

Company Registration No. 10257723 (England and Wales)

SMART MULTI ACADEMY TRUST
(A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018



SMART MULTI ACADEMY TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

Members

- Chair

J Clark
G Caleary (resigned 9 October 2018)
C Foster
K Hofbeck
S Foster

Trustees

J Clark (Chair)
Dr H Roberts (Vice Chair)
J Corlett (Accounting officer) (Resigned 30 September 2018)
M Leddy
R Cleary (Resigned 12 September 2017)
S Hayes (Resigned 12 September 2017)
K Held (Resigned 17 September 2017)
A Hodge (Resigned 13 October 2018)
S Taylor (Appointed 25 September 2017 and resigned 10 October 2018)
J Teulon (Appointed 17 October 2017 and resigned 16 July 2018)
G Caleary (Appointed 9 February 2018 and resigned 9 October 2018)
C A Christie (Appointed 23 October 2018)
D Piggott (Appointed 21 November 2018)
E Morrison (Appointed 21 November 2018)
J Quinn (Appointed 21 November 2018)
S A Berwick (Appointed 21 November 2018)

Senior management team

- Acting CEO	I Lane (Accounting Officer from 1 October 2018)
- CEO	J Corlett (resigned 30 September 2018)
- CFO (interim)	G Rowe (appointed 3 September 2018)
- CFO	M Surtees (resigned 13 July 2018)
- Headteacher	R Cleary
- Headteacher	S Hayes
- Executive Headteacher	L Gallon
- Headteacher	C Shield
- Headteacher	A Cairns
- Headteacher	J Evans
- Acting Headteacher	E Pattison

Company registration number

10257723 (England and Wales)

Registered office

Wyndham Primary School
Montagu Avenue
Newcastle upon Tyne
NE3 4SB

SMART MULTI ACADEMY TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

Academies operated

Wyndham Primary School
Stocksfield Avenue Primary School
Farne Primary School
Cheviot Primary School
Mountfield Primary School
Kenton Bar Primary School
Kingston Park Primary School
North Fawdon Primary School

Location

Newcastle upon Tyne
Newcastle upon Tyne
Newcastle upon Tyne
Newcastle upon Tyne
Newcastle upon Tyne
Newcastle upon Tyne
Newcastle upon Tyne
Newcastle upon Tyne

Headteacher

R Cleary
S Hayes
L Gallon (Executive)
L Gallon (Executive)
C Shield
E Pattison (Acting)
J Evans
A Cairns

Independent auditor

RSM UK Audit LLP
1 St. James' Gate
Newcastle upon Tyne
NE1 4AD

SMART MULTI ACADEMY TRUST

TRUSTEES' REPORT

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year 1 September 2017 to 31 August 2018. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The academy trust operates 8 primary academies in Newcastle upon Tyne. Its academies have a combined pupil capacity of 2,510 and had a roll of 2,373 in the school census on 17 May 2018.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The academy trust was formed on 29 June 2016 and is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association dated 29 June 2016 are the primary governing documents of the academy trust.

The charitable company is known as SMART Multi Academy Trust. The eight schools that form the academy trust are known as Wyndham Primary School, Stocksfield Avenue Primary School, Farne Primary School, Cheviot Primary School, Mountfield Primary School, Kenton Bar Primary School, Kingston Park Primary School and North Fawdon Primary School. The schools converted to academy status on 1 November 2016.

The trustees of SMART Multi Academy Trust are also the directors of the charitable company for the purposes of company law. Details of the trustees who served during the year, and to the date these financial statements are approved, are included in the Reference and Administrative Details on page 1.

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

Companies Act 2006 s236 requires disclosure concerning qualifying third party indemnity provisions. As required in the Academy's Articles of Association indemnity insurance has been taken out to cover the liability of trustees which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default, breach of trust or breach of duty of which they may be guilty in relation to the academy trust. Provided that any such insurance shall not extend to any claim arising from any act or omission which the trustees knew to be a breach of trust or breach of duty or which was committed by the trustees in reckless disregard of whether it was a breach of trust or breach of duty or not and provided also that any such insurance shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the trustees in their capacity as trustees.

Method of recruitment and appointment or election of trustees

Trustees are recruited on the basis of the specific skills which they can bring to the board of trustees. This initial assessment is undertaken by the Members who ask the Chair and Vice Chair of the Board to interview suitable individuals, and all appointments are ratified by the Members.

Policies and procedures adopted for the induction and training of trustees

At the incorporation of the academy trust, specific briefing sessions were organised and attended by all trustees. The objective of these sessions was to ensure there was a full understanding of the requirements of the Charities Commission and the specific requirements of the Academies Financial Handbook, as it relates to the role of trustee. These sessions were supplemented by each trustee being provided with an information pack. These same sessions are being delivered to new trustees joining the board of trustees. In addition, trustees are provided with periodic updates on key issues identified by the Charities Commission and updates in relation to the Academies Financial Handbook and Accounting Officer updates are reported to the board of trustees.

SMART MULTI ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

Organisational structure

The company is set up as a Multi Academy Trust model and the board of trustees meet at least 6 times per annum to discuss the strategic objectives with the chief executive officer, who is the accounting officer.

The board of trustees are supported by two committees; the Performance and Curriculum Committee and the Finance and Audit Committee.

The scheme of delegation for the academy trust defines the relationship between the board of trustees and individual Local Governing Boards and clarifies the responsibilities of the Local Governing Boards.

Arrangements for setting pay and remuneration of key management personnel

The pay and remuneration of key management personnel is set in line with the academy trust pay policy which is reviewed annually and reflects the national pay and conditions guidance for teaching staff and leaders and the local authority guidance for other staff. Benchmarks such as the size of school and the complexity of the role are built into the processes detailed in the pay policy.

Performance Management is used to determine pay progression for all posts across the academy trust. The chief executive officer advises the board of trustees in respect of headteacher posts. Local Governing Boards also receives recommendations from the headteacher/executive headteacher for all senior staff and teachers across the schools of the academy trust. The pay policy is reviewed annually by the board of trustees.

Trade union facility time

The academy trust has no employees who have spent time working on trade union facility time to include within the financial statements.

Related parties and co-operation with other organisations

The academy trust has a policy in place for staff and directors to disclose and handle related party transactions in line with company and charity law and ESFA guidance (particularly in relation to the Academies Financial Handbook). There are no related party transactions to report.

OBJECTIVES AND ACTIVITIES

The objectives of the academy trust are set out in the Articles of Association and are as follows:

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").

Public benefit

The trustees have complied with their duty to have due regard to the guidance on public benefit issued by the Charity Commission in exercising their powers and duties. In particular, the trustees consider how planned activities will contribute to the aims and objectives they have set. The academy trust has provided a fully comprehensive education to all students in its care. It fully complies with all statutory guidance and seeks to support its wider educational objectives via a strong community role.

SMART MULTI ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

STRATEGIC REPORT

Achievements and performance

Early Years Foundation Stage (EYFS)

Improving outcomes at the end of the Early Years continues to be a key priority for all schools. The proportion of children reaching a Good Level of Development (GLD) has improved by 4% in the last three years, though at 69% (National 2018= 71%), it is 2% down on last year. Children achieving a GLD are those achieving at least the expected level within the following areas of learning: communication and language; physical development; and personal, social and emotional development; literacy; and mathematics. Such pupils are deemed to be fully prepared to access the Key Stage 1 curriculum at the beginning of Year 1.

The overall gap between the disadvantaged and non-disadvantaged, whilst slightly wider for the academy trust than last year (4%), has narrowed considerably in the last three years from 13% to 7% (2017 national gap = 17%).

Year 1 Phonics Check

Outcomes across the academy trust as a whole at 82% (Nat = 83%) represented a 1% improvement on last year and a 4% improvement since 2016. The disadvantaged also outperformed the non-disadvantaged by 3%. There was a 10% improvement for the disadvantaged as a group from last year and a 12% improvement since 2016. This is particularly pleasing given the foundation for reading that this key skill helps to provide for our pupils.

Key Stage 1

Across the academy trust, at the Expected Standard there was an improvement on last year's performance in Writing from 67% to 71%, against a declining position nationally (2018 Nat = 61%) and in Maths from 74% to 76% (2018 Nat = 74%). Outcomes in both Writing and Maths in 2018 were broadly in line with performance seen in 2017. In Reading, performance was 3% down on last year's at 73% and down by 1% nationally (2018 National = 75%). In each of Reading, Writing and Maths, the gap between the performance of the disadvantaged is too wide and wider than is the case nationally. Addressing this continues to be a priority.

Key Stage 2

Outcomes at KS2 were very positive. At the Expected Standard in the combined RWM, there was an overall improvement of 3% on last year's performance. At 67% this is 3% above national. There was an improvement of almost 4% in Reading on last year's performance and at 75.5% this is just above the national at 75%. There was a very slight improvement in Writing to 82%, which is well above national of 78%. Both of these skill areas show an improving trend from 2017. Whilst Maths performance is down slightly on the two previous years, at 78.5% it also remains above the national of 76%.

At Greater Depth, there were significant gains in both Reading and Writing. In the last three years, Reading has gone from 16.7% to 17.1% to 28.6% in 2018, which is now just above national. Similarly, Writing has gone from 10.8% to 17.4% to 24% in 2018, which is 4% above national. At Greater Depth Maths, performance was down on 2016 and 2017 to 17% in 2018 and is below national of 24%.

In the English, Grammar, Punctuation and Spelling there were improvements at both the Expected Standard and at Greater Depth on 2017 and both of these measures are above national.

Improvements for the Disadvantaged at KS2 have been significant in 2018. Since 2016 the gap between the disadvantaged and the non-disadvantaged for the combined RWM has been reduced from 12% to 6%. This is replicated across the skill areas at both the Expected Standard and at Greater Depth.

Progress scores for the academy trust overall are positive (above national) across all skill areas. No schools are either below Floor Standards or within the Coasting schools' definition and for schools that faced most challenge in relation to 2017 performance is where improvement has been most significantly positive.

SMART MULTI ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

Financial review

Most of the academy trust's income is obtained from the Department for Education via the Education and Skills Funding Agency, in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DFE/ESFA during the year to 31 August 2018 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities. The figures shown for the prior period represent 10 months of trading only covering the period from conversion on 1 November 2016 to the 31 August 2017.

During the year ended 31 August 2018 total expenditure of £12,694k (2017: £10,206k) exceed recurrent grant funding from the ESFA together with other incoming resources. Total income in the year was £12,482k (2017: £15,842k). The unrestricted surplus is £28k (2017: £666k) with GAG carry forward of £398k (2017: £511k).

The academy trust also received funds to support the maintenance and improvement of the fixed asset infrastructure across the schools estate. This is in the form of devolved capital allocations made available by the DFE to all schools, and also a specific capital grant allocations secured through the Condition improvement Fund. During the year, £57k (2017: £57k) was received in respect of devolved capital allocations and a total of £419k (2017: £220k) was received in Condition Improvement Fund grant.

The academy trust secured grant funding of £81k through the Regional Growth Fund in 2017 and in this accounting period has deployed the remainder of these funds. These funds have been utilised to strengthen the school improvement support and challenges functions, to enable the academy trust to review and strengthen its financial procedures, and to facilitate access to tailored development programmes in academy trust senior leadership.

The academy trust closely tracks the level of reserves across the individual academies within the academy trust. The year end position, as at 31 August 2018 was that the level of reserves not tied up in fixed assets and excluding pension balances were £1,091k (2017: £1,177k), which was higher than the projected figures based upon budget provisions at the individual academies. The board of trustees have reviewed the reserves policy and are confident that there are sufficient level of reserves to meet current operating needs.

Financial and risk management objectives and policies

The academy trust has an approved Risk Management strategy. This strategy :-

Defines what the risk is that we are concerned about and critically also defines what specific impact this could have upon the operation of the academy trust.

Assesses the impact upon the academy trust if that risk materialises: in terms of reputational impact, financial impact, and service / outcome impact.

Assesses the probability of that risk materialising.

Assesses the extent to which the risk (or its impact) can be mitigated through actions which the academy trust can effect : and reassesses the impact upon the academy trust if these steps are effectively implemented.

The individual risks within the risk management strategy and their associated management action plans are then reviewed by either the Performance and Curriculum Committee or the Finance and Audit Committee depending on the nature of the risk.

Reserves policy

There is transparency between all bodies within the academy trust regarding the level of reserves to be maintained and the boundaries that exist around how those reserves may be deployed.

The academy trust can undertake a review if the judgements about appropriate levels of reserves remain pertinent in the light of environmental circumstances.

The academy trust can evidence how it maintains its viability as a going concern and what would be the triggers that would prompt a major review / intervention on the part of the board of trustees.

The academy trust can evidence how as a charitable organisation it takes responsibility for ensuring that it can respond to the risks identified within its Risk Strategy.

SMART MULTI ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

The policy specifically details the parameters for the expected levels of reserves for each school at the end of the financial year in question – and the financial monitoring process closely tracks whether those forecasts remain on-course and defines the intervention that takes place where there are significant concerns.

The academy trust sets specific expectations about the level of year end balances at the end of each year at each individual school. The expectation is that each school will finish each financial year with the level of balances budgeted for in the previous year plus an increase of either 1.5% per annum or 1% per annum (the lower rate applied if balances have already reached 8% of the major income streams for the school). Under this methodology, the minimum expected level of reserves at the end of the 2017-18 financial year would be £850,000 increasing to £994,000 at the end of the 2018-19 financial year.

The academy trust's current level of free reserves (total funds less amounts held in fixed assets and restricted funds) are in surplus by £694k, and the academy trust has budgets in place to build the reserves up to the required level.

Investment policy

The academy trust has approved an investment policy which defines the risk tolerance of the board of trustees and emphasises that the trustees place a high priority on the security of any investments and that this overrides all other priorities, and that any investment has to permit the effective management of cash flow to service the academy trust's outgoings.

The policy also stipulates that all income generated through investments will be reinvested back into the academy trust.

Key performance indicators

In terms of key performance indicators, the level of staff costs as a % of GAG is an important benchmark – and for the year ended 31 August 2018, staff costs amounted to 76.3% (2017: 77.7%) of the total cost of the academy trust operation. These figures include both supply cost and staff restructure costs and the costs of the central team. The other key indicator is the number of individual academies who have met the requirements of the board of trustees in terms of expected levels of reserves / balances at the end of the financial year, and this applied in the case of 5 of our 8 academies.

As well as tracking that performance outcome for all year groups and groups of particular disadvantaged or vulnerable learners are improving, a key success measure is the Ofsted judgements across our eight schools, and to improve upon our baseline position where 7 schools are judged Good and one school is currently judged to Require Improvement - so that all children are accessing education across the academy trust in a school which is judged to be at least Good.

Plans for future periods

One of the objectives of the board of trustees as detailed in the Trust Business Plan is to be able to provide a support platform for other schools in the region, who may benefit from joining the academy trust. The potential expansion of the academy trust would deliver additional economies of scale and facilitate greater levels of collaborative working and the sharing of teaching and learning expertise.

However, any potential development of the academy trust needs to be underpinned by ensuring that the academy trust is highly effective in its key business responsibilities (whether or not it expands) and so the Business Plan of the academy trust focuses upon:

- Strengthening further the governance arrangements within the trust;
- Enhancing our robust arrangements for supporting school improvement activity and school effectiveness (particularly securing sustainably high outcomes for pupils and consistently good or better teaching throughout the academy trust); and
- Enhancing financial probity and stability, particularly in the light of the uncertain school funding environment.

SMART MULTI ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

Principal risks and uncertainties

The academy trust is mindful that one of its most significant risks is that ineffective financial controls and financial management lead to the academy trust being in a financial deficit, or that individual schools within the academy trust become non-viable on a financial basis.

Linked to this concern is the risk that declining pupil numbers could lead to schools becoming less viable – particularly if this scenario aligned with another significant risk of reduced funding levels. It is positive to report that pupil numbers across the academy trust have grown since October 2016.

Given that the academy trust operates four Additional Resource facilities for pupils with highly significant and complex special educational needs, the maintenance of secure funding for these units is also a significant area of concern.

The effective deployment of resources within school, alongside the maintenance of a highly skilled and motivated workforce, underpin the approaches to alleviate the most significant of our risks, that pupil progress is not secure in our schools leading to poor Ofsted inspection outcomes.

These significant risks are monitored through active review of the Risk Register at Board level - with individual risks being assigned to the Performance and Curriculum Committee, and the Finance and Audit Committee for more detailed scrutiny. The senior leadership team have responsibility for ensuring that risk mitigation plans are appropriately reviewed and updated.

Fundraising

The academy trust does not work with commercial participators or professional fundraisers and does not engage third parties to undertake fundraising activities on its behalf.

Should individuals wish to complain about any fundraising activities conducted by the academy trust, they should follow the complaints or whistleblowing policy as appropriate.

EMPLOYEE CONSULTATION AND DISABLED EMPLOYEES

The academy trust encourages the involvement of its employees in its management through the regular meetings and for receiving their views on important matters of policy.

The academy trust will employ disabled persons when they are suitable for a particular vacancy and every effort is made to ensure that they are given full and fair consideration when such vacancies arise.

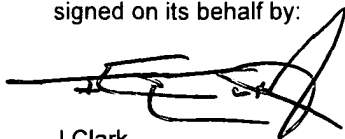
AUDITOR

RSM UK Audit LLP has indicated its willingness to continue in office.

Statement as to disclosure of information to auditor

The trustees have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the trustees have confirmed that they have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

The trustees' report is approved by order of the board of trustees and the strategic report (included therein) is approved by the board of trustees in their capacity as the directors at a meeting on 05 December 2018 and signed on its behalf by:



J Clark
Chair

SMART MULTI ACADEMY TRUST

GOVERNANCE STATEMENT

Scope of responsibility

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

The board of trustees has delegated the day-to-day responsibility to the Chief Executive Officer, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between SMART Multi Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the trustees' report and in the statement of trustees' responsibilities. The board of trustees has formally met 7 times during the year for full Board meetings. Attendance during the year at meetings of the board of trustees was as follows:

Trustees	Meetings attended	Out of possible
J Clark (Chair)	4	7
Dr H Roberts (Vice Chair)	7	7
J Corlett (Accounting officer) (Resigned 30 September 2018)	5	7
M Leddy	5	7
R Cleary (Resigned 12 September 2017)	1	1
S Hayes (Resigned 12 September 2017)	1	1
K Held (Resigned 17 September 2017)	1	1
A Hodge (Resigned 13 October 2018)	5	7
S Taylor (Appointed 25 September 2017 and resigned 10 October 2018)	6	6
J Teulon (Appointed 17 October 2017 and resigned 16 July 2018)	4	6
G Caleary (Appointed 9 February 2018 and resigned 9 October 2018)	4	5
C A Christie (Appointed 23 October 2018)	0	0
D Piggett (Appointed 21 November 2018)	0	0
E Morrison (Appointed 21 November 2018)	0	0
J Quinn (Appointed 21 November 2018)	0	0
S A Berwick (Appointed 21 November 2018)	0	0

Our review of Board Membership, and hence resignation of staff governors, was triggered by the changes to the Academies Financial Handbook 2017. This stipulates that "whilst the model articles give the members the decision on whether to appoint the trust's senior executive leader as a trustee, the Department's strong preference is for no other employees to serve as trustees in order to retain clear lines of accountability through the senior leader".

Governance reviews

The board of trustees has established during the year the importance of ensuring that the correct skills, experience and expertise are available for the effective management, financial monitoring and control of the academy trust. Following on from the revised Academies Financial Handbook 2018 the Chair of the board of trustees has sought to align the governance structure to ensure that there are clear lines of accountability; and that no employees are serving on the board of trustees. This resulted in the resignation of the two staff governors. The Members working with the Chair and Vice Chair of Trustees and the Ambassadors Programme have successfully recruited a strong new set of Trustees with the same range of skills as the outgoing trustees. The revised board will be fully operational from the beginning of December 2018. A programme of induction has been completed by each new trustee.

SMART MULTI ACADEMY TRUST

GOVERNANCE STATEMENT (CONTINUED)

The finance and audit committee is a sub-committee of the main board of trustees. Its purpose is to approve and monitor the budget, approve purchases as per the agreed limits and to advise on the appointment of internal assurance and external audit.

Attendance at meetings in the year was as follows:

Trustees	Meetings attended	Out of possible
J Clark (Chair)	3	3
Dr H Roberts (Vice Chair)	3	3
M Leddy	3	3
A Hodge (Resigned 13 October 2018)	3	3
S Taylor (Appointed 25 September 2017 and resigned 10 October 2018)	2	3

Review of value for money

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

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

Within SMART Multi Academy Trust, we believe that effective delivery for money extends beyond specific procurement exercises, and we have endeavoured to deliver good value for money through:

- Reviewing that the level of our top-slice contribution is kept to the minimum necessary to deliver the essential central functions of a Multi Academy Trust, thus ensuring that the maximum resources are available to deliver high quality teaching and learning in our schools;
- Encouraging our schools to deploy benchmarking data to inform the spending decisions taken within the annual budget setting round;
- Supporting schools in the annual budget setting process to ensure that the resource setting aligns with the strategic objectives of the school and the academy trust; and
- Pursuing procurement exercises to secure better value for money – both in the central budget and taking advantage of our purchasing power across the academy trust.

Specifically within 2017-18, we have:

- Operated with a top slice contribution of 5% meeting the first objective set out above.
- Undertaken central procurement exercises and reviewed the Sickness Absence arrangements across the academy trust to reduce our expenditure base.

The academy trust recognises the importance of enhancing Value for Money and in 2018-19 we plan to provide schools with robust in-house benchmarking information, and to extend the range of contracts operated on an academy trust wide basis working collaboratively with our school leaders.

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 SMART Multi Academy Trust for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

SMART MULTI ACADEMY TRUST

GOVERNANCE STATEMENT (CONTINUED)

Capacity to handle risk

The board of trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period 1 September 2017 to 31 August 2018 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 audit 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;
- identification and management of risks.

The board of trustees has considered the need for a specific internal audit function and has decided:

- not to appoint an internal auditor. However the trustees have appointed RSM Risk Assurance Services LLP, as a reviewer, to perform additional checks.

The reviewer's role includes 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 current period included:

- Cash and bank; and
- Pupil premium.

The board of trustees has appointed RSM Risk Assurance Services LLP to carry out a full compliance review in 2018-19 and intends to re-tender at the end of 2018-19 for a full internal audit service covering key risks agreed by the Board on a rotational basis.

The reviewer reports to the board of trustees through the finance and audit committee on the operation of the systems of control and on the discharge of the financial responsibilities of the board of trustees.

The reviewer has delivered their schedule of work as planned and no material control issues have arisen as a result of their work.

Review of effectiveness

As accounting officer, the CEO 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 reviewer;
- 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.

SMART MULTI ACADEMY TRUST

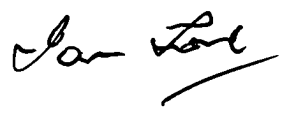
GOVERNANCE STATEMENT (CONTINUED)

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the finance and audit committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the board of trustees on 05 December 2018 and signed on its behalf by:



J Clark
Chair



I Lane
Accounting Officer

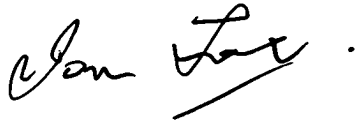
SMART MULTI ACADEMY TRUST

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

As accounting officer of SMART Multi Academy 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 Academies Financial Handbook 2017.

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 Academies Financial Handbook 2017.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the board of trustees and ESFA.



I Lane
Accounting Officer

05 December 2018

SMART MULTI ACADEMY TRUST

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees (who are also the directors of SMART Multi Academy Trust for the purposes of company law) are responsible for preparing the trustees' report (including the strategic report) and the financial statements in accordance with the Annual Accounts Direction issued 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 financial statements for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the trustees are required to:

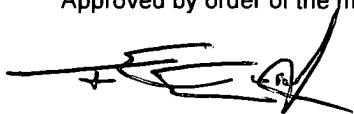
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

The trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring 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 financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the board of trustees on 05 December 2018 and signed on its behalf by:



J Clark
Chair

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SMART MULTI ACADEMY TRUST

Opinion

We have audited the financial statements of SMART Multi Academy Trust (the "charitable company") for the year ended 31 August 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and the Academies: Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

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 financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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 which includes the Directors' Report and the Strategic Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and the Strategic Report included within the Trustees' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SMART MULTI ACADEMY TRUST (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report or the Strategic Report included within the Trustees' 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 financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 14, the trustees (who act as trustees for the charitable activities of the charitable company are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company'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 to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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.

RSM UK Audit LLP

Lucy Robson (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
1 St. James' Gate
Newcastle upon Tyne
NE1 4AD
...10.12.18.....

SMART MULTI ACADEMY TRUST

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2018

		Unrestricted Funds	Restricted General Funds	Restricted Fixed asset Funds	Total 2018	Total 2017
	Notes	£	£	£	£	£
Income and endowments from:						
Donations and capital grants	3	1,705	2,000	476,528	480,233	302,769
Donations - transfer from local authority on conversion	28	-	-	-	-	5,381,758
Charitable activities:						
- Funding for educational operations	4	213,751	11,641,538	-	11,855,289	10,013,075
Other trading activities	5	145,046	-	-	145,046	143,778
Investments	6	1,164	-	-	1,164	749
Total		361,666	11,643,538	476,528	12,481,732	15,842,129
Expenditure on:						
Raising funds	7	148,980	-	-	148,980	143,778
Charitable activities:						
- Educational operations	8	184,608	12,102,685	257,684	12,544,977	10,062,741
Total	7	333,588	12,102,685	257,684	12,693,957	10,206,519
Net income/(expenditure)		28,078	(459,147)	218,844	(212,225)	5,635,610
Transfers between funds	20	-	(2,509)	2,509	-	-
Other recognised gains/(losses)						
Actuarial gains on defined benefit pension schemes	26	-	802,000	-	802,000	45,000
Net movement in funds		28,078	340,344	221,353	589,775	5,680,610
Reconciliation of funds						
Total funds brought forward		665,754	(3,243,732)	8,258,588	5,680,610	-
Total funds carried forward		693,832	(2,903,388)	8,479,941	6,270,385	5,680,610

SMART MULTI ACADEMY TRUST**BALANCE SHEET****AS AT 31 AUGUST 2018**

		2018		2017	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	13		34,162		44,950
Tangible assets	14		8,350,152		8,194,899
			<u>8,384,314</u>		<u>8,239,849</u>
Current assets					
Debtors	15	516,532		648,101	
Cash at bank and in hand		1,355,760		2,427,315	
		<u>1,872,292</u>		<u>3,075,416</u>	
Current liabilities					
Creditors: amounts falling due within one year	16	(660,721)		(1,879,655)	
Net current assets			<u>1,211,571</u>		<u>1,195,761</u>
Total assets less current liabilities			<u>9,595,885</u>		<u>9,435,610</u>
Creditors: amounts falling due after more than one year	17		(24,500)		-
Net assets excluding pension liability			<u>9,571,385</u>		<u>9,435,610</u>
Defined benefit pension scheme liability	26		(3,301,000)		(3,755,000)
Net assets			<u><u>6,270,385</u></u>		<u><u>5,680,610</u></u>
Funds of the academy trust:					
Restricted funds	20				
- Restricted fixed asset funds			8,479,941		8,258,588
- Restricted income funds			397,612		511,268
- Pension reserve			(3,301,000)		(3,755,000)
Total restricted funds			<u>5,576,553</u>		<u>5,014,856</u>
Unrestricted income funds	20		<u>693,832</u>		<u>665,754</u>
Total funds			<u><u>6,270,385</u></u>		<u><u>5,680,610</u></u>

The financial statements on pages 17 to 43 were approved by the board of trustees and authorised for issue on 05 December 2018 and are signed on their behalf by:



J Clark
Chair

SMART MULTI ACADEMY TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Net cash (used in)/provided by operating activities	24	(1,175,098)		1,667,433	
Cash funds transferred on conversion		-		813,934	
		<u>(1,175,098)</u>		<u>2,481,367</u>	
Cash flows from investing activities					
Dividends, interest and rents from investments		1,164		749	
Capital grants from DfE Group		476,528		276,919	
Purchase of intangible fixed assets		-		(53,941)	
Purchase of tangible fixed assets		<u>(402,149)</u>		<u>(277,779)</u>	
Net cash provided by/(used in) investing activities			75,543		(54,052)
Cash flows from financing activities					
New other loan		<u>28,000</u>		<u>-</u>	
Net cash provided by/(used in) financing activities			28,000		-
Net (decrease)/increase in cash and cash equivalents in the reporting period			<u>(1,071,555)</u>		<u>2,427,315</u>
Cash and cash equivalents at beginning of the year			2,427,315		-
Cash and cash equivalents at end of the year			<u><u>1,355,760</u></u>		<u><u>2,427,315</u></u>

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies

General information

SMART Multi Academy 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.

Basis of preparation

The financial statements of the academy trust 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 financial statements 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 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006. The academy trust is a public benefit entity under FRS 102 and has therefore applied the relevant public benefit requirements of FRS 102.

The financial statements are presented in sterling which is also the functional currency of the academy trust.

Monetary amounts in these financial statements are rounded to the nearest whole £1, except where otherwise indicated.

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 financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Conversion to an academy trust - prior year

The conversion from a state maintained school to an academy trust in the prior year involved the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration. The substance of the transfer is that of a gift and it has been accounted for on that basis as set out below.

The assets and liabilities transferred on conversion from Wyndham Primary School, Stocksfield Avenue Primary School, Farne Primary School, Cheviot Primary School, Mountfield Primary School, Kenton Bar Primary School, Kingston Park Primary School and North Fawdon Primary School to the academy trust have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in Donations – transfer from local authority on conversion in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

The schools buildings have been recognised at their fair value on conversion. The fair value of the buildings acquired was £7,840,862. Further details of the transaction are set out in note 28.

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.

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies (Continued)

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.

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.

Other income

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

Expenditure

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

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges 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 to further its charitable aims for the benefit of the beneficiaries, including support costs and costs relating to the governance of the academy trust apportioned to charitable activities.

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies (Continued)

Intangible fixed assets and amortisation

Intangible assets costing £1,000 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment. Amortisation is provided on intangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Computer software	20% straight line
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Tangible fixed assets and depreciation

Computer equipment costing £150 or more, and other 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. Subsequent costs are capitalised only when it is probable that such costs will generate future economic benefits. All other costs of repairs and maintenance are charged to the statement of financial activities as incurred.

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, so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Freehold buildings	2% straight line
Computer equipment	33% straight line
Fixtures, fittings and equipment	20% straight line

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

Liabilities

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

Salix loan

The academy trust has a nil interest Salix loan which has been agreed by the ESFA. The loan is recognised at the loan amount received less any amounts repaid. At the year end, the outstanding balance on the loan was recognised as a liability.

Leased assets

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

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies (Continued)

Financial instruments

The academy trust has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the academy trust becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an agreement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flow expire or are settled, or substantially all the risks and the rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Taxation

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

Pensions benefits

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'), which are multi-employer defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a projected unit method. The TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers consequently there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions are recognised in the period to which they relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies (Continued)

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 reporting date. The amounts charged to net income 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.

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 Education and Skills Funding Agency/Department for Education.

PFI

The academy trust occupies buildings under a PFI arrangement. The academy trust pays contributions in respect of facilities management. The academy trust does not have any rights or obligations of ownership in respect of these assets, and therefore they are not included on the academy trust's balance sheet. The academy trust's payment for service is recognised in the SoFA.

Where the academy trust procures and pays for additional furniture or equipment, the costs are capitalised and depreciated in accordance with the tangible fixed assets policy.

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 26, 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 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. 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.

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

3 Donations and capital grants

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Capital grants	-	476,528	476,528	276,919
Other donations	1,705	2,000	3,705	25,850
	<u>1,705</u>	<u>478,528</u>	<u>480,233</u>	<u>302,769</u>

The income from donations and capital grants was £480,233 (2017: £302,769) of which £1,705 was unrestricted (2017: £20,878), £2,000 was restricted (2017: £4,972) and £476,528 was restricted fixed assets (2017: £276,919).

4 Funding for the academy trust's educational operations

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
DfE / ESFA grants				
General annual grant (GAG)	-	8,760,679	8,760,679	7,268,889
Other DfE/ESFA group grants	-	1,747,705	1,747,705	2,145,505
	<u>-</u>	<u>10,508,384</u>	<u>10,508,384</u>	<u>9,414,394</u>
Other government grants				
Local authority grants	-	1,133,154	1,133,154	377,649
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other incoming resources	213,751	-	213,751	221,032
	<u>213,751</u>	<u>11,641,538</u>	<u>11,855,289</u>	<u>10,013,075</u>

The income from funding for educational operations was £11,855,289 (2017: £10,013,075) of which £213,751 was unrestricted (2017: £221,032) and £11,641,538 was restricted (2017: £9,792,043).

Early Years Funding is included in local authority grants in 2018 (in other DfE/ESFA group grants in 2017) as it is now received from the local authority.

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

5 Other trading activities

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Hire of facilities	18,415	-	18,415	25,427
Staff services	23,293	-	23,293	48,566
Other income	103,338	-	103,338	69,785
	<u>145,046</u>	<u>-</u>	<u>145,046</u>	<u>143,778</u>

The income from other trading activities was £145,046 (2017: £143,778) of which £145,046 was unrestricted (2017: £143,778).

6 Investment income

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Interest from short term deposits	<u>1,164</u>	<u>-</u>	<u>1,164</u>	<u>749</u>

The income from funding for investment income was £1,164 (2017: £749) of which £1,164 was unrestricted (2017: £749).

7 Expenditure

	Staff costs £	Non Pay Expenditure Premises Other £ £		Total 2018 £	Total 2017 £
Expenditure on raising funds					
- Direct costs	-	-	148,980	148,980	143,778
Academy's educational operations					
- Direct costs	7,929,398	257,684	687,477	8,874,559	7,306,743
- Allocated support costs	1,753,298	818,650	1,098,470	3,670,418	2,755,998
Total support costs	<u>9,682,696</u>	<u>1,076,334</u>	<u>1,934,927</u>	<u>12,693,957</u>	<u>10,206,519</u>

The expenditure on raising funds was £148,980 (2017: £143,778) of which £148,980 was unrestricted (2017: £143,778).

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

7 Expenditure (Continued)

Net income/(expenditure) for the year includes:	2018 £	2017 £
Operating lease rentals	173,825	95,176
Depreciation of tangible fixed assets	246,896	191,704
Amortisation of intangible fixed assets	10,788	8,991
Net interest on defined benefit pension liability	86,000	76,000
Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:		
- Audit	20,500	20,500
- Other services	7,500	7,500

8 Charitable activities

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Direct costs				
Educational operations	95,229	8,779,330	8,874,559	7,306,743
Support costs				
Educational operations	89,379	3,581,039	3,670,418	2,755,998
	<u>184,608</u>	<u>12,360,369</u>	<u>12,544,977</u>	<u>10,062,741</u>

The expenditure on educational operations was £12,544,977 (2017: £10,062,741) of which £184,608 was unrestricted (2017: £390,839), £12,102,685 was restricted (2017: £9,471,207) and £257,684 was restricted fixed assets (2017: £200,695).

	2018 £	2017 £
Analysis of support costs		
Support staff costs	1,753,298	1,300,139
Technology costs	153,460	94,646
Premises costs	818,650	530,740
Other support costs	849,620	651,437
Governance costs	95,390	179,036
	<u>3,670,418</u>	<u>2,755,998</u>

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

9 Staff

Staff costs

Staff costs during the year were:

	2018 £	2017 £
Wages and salaries	7,190,154	5,936,917
Social security costs	639,813	531,464
Pension costs	1,608,321	1,234,625
Staff costs	9,438,288	7,703,006
Agency staff costs	200,838	157,392
Staff restructuring costs	25,095	44,900
Staff development and other staff costs	18,475	5,638
Total staff expenditure	9,682,696	7,910,936

Staff restructuring costs comprise:

Contractual settlement payments	16,577	-
Severance payments	8,518	44,900
	25,095	44,900

Non statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £8,518 (2017: £44,900). Individually, the payment was £8,518 made on 13 July 2018.

Staff numbers

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

	2018 Number	2017 Number
Teachers	126	133
Administration and support	251	265
Management	3	3
	380	401

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

9 Staff (Continued)

Higher paid staff

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

	2018 Number	2017 Number
£60,001 - £70,000	-	5
£70,001 - £80,000	4	1
£80,001 - £90,000	1	1
£90,001 - £100,000	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 employee benefits (including employer pension contributions and employer national insurance) received by key management personnel for their services to the academy trust during the period was £808,958 (2017: £702,516 for the 10 month period).

10 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 following basis:

- 5% of GAG income (excluding high needs funding).

The amounts charged during the year were as follows:

	2018 £	2017 £
Wyndham Primary School	44,221	30,151
Stocksfield Avenue Primary School	84,428	55,453
Farne Primary School	51,322	32,534
Cheviot Primary School	49,486	30,804
Mountfield Primary School	47,264	29,815
Kenton Bar Primary School	66,018	38,211
Kingston Park Primary School	73,531	49,026
North Fawdon Primary School	41,104	24,726
	<u>457,374</u>	<u>290,720</u>

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

11 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 headteacher and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of headteacher 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:

J Corlett (former accounting officer) received remuneration during the period of £94,435 (2017: £77,917 for the 10 month period) and pension contributions of £22,088 (2017: £18,388 for the 10 month period) were paid by the academy trust.

S Hayes (former staff governor) resigned 12 September 2018. In 2017 they received remuneration of £65,000 - £70,000 and pension contributions paid by the academy trust in the period of £10,000 - £15,000.

R Clearly (former staff governor) resigned 12 September 2018. In 2017 they received remuneration of £45,000 - £50,000 and pension contributions paid by the academy trust in the period of £5,000 - £10,000.

During the period ended 31 August 2018, travel and subsistence expenses totalling £284 (2017: £850) were reimbursed or paid directly to 1 trustee (2017: 1).

12 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.

13 Intangible fixed assets

	Computer software £
Cost	
At 1 September 2017 and at 31 August 2018	53,941
Amortisation	
At 1 September 2017	8,991
Charge for year	10,788
At 31 August 2018	19,779
Carrying amount	
At 31 August 2018	34,162
At 31 August 2017	44,950

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

14 Tangible fixed assets

	Freehold buildings	Computer equipment	Fixtures, fittings and equipment	Total
	£	£	£	£
Cost				
At 1 September 2017	8,076,525	132,298	177,780	8,386,603
Additions	335,754	63,595	2,800	402,149
At 31 August 2018	8,412,279	195,893	180,580	8,788,752
Depreciation				
At 1 September 2017	131,467	35,957	24,280	191,704
Charge for the year	161,776	49,563	35,557	246,896
At 31 August 2018	293,243	85,520	59,837	438,600
Net book value				
At 31 August 2018	8,119,036	110,373	120,743	8,350,152
At 31 August 2017	7,945,058	96,341	153,500	8,194,899

15 Debtors

	2018 £	2017 £
Trade debtors	1,244	14,354
VAT recoverable	204,205	238,657
Prepayments and accrued income	311,083	395,090
	516,532	648,101

16 Creditors: amounts falling due within one year

	2018 £	2017 £
Other loans	3,500	-
Trade creditors	1,259	374,098
Other taxation and social security	155,780	157,242
Other creditors	166,904	473,200
Accruals and deferred income (see note 18)	333,278	875,115
	660,721	1,879,655

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

17 Creditors: amounts falling due after more than one year	2018 £	2017 £
Other loans	24,500	-
Analysis of loans		
Not wholly repayable within five years other than by instalments:	28,000	-
Less: included in current liabilities	(3,500)	-
Amounts included above	24,500	-
Instalments not due within five years	10,500	-
Loan maturity		
Debt due in one year or less	3,500	-
Due in more than one year but not more than two years	3,500	-
Due in more than two years but not more than five years	10,500	-
Due in more than five years	10,500	-
	28,000	-

Other loans include a loan of £28,000 from Salix. The loan is repayable in annual instalments of £3,500 over 8 years.

18 Deferred income	2018 £	2017 £
Deferred income is included within:		
Creditors due within one year	271,739	726,978
Deferred income at 1 September 2017	726,978	-
Released from previous years	(726,978)	-
Resources deferred in the year	271,739	726,978
Deferred income at 31 August 2018	271,739	726,978

At the reporting date, the academy trust was holding funds received in advance for early years funding, universal infant free school meals, school trips and rates relief.

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

19 Financial instruments

	2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	206,397	235,085
Carrying amount of financial liabilities		
Measured at amortised cost	257,702	995,435

20 Funds

	Balance at 1 September 2017 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2018 £
Restricted general funds					
General Annual Grant (GAG)	511,268	8,760,679	(8,871,826)	(2,509)	397,612
Other DfE / ESFA grants	-	1,747,705	(1,747,705)	-	-
Other government grants	-	1,133,154	(1,133,154)	-	-
Other restricted funds	-	2,000	(2,000)	-	-
Pension reserve	(3,755,000)	-	(348,000)	802,000	(3,301,000)
	<u>(3,243,732)</u>	<u>11,643,538</u>	<u>(12,102,685)</u>	<u>799,491</u>	<u>(2,903,388)</u>
Restricted fixed asset funds					
Transfer on conversion	7,919,604	-	(227,062)	-	7,692,542
DfE group capital grants	274,922	476,528	(18,354)	-	733,096
Capital expenditure from GAG	64,062	-	(12,268)	2,509	54,303
	<u>8,258,588</u>	<u>476,528</u>	<u>(257,684)</u>	<u>2,509</u>	<u>8,479,941</u>
Total restricted funds	<u>5,014,856</u>	<u>12,120,066</u>	<u>(12,360,369)</u>	<u>802,000</u>	<u>5,576,553</u>
Unrestricted funds					
General funds	665,754	361,666	(333,588)	-	693,832
Total funds	<u>5,680,610</u>	<u>12,481,732</u>	<u>(12,693,957)</u>	<u>802,000</u>	<u>6,270,385</u>

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

20 Funds (Continued)

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

General Annual Grant

General Annual Grant must be used for the normal running costs of the academy trust. 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 2018.

Other DfE/ESFA grants

Other DfE/ESFA grants comprise pupil premium targeted at disadvantaged pupils, free school meals income and other grants.

Other government grants

Other government grants include high needs funding, 2 year old grant income and Early Years funding.

Other restricted funds

Other restricted funds include funds given for a specific purpose.

Pension reserve

The costs and income associated with the defined benefit pension scheme have been recorded in the restricted fund. The pension reserve is the liability due to the deficit on the Local Government Pension Scheme. Further details are shown in note 26.

Transferred on conversion

Transferred on conversion include the buildings of the academy trust. Depreciation will be charged to the fund over the life of the related assets.

DfE/ESFA group capital grants

Capital grants have been received for utilisation on building improvements and refurbishments. Costs incurred have been charged to the fund.

Capital expenditure from GAG

This represents the total capital expenditure from the GAG. Depreciation will be charged to the fund over the life of the related assets.

Unrestricted funds

General funds can be used for any purpose, at the discretion of the trustees, within the objectives of the academy trust.

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

20 Funds (Continued)

Funds prior year

	Balance at 29 June 2016 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2017 £
Restricted general funds					
General Annual Grant (GAG)	-	7,268,889	(6,684,081)	(73,540)	511,268
Other DfE / ESFA grants	-	2,145,505	(2,145,505)	-	-
Other government grants	-	377,649	(377,649)	-	-
Other restricted funds	-	4,972	(4,972)	-	-
Pension reserve	-	(3,541,000)	(259,000)	45,000	(3,755,000)
	-	6,256,015	(9,471,207)	(28,540)	(3,243,732)
Restricted fixed asset funds					
Transfer on conversion	-	8,108,824	(189,220)	-	7,919,604
DfE group capital grants	-	276,919	(1,997)	-	274,922
Capital expenditure from GAG	-	-	(9,478)	73,540	64,062
	-	8,385,743	(200,695)	73,540	8,258,588
Total restricted funds	-	14,641,758	(9,671,902)	45,000	5,014,856
Unrestricted funds					
General funds	-	1,200,371	(534,617)	-	665,754
Total funds	-	15,842,129	(10,206,519)	45,000	5,680,610

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

20 Funds (Continued)

Total funds analysis by academy

	2018 £	2017 £
Fund balances at 31 August 2018 were allocated as follows:		
Wyndham Primary School	99,812	131,382
Stocksfield Avenue Primary School	359,007	415,115
Farne Primary School	67,324	86,995
Cheviot Primary School	232,865	209,208
Mountfield Primary School	94,593	93,471
Kenton Bar Primary School	94,068	58,106
Kingston Park Primary School	116,063	149,760
North Fawdon Primary School	46,745	28,667
Central services	(19,033)	4,318
Total before fixed assets fund and pension reserve	1,091,444	1,177,022
Restricted fixed asset fund	8,479,941	8,258,588
Pension reserve	(3,301,000)	(3,755,000)
Total funds	6,270,385	5,680,610

Total cost analysis by academy

Expenditure incurred by each academy (excluding depreciation / amortisation and LGPS deficit charge) during the year was as follows:

	Teaching and educational support staff £	Other support staff costs excluding pension deficit charge £	Educational supplies £	Other costs excluding depreciation and amortisation £	Total 2018 £	Total 2017 £
Wyndham Primary School	719,285	103,706	86,861	168,273	1,078,125	846,216
Stocksfield Avenue Primary School	1,345,947	144,049	101,754	397,735	1,989,485	1,579,193
Farne Primary School	829,711	131,518	82,526	156,179	1,199,934	1,016,891
Cheviot Primary School	990,693	147,715	79,073	226,160	1,443,641	1,060,784
Mountfield Primary School	782,625	74,431	78,043	219,581	1,154,680	973,072
Kenton Bar Primary School	1,159,542	125,360	81,667	229,305	1,595,874	1,268,550
Kingston Park Primary School	1,377,162	216,451	102,349	279,216	1,975,178	1,648,096
North Fawdon Primary School	724,433	139,372	80,630	151,032	1,095,467	909,368
Central services	-	408,696	17,867	129,226	555,789	444,654
	7,929,398	1,491,298	710,770	1,956,707	12,088,173	9,746,824

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

21 Analysis of net assets between funds

	Unrestricted Funds	Restricted General Funds	Restricted Fixed Asset Funds	Total Funds
	£	£	£	£
Fund balances at 31 August 2018 are represented by:				
Intangible fixed assets	-	-	34,162	34,162
Tangible fixed assets	-	-	8,350,152	8,350,152
Current assets	694,510	1,054,155	123,627	1,872,292
Creditors falling due within one year	(678)	(656,543)	(3,500)	(660,721)
Creditors falling due after one year	-	-	(24,500)	(24,500)
Defined benefit pension liability	-	(3,301,000)	-	(3,301,000)
Total net assets	693,832	(2,903,388)	8,479,941	6,270,385

	Unrestricted Funds	Restricted funds: General	Fixed asset	Total Funds
	£	£	£	£
Fund balances at 31 August 2017 are represented by:				
Intangible fixed assets	-	-	44,950	44,950
Tangible fixed assets	-	-	8,194,899	8,194,899
Current assets	706,080	2,350,597	18,739	3,075,416
Creditors falling due within one year	(40,326)	(1,839,329)	-	(1,879,655)
Defined benefit pension liability	-	(3,755,000)	-	(3,755,000)
Total net assets	665,754	(3,243,732)	8,258,588	5,680,610

22 Capital commitments

	2018 £	2017 £
Expenditure contracted for but not provided in the financial statements	117,806	-

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

23 Commitments under operating leases

At 31 August 2018 the total of the academy trust's future minimum lease payments under non-cancellable operating leases was:

	2018 £	2017 £
Amounts due within one year	184,063	112,696
Amounts due between one and five years	689,366	414,401
Amounts due after five years	1,707,240	1,134,012
	<u>2,580,669</u>	<u>1,661,109</u>

24 Reconciliation of net (expenditure)/income to net cash flow from operating activities

	2018 £	2017 £
Net (expenditure)/income for the reporting period (as per the Statement of Financial Activities)	(212,225)	5,635,610
Adjusted for:		
Net surplus on conversion to academy	-	(5,381,758)
Capital grants from DfE/ESFA and other capital income	(476,528)	(276,919)
Interest receivable	(1,164)	(749)
Defined benefit pension scheme cost less contributions payable	262,000	183,000
Defined benefit pension scheme finance cost	86,000	76,000
Depreciation of tangible fixed assets	246,896	191,704
Amortisation of intangible fixed assets	10,788	8,991
Movements in working capital:		
Decrease/(increase) in debtors	131,569	(648,101)
(Decrease)/increase in creditors	(1,222,434)	1,879,655
Net cash (used in)/provided by operating activities	<u>(1,175,098)</u>	<u>1,667,433</u>

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.

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

26 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 Newcastle City Council. Both are multi-employer defined benefit schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012, and of the LGPS 31 March 2016.

Contributions amounting to £159,831 (2017: £153,489) were payable to the schemes at 31 August 2018 and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions 2014.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis - these contributions along with those made by employers are credited to the Exchequer.

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. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published in June 2014.

The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%))
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2.0% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%

The TPS valuation for 2012 determined an employer rate of 16.48% (including a 0.08% administration fee), which was payable from September 2015. The next valuation of the TPS is currently underway based on March 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to the TPS in the period amounted to £700,321 (2017: £590,625).

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme as a defined benefit plan so it is accounted for as a defined contribution plan.

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

26 Pension and similar obligations (Continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit 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 16.7% for employers and 5.5% to 12.5% for employees.

The LGPS obligation relates to the employees of the academy trust who were employees transferred as part of the conversion from the maintained school (as described in note 28) together with new employees who joined the scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy trust at the balance sheet date.

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

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ('GMP') equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2018) outcome of the Government Consultation 'Indexation and Equalisation of GMP in Public Sector Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

Total contributions made	2018 £	2017 £
Employer's contributions	646,000	461,000
Employees' contributions	156,000	120,000
Total contributions	802,000	581,000

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 August 2018 by a qualified independent actuary.

	2018 %	2017 %
Rate of increase in salaries	3.5	3.5
Rate of increase for pensions in payment/inflation	2.0	2.0
Discount rate for scheme liabilities	2.8	2.5
Inflation assumption (CPI)	2.0	2.0

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

26 Pension and similar obligations (Continued)

The assumed life expectations on retirement age 65 are:

	2018 Years	2017 Years
Retiring today		
- Males	22.9	22.8
- Females	26.4	26.3
Retiring in 20 years		
- Males	25.1	25.0
- Females	28.7	28.6

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

	2018 Fair value £	2017 Fair value £
Equities	3,206,000	2,438,000
Bonds	190,000	144,000
Corporate bonds	532,000	424,000
Cash	105,000	144,000
Property	404,000	332,000
Other assets	313,000	206,000
Total fair value of assets	4,750,000	3,688,000

The actual return on scheme assets was £282,000 (2017: £313,000).

Amount recognised in the Statement of Financial Activities

	2018 £	2017 £
Current service cost	908,000	644,000
Net interest cost	86,000	76,000
Total operating charge	994,000	720,000

Changes in the present value of defined benefit obligations

	2018 £
At 1 September 2017	7,443,000
Current service cost	908,000
Interest cost	188,000
Employee contributions	156,000
Actuarial (gain)/loss	(622,000)
Benefits paid	(22,000)
At 31 August 2018	8,051,000

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

26 Pension and similar obligations (Continued)

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

	2018 £
At 1 September 2017	3,688,000
Interest income	102,000
Return on plan assets (excluding net interest on the net defined pension liability)	180,000
Employer contributions	646,000
Employee contributions	156,000
Benefits paid	(22,000)
At 31 August 2018	<u>4,750,000</u>

27 Related party transactions

No related party transactions took place in the period of account other than certain trustees' remuneration and expenses already disclosed in note 11.

28 Conversion to an academy - prior year

On 1 November 2016, Wyndham Primary School, Stocksfield Avenue Primary School, Farne Primary School, Cheviot Primary School, Mountfield Primary School, Kenton Bar Primary School, Kingston Park Primary School and North Fawdon Primary School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to SMART Multi Academy Trust from the Newcastle County Council for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair values and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the Statement of Financial Activities as donations – transfer from local authority on conversion.

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

Academy	Location	Date of conversion
Wyndham Primary School	Newcastle upon Tyne	1 November 2016
Stocksfield Avenue Primary School	Newcastle upon Tyne	1 November 2016
Farne Primary School	Newcastle upon Tyne	1 November 2016
Cheviot Primary School	Newcastle upon Tyne	1 November 2016
Mountfield Primary School	Newcastle upon Tyne	1 November 2016
Kenton Bar Primary School	Newcastle upon Tyne	1 November 2016
Kingston Park Primary School	Newcastle upon Tyne	1 November 2016
North Fawdon Primary School	Newcastle upon Tyne	1 November 2016

SMART MULTI ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

28 Conversion to an academy - prior year (Continued)

	2017 £
Net assets transferred:	
Leasehold land and buildings	7,840,862
Other tangible fixed assets	267,962
Cash	813,934
LGPS pension surplus/(deficit)	(3,541,000)
	<u>5,381,758</u>

	Unrestricted Funds £	Restricted funds: General £	Fixed asset £	Total 2017 £
Funds surplus/(deficit) transferred:				
Fixed assets funds	-	-	8,108,824	8,108,824
LGPS pension funds	-	(3,541,000)	-	(3,541,000)
Other funds	813,934	-	-	813,934
	<u>813,934</u>	<u>(3,541,000)</u>	<u>8,108,824</u>	<u>5,381,758</u>