |
| Pension scheme asset | - | 186 | - | 186 |
| Total net assets | 1,020 | 1,114 | 25,336 | 27,470 |

| | Unrestricted Funds £'000 | Restricted funds: General £'000 | Fixed asset £'000 | Total Funds £'000 |
|--|--------------------------------|---------------------------------------|----------------------|-------------------------|
| Fund balances at 31 August 2021 are represented by: | | | | |
| Tangible fixed assets | - | - | 25,322 | 25,322 |
| Current assets | 733 | 1,539 | - | 2,272 |
| Current liabilities | - | (574) | - | (574) |
| Non-current liabilities | - | (45) | - | (45) |
| Pension scheme liability | - | (7,376) | - | (7,376) |
| Total net assets | 733 | (6,456) | 25,322 | 19,599 |

19 Pension and similar obligations

The academy trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Tameside Metropolitan Borough Council. Both are multi-employer defined benefit schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2016, and that of the LGPS related to the period ended 31 March 2019.

Contributions amounting to £100,000 were payable to the schemes at 31 August 2022 (2021: £nil) and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for teachers in academy trusts. All teachers have the option to opt out of the TPS following enrolment.

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

19 Pension and similar obligations

(Continued)

The TPS is an unfunded scheme to which both the member and employer makes contributions, as a percentage of salary. These contributions are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury every 4 years. 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 2016. The valuation report was published by the Department for Education on 5 March 2019.

The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 23.68% of pensionable pay (including a 0.08% employer administration charge)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218,100 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196,100 million giving a notional past service deficit of £22,000 million
- the SCAPE rate, set by HMT, is used to determine the notional investment return. The current SCAPE rate is 2.4% above the rate of CPI. The assumed real rate of return is 2.4% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.2%. The assumed nominal rate of return including earnings growth is 4.45%.

The next valuation result is due to be implemented from 1 April 2024.

The employer's pension costs paid to the TPS in the period amounted to £829,000 (2021: £808,000).

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

Under the definitions set out in FRS 102, the TPS is an unfunded multi-employer pension scheme. The academy trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy trust has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are 20.6% for employers and 5.5 to 12.5% for employees.

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.

| Total contributions made | 2022 £'000 | 2021 £'000 |
|--------------------------|---------------|---------------|
| Employer's contributions | 602 | 595 |
| Employees' contributions | 173 | 174 |
| Total contributions | 775 | 769 |

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

19 Pension and similar obligations

(Continued)

| Principal actuarial assumptions | 2022 % | 2021 % |
|--|-----------|-----------|
| Rate of increase in salaries | 3.80 | 3.65 |
| Rate of increase for pensions in payment/inflation | 3.05 | 2.90 |
| Discount rate for scheme liabilities | 4.25 | 1.65 |

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

| | 2022 Years | 2021 Years |
|----------------------|---------------|---------------|
| Retiring today | | |
| - Males | 20.3 | 20.5 |
| - Females | 23.2 | 23.3 |
| Retiring in 20 years | | |
| - Males | 21.6 | 21.9 |
| - Females | 25.1 | 25.3 |

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are as set out below:

Manor Academy & Pictor Academy

Change in assumptions at 31 August 2022:

| | Approximate % increase to liabilities | Approximate monetary amount (£'000) |
|--|--|---|
| 0.1% decrease in Real Discount Rate | 3% | 158 |
| 1 year increase in member life expectancy | 4% | 246 |
| 0.1% increase in the Salary Increase Rate | 0% | 20 |
| 0.1% increase in the Pension Increase Rate (CPI) | 2% | 139 |

New Park Academy

Change in assumptions at 31 August 2022:

| | Approximate % increase to liabilities | Approximate monetary amount (£'000) |
|--|--|---|
| 0.1% decrease in Real Discount Rate | 3% | 59 |
| 1 year increase in member life expectancy | 4% | 85 |
| 0.1% increase in the Salary Increase Rate | 0% | 5 |
| 0.1% increase in the Pension Increase Rate (CPI) | 3% | 54 |

Longford Park School

Change in assumptions at 31 August 2022:

| | Approximate % increase to liabilities | Approximate monetary amount (£'000) |
|--|--|---|
| 0.1% decrease in Real Discount Rate | 3% | 36 |
| 1 year increase in member life expectancy | 4% | 42 |
| 0.1% increase in the Salary Increase Rate | 0% | 5 |
| 0.1% increase in the Pension Increase Rate (CPI) | 3% | 32 |

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

19 Pension and similar obligations

(Continued)

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

| | 2022 Fair value £'000 | 2021 Fair value £'000 |
|------------------------------|-----------------------------|-----------------------------|
| Equities | 6,562 | 6,171 |
| Bonds | 1,331 | 1,304 |
| Cash and other liquid assets | 761 | 609 |
| Property | 856 | 608 |
| Total market value of assets | 9,510 | 8,692 |

The actual return on scheme assets was £122,000 (2021: £1,378,000).

Amount recognised in the Statement of Financial Activities

| | 2022 £'000 | 2021 £'000 |
|------------------------|---------------|---------------|
| Current service cost | 1,828 | 1,383 |
| Past service cost | - | 3 |
| Interest income | (149) | (98) |
| Interest cost | 281 | 136 |
| Total operating charge | 1,960 | 1,424 |

Changes in the present value of defined benefit obligations

| | 2022 £'000 | 2021 £'000 |
|------------------------|---------------|---------------|
| At 1 September 2021 | 16,068 | 11,548 |
| Current service cost | 1,828 | 1,383 |
| Interest cost | 281 | 208 |
| Employee contributions | 173 | 174 |
| Actuarial (gain)/loss | (8,947) | 2,816 |
| Benefits paid | (79) | (64) |
| Past service cost | - | 3 |
| At 31 August 2022 | 9,324 | 16,068 |

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

| | 2022 £'000 | 2021 £'000 |
|------------------------|---------------|---------------|
| At 1 September 2021 | 8,692 | 6,609 |
| Interest income | 149 | 118 |
| Actuarial loss/(gain) | (27) | 1,260 |
| Employer contributions | 602 | 595 |
| Employee contributions | 173 | 174 |
| Benefits paid | (79) | (64) |
| At 31 August 2022 | 9,510 | 8,692 |

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

19 Pension and similar obligations

(Continued)

The pension value as at 31 August 2022 has been determined by the actuary which is now showing Manor & Pictor Academy as having a pension asset of £319,000, New Park Academy as having a pension liability of £21,000 and Longford Park School as having a pension liability of £112,000 as at 31 August 2022. This results in the academy trust's consolidated position as showing a pension asset and pension fund surplus. In accordance with applicable accounting standards, the asset value has been deemed to be recognisable on the basis that the academy trust has expectations of reduced future employer contributions at some point during the life of the plan. Although a pension asset is arising, this does not create an immediately realisable asset that can be expended for the specific purposes of the pension fund.

20 Reconciliation of net expenditure to net cash flow from operating activities

| | Notes | 2022 £'000 | 2021 £'000 |
|---|-------|---------------|---------------|
| Net expenditure for the reporting period (as per the statement of financial activities) | | (1,049) | (569) |
| Adjusted for: | | | |
| Capital grants from DfE and other capital income | | (435) | (10) |
| Defined benefit pension costs less contributions payable | 19 | 1,226 | 791 |
| Defined benefit pension scheme finance cost | 19 | 132 | 90 |
| Depreciation of tangible fixed assets | | 679 | 649 |
| (Increase)/decrease in debtors | | (240) | 583 |
| Increase/(decrease) in creditors | | 516 | (302) |
| Net cash provided by operating activities | | 829 | 1,232 |

21 Analysis of changes in net funds

| | 1 September 2021 £'000 | Cash flows £'000 | 31 August 2022 £'000 |
|--|------------------------------|---------------------|----------------------------|
| Cash | 1,881 | 654 | 2,535 |
| Loans falling due within one year | (7) | - | (7) |
| Loans falling due after more than one year | (45) | 6 | (39) |
| | 1,829 | 660 | 2,489 |

22 Long-term commitments, including operating leases

At 31 August 2022 the total of the academy trust's future minimum lease payments under non-cancellable operating leases was:

| | 2022 £'000 | 2021 £'000 |
|-----------------------------------|---------------|---------------|
| Amounts due within one year | 11 | 12 |
| Amounts due in two and five years | 14 | 18 |
| | 25 | 30 |

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

22 Long-term commitments, including operating leases

(Continued)

At 31 August 2022 the total of the academy trust's future minimum lease payments under other contractual commitments was:

| | 2022 £'000 | 2021 £'000 |
|-----------------------------------|---------------|---------------|
| Amounts due within one year | 409 | 412 |
| Amounts due in two and five years | 1,635 | 1,648 |
| Amounts due after five years | 613 | 1,854 |
| | <u>2,657</u> | <u>3,914</u> |

PFI commitments

New Park Academy is a PFI school operating under a PFI contract due to expire in 2030. Upon the conversion to an academy on 1 June 2018, the trust contracted with Salford City Council to discharge the financial obligations of unitary charges for the remainder of the contract. The unitary charge amounted to £409,000 in 2021/22 and is expected to be £409,000 in 2022/23. The unitary charge commitment for the remaining 8 years of the PFI contract is included in the operating lease commitments shown above.

23 Capital commitments

| | 2022 £'000 | 2021 £'000 |
|---|---------------|---------------|
| Expenditure contracted for but not provided in the accounts | <u>117</u> | <u>-</u> |

At the balance sheet date, the academy trust has capital commitments totalling £117,000 in relation to on-going CIF-funded capital projects.

24 Related party transactions

Owing to the nature of the academy trust 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 trustees have an interest. The following related party transactions took place in the financial period.

T Wrench, son of B Owens, a trustee, is employed by the academy trust as a site manager. T Wrench's appointment was made in open competition and B Owens was not involved in the decision-making process regarding appointment. T Wrench is paid within the normal pay scale for his role and receives no special treatment as a result of his relationship to a trustee.

25 Members' liability

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

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2022

26 Agency arrangements

The academy trust distributes 16-19 bursary funds to students as an agent for ESFA. In the accounting period ending 31 August 2022 the trust received £3,981 (2021: £2,816) and disbursed £1,100 (2021: £nil) from the fund. An amount of £5,697 (2021: £2,816) is included in creditors relating to undistributed funds that is repayable to ESFA.