
THE SALTERNS ACADEMY TRUST
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2018

THE SALTERNS ACADEMY TRUST
(A company limited by guarantee)

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REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 AUGUST 2018

Members

D Giles
M Park
S Taviner

Trustees

A Barrett (appointed 17 January 2018)
C Copeland (appointed 17 January 2018)
A Cree
F Drummond
N Hardingham
P Hayes
S Labeledz
M Mitchell (resigned 17 January 2018)
T Osborne
M Park
M Phillips (appointed 2 May 2018)
M Stratton (resigned 13 September 2018)
S Taviner (resigned 31 December 2017)

Company registered number

08921490

Company name

The Salterns Academy Trust

Principal and registered office

Admiral Lord Nelson School
Dundas Lane
Portsmouth
Hampshire
PO3 5XT

Senior management team

Steven Labeledz, Executive Head Teacher
Roberta Young, HR Director
Nys Hardingham, Head Teacher (Admiral Lord Nelson School)
Chris Doherty, Deputy Head Teacher (Admiral Lord Nelson School)
Matt Hutton, Deputy Head Teacher (Admiral Lord Nelson School)
Stephen Fenner, Assistant Head Teacher (Admiral Lord Nelson School)
Davina Wise, Assistant Head Teacher (Admiral Lord Nelson School)
Claire Copeland, Head Teacher (Trafalgar School)
Gemma Pearse, Deputy Head Teacher (Trafalgar School)
Annika Ghose, Assistant Head Teacher (Trafalgar School)
Alice Raeburn, Assistant Head Teacher (Trafalgar School)

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE TRUST, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2018**

Advisers (continued)

Independent auditors

Hopper Williams & Bell Limited
Statutory Auditor
Highland House
Mayflower Close
Chandlers Ford
Eastleigh
Hampshire
SO53 4AR

Bankers

Lloyds Bank Plc
38 London Road
North End
Portsmouth
PO2 0LR

Solicitors

Stone King LLP
91 Charterhouse Street
London
EC10 6HR

THE SALTERNS ACADEMY TRUST
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2018

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

The Trust operates two academies for students aged 11-16 in the North Island area of Portsmouth. Its academies have a combined student capacity of 2000 growing over time to 2310 and had a roll of 1606 in the school census of October 2017

Structure, Governance and Management

Constitution

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

Details of the trustees who served during the year 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

This is addressed within the Risk Protection Arrangement for academy trusts (RPA) arrangements.

Method of Recruitment and Appointment or Election of Trustees

The Academy Trusts articles and funding agreement detail that the board membership comprises the following:

- The Chief Executive Officer (CEO)
- Up to 7 directors appointed by the trust members. The members entitled to make such appointments in the period are as detailed on page 1 of this report.
- Up to 3 coopted directors appointed by the other directors excluding the other coopted directors. The directors entitled to make such appointments in the period are as detailed on page 1 of this report.
- The Trust chooses not to appoint any parent directors as there are a minimum of 2 parent governors on each school's Local Governing Body (LGB).

The Trust has chosen to appoint the 7 Director Appointee positions using the following criteria:

- 2 Headteachers from Schools within the MAT.
- 2 Chair of Governors from Schools within the MAT (if either of these individuals also qualifies under another criteria the Trust appointed Directors shall select another Governor from the appropriate LGB).
- 3 Independent Directors.

Through its Independent Directors and Coopted Directors the Trust works to maintain a balance of professional and local community input to the Trust board.

The trust process for managing appointees ensures that Trust employees comprise less than 33.3% of the total membership. Terms of Office for Directors are four years, with the exception of the CEO and Headteacher appointments. Additionally chair of LGB directors are appointed on an ex-officio basis so their role as a director of the trust will cease if they leave the employ of the Trust or no longer chair a school LGB.

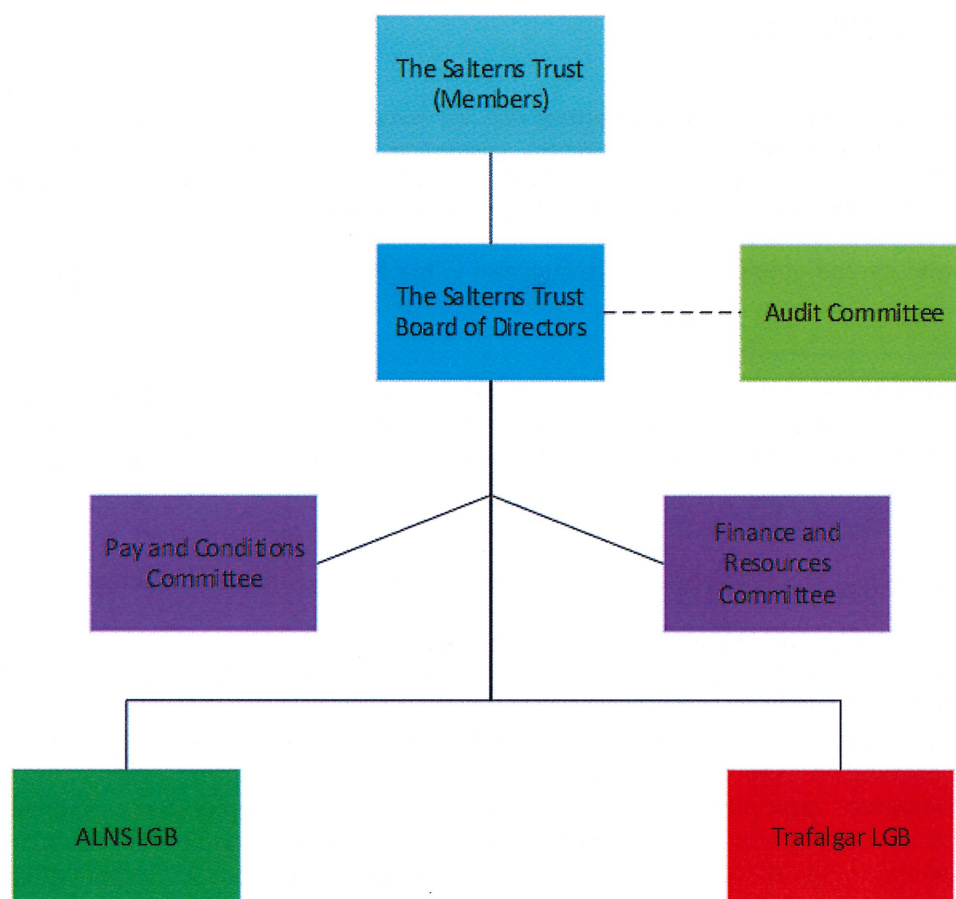
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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Policies and Procedures Adopted for the Induction and Training of Trustees

All Trustee appointments will bring a particular skill set to the Board and will commit to on-going training and development in the role. The Trust will foster links with other Governor associations, being active members of the NGA and subscribing to both Hampshire and Portsmouth's governor training services to ensure Trustees are well informed and up to date.

Organisational Structure



Trust purposes:

- To agree the company accounts
- To undertake all legal requirements
- To develop and deliver the detailed strategy for the Trust
- To manage all statutory policy requirements for the Trust
- To develop Trust finance policies, approving and monitoring school and Trust budgets in accordance with the policy
- To develop Trust curriculum policies, monitoring school deployment of the policies
- To review school improvement plans on a periodic basis
- To be accountable for ensuring that all students in both schools achieve the best possible outcomes
- Foster working relationships with partner schools and other organisations
- To be the responsible body for the Chief Executive Officer who is also the accounting officer

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

The Trust delegates the following to each academy's Local Governing Body (LGB):

- Deployment of Salterns Academy Trust policies and statutory requirements
- Management of delegated policies
- Managing delegation of responsibilities to the Headteachers, SLT and other individuals as detailed in the Trust's Scheme of Delegation documents
- Monitoring and overseeing the quality of Teaching and Learning; Behaviour Safety and Wellbeing; Student Achievement;
- Developing and submitting an annual budget to the Trust Board for approval
- Management of the school within the agreed budget; monitoring the budget and reporting variations to the Board accordingly
- Support The Salterns Academy Trust in meeting Department for Education (DfE) and Education & Skills Funding Agency (ESFA) reporting and other requirements
- Maintenance of the school vision and ethos in line with The Salterns Academy Trust vision and ethos
- Agreeing overall school objectives including the School Improvement Plan
- Overview of all improvement activities
- Specifically monitor the well-being and achievement of disadvantaged students and those with special education needs

The level of delegation to each LGB is determined by the maturity of each school LGB and whether the school is rated as good or better by an external agency. This is continuously reviewed and varied as appropriate.

Arrangements for setting pay and remuneration of key management personnel

The Trust Board has established a Pay and Conditions Committee which makes recommendations to the Board on all aspects of pay for staff, including the pay ranges, pay scales and the proposals for any performance related pay as a result of successful appraisals. This process includes the setting of pay for the CEO, both Headteachers and all other key management personnel, all of which needs to be approved by the Board. Challenge is brought to the appraisal process for the CEO and HT's by using external consultants.

Trade union facility time

Relevant Union Officials

Number of employees who were relevant union officials during the relevant period - 5

Percentage of time spent on facility time

<u>Percentage of time</u>	<u>Number of employees</u>
0%	0
1-50%	5
51-99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time	£1,204
Total pay bill	£7,471,735
Percentage of total pay bill spent on facility time	0.016%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time - 0

Related Parties and other Connected Charities and Organisations

The Salterns Academy Trust is the educational provider for UTC Portsmouth. It holds a place as a Member and the CEO sits on the Board of Trustees. The Trust at this time is not involved in any formal wider networks that impact operating policies. Neither does it have any other connections to charities who are in anyway involved in the working of the Trust or its schools.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Objectives and Activities

Objects and Aims

Salterns Academy Trust wishes to provide an excellent education for all children and young people in each school within the Trust, remaining centred in the heart of its community.

We will achieve this by:

- Keeping children and young people at the heart of everything we do
- Supporting and challenging each school in the Trust on its journey towards excellence in a culture of praise, collaboration, partnership and strong governance
- Ensuring that each school has the highest expectations of its students and staff and supports all of them to reach their potential
- Being accountable for achieving the highest standards for all our students, irrespective of background or challenge
- Recognising the individual needs of each learner, being a truly inclusive Trust and providing pathways to success for all students
- Fostering an ethos of continuous improvement in each school in the Trust

Objectives, Strategies and Activities

In the time frame of this report, the Trust's main objectives were to support the improvements taking place in both schools, while continuing to develop the infrastructure and core function to perform successfully as a Multi-Academy Trust within the geographical context of Portsmouth

Key Strategies:

- to develop formal relationships with UTC Portsmouth to support their development and that of the Trust;
- to ensure that Admiral Lord Nelson School (ALNS) continues its journey to outstanding
- to ensure that Trafalgar School continues on a rapid journey to "good" in its upcoming Ofsted inspection
- to ensure that Trafalgar School continues to grow rapidly
- to ensure that both schools operate within balanced budgets and that Trafalgar School implements a three year strategy to build back its reserve surplus
- to improve internal communication within the Trust so that all stakeholders understand its vision, values and priorities

The Trust's activities are all focused on improving the life chance of the young people within our reach. Educational achievement in Portsmouth is improving but still, on average, lags behind national averages for 16 year olds, with a consequent impact on their future education and employment prospects and their opportunities to be productive, responsible and fulfilled citizens.

ALNS has challenged this trend for many years: achievement is well above average, very few students become "NEET" and well above the Portsmouth average go on to University and pursue commensurate careers. The Trust's activities are geared to providing the appropriate support and challenge for ALNS to continue to improve while, at the same time, bringing this same level of rigour and opportunity to the youngsters at Trafalgar School. Achievement has improved at Trafalgar, especially in the core academic subjects and particularly judged against previous Local Authority (LA) targets and even more ambitious targets and systems have been introduced to boost achievement still further. Ofsted have graded Trafalgar School as "Good" at their inspection in April 2018.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Public Benefit

In setting our objectives and planning our activities the trustees have given careful consideration to the Charity Commission's general guidance on public benefit. We believe that by providing two high achieving schools in our area of Portsmouth we will provide opportunity for the children of local residents to receive an excellent education. This in turn will open doors for them to reach their full potential, thereby benefiting themselves and the wider Portsmouth community.

Strategic Report

Achievements and Performance

The Trust's objectives from the previous year were largely achieved as follows:

UTC Portsmouth

- CEO is an active member of the Board, holding the finance portfolio
- CEO provides advice, support and guidance with DfE, Regional Schools Commissioner (RSC) and ESFA inspections
- Services are provided to UTC under a formal memorandum of understanding

ALNS

- ALNS performance continued to strengthen, particularly in the headline measure of EBACC
- ALNS was recognized for its consistent promoting of the arts by becoming the first school in England to be re-awarded Artsmark platinum
- ALNS gained the International Schools award and became a regional lead school for the British Council
- ALNS students were invited to Downing Street in recognition of their work with UNICEF on Rights Respecting Schools
- Agreement was signed for ALNS to expand to 1250 students with a £4.5m build provided on site.
- Recruitment to the school remained very strong

Trafalgar

- Trafalgar received a very positive report from Ofsted, achieving "Good" at the first possible opportunity for inspection since the Trust took over the running of the school
- Educational performance standards at Trafalgar were in line with predictions and showed gains in the core subjects of English and science
- Trafalgar continued to grow in student numbers starting academic year 2018/19 with 662 students, a total growth so far of nearly 300 students from when school joined the Trust

Finances

- In a very tight financial climate, the Trust has managed to ensure both schools can run successfully but within expected budgets
- The ESFA has agreed to fund the growth at Trafalgar School on actual student numbers, which removes significant uncertainty about the budget for 2018-19
- Trafalgar has continued to build back the Trust reserves which were used to allow it to stay open in 2015/16

Key Performance Indicators (Provisional Data)

KPI	National Figure	ALNS 2018	ALNS 2017	Trafalgar 2018	Trafalgar 2017
4+EM	64%	65%	65%	48%	44%
Progress 8	0	-0.11	-0.08	-0.74	-0.37
Attainment 8	45	45.9	44.7	35.9	37.7
Attendance	94.8%	94%	94.2%	94.5%	94.5%
Student recruitment	n/a	100%	100%	92%	73%

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Financial performance

As detailed elsewhere, the Trust completed the year with a positive net asset balance (excluding restricted pension deficit and restricted fixed asset fund) despite reducing per pupil income due to ongoing Government cut-backs and significant increases in externally-determined costs. The impact of reduced places taken up in Year 7 at Trafalgar and the subsequent Pupil Number Adjustment (PNA) clawback was reduced by the ESFA's decision to fund Trafalgar on actual numbers in 2018-19 and allow PNA to be repaid over 24 months. The Trust is pursuing an extension to the funding mechanism for Trafalgar while also seeking an increase in the Growth Fund allocated to schools given the agreement with Portsmouth City Council to increase the numbers at both schools.

Going Concern

After making appropriate enquiries, the Board of Trustees has a reasonable expectation that the academy trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Financial Review

Salterns Academy Trust has adopted the Academy Financial Management Protocol as the basis for its financial management practices.

General Annual Grant (GAG) from the ESFA constitutes the vast majority of Trust income, together with other central Government payments such as the Pupil Premium Grant and, for capital, the Condition Improvement Fund (CIF) grants. There is subsidiary income from the LA, catering services, lettings of buildings, parental contributions to school trips and events and work that various staff carry out for other organisations.

The Trust operated in 2017-18 by top slicing 3.8% of the GAG funding from each academy and returning any balances to the schools within the trust to be spent on improving the life chances of all the students. Other income is retained by the schools. As the Trust develops its core capabilities the top slice figure may be varied.

The Trust has established a Finance and Resources Committee to oversee financial control and value for money. A trustee with a financial background has been appointed to take the role of chair of this committee and attached director. A separate Audit Committee to oversee internal control and management of risk also exists. ALNS Local Governing Body has delegated authority to recommend and monitor the school budget and Trafalgar School Local Governing Body will assume this role for 2018-19. Financial reports are monitored monthly by the Board and all major financial decisions are referred to the Trust Board Meetings.

Expenditure is targeted against the key Trust objectives and the specific school improvement plans all of which are approved and actively monitored by the Trust. A large proportion of the money is committed to staffing costs, which includes both teachers and support staff. Staffing structures are approved annually and any changes in positions or salaries including the remuneration of all senior staff require Trust approval, through its delegated Pay and Conditions committee. The Trust carries an ongoing liability for the Local Government pension scheme, which is reviewed every three years.

Other expenditure is also targeted, where possible, on improvement objectives and delegated authorities for expenditure are managed in accordance with the Financial Management Protocol.

Benchmarking is regularly carried out for all main lines of expenditure and best value is sought for all contracts and supplies.

The improving achievement and progress figures for both schools is evidence of the impact from this rigorous application of the budget.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Reserves Policy

The Trust has established the principle and agreed that it should work towards carrying a reserve equal to two months expenditure to ensure stability for its academies in a time of continuing funding turbulence. The reserve is required to manage unforeseen circumstances that may arise, such as long-term absence of staff; to support planned resource maintenance and development and is available to bids by an academy for specific improvement work.

The reserves as at 31 August 2018 were as follows:

- Unrestricted (free) reserves of £223,806
- A restricted fixed asset fund of £23,950,850, which can only be realised through disposal of tangible fixed assets
- A pension deficit of £1,887,000
- Total funds of £22,287,656

There is a £1,887,000 deficit in respect of the Local Government Pension Scheme. This will result in increased employers' pension contributions over a period of years. We have reflected the effect of increased pension costs in our future budgets. Increased pension contributions will be met from the academy trust's budgeted annual income, and whilst the deficit might not be eliminated, there should be no actual cash flow deficit on the fund, or direct impact on the free reserves of the academy trust as a result of recognising the deficit.

Investment Policy

The Trust's investment objectives are:

- To achieve the best financial return available whilst ensuring that security of deposits takes preference over revenue maximisation;
- To only invest funds surplus to operational need based on all financial commitments being met without the Academy Bank Account becoming overdrawn
- To exercise care and skill and by complying with this policy, invest only in the best interests of meeting the students' needs.

Principal Risks and Uncertainties

The Trust considers the major risks to which it is exposed to be;

- insufficient numbers of students applying for places in its academies
- further changes to educational funding, particularly a reduced per-pupil element
- issues arising from UTC Portsmouth which has been built on Trust land at the Trafalgar School site.
- failure to recruit quality staff at all levels

The Trust understands that the management of the first risk is best achieved by maintaining and enhancing the reputations of the two academies for delivering excellent education within the city, which is why it focuses its strategic monitoring on school performance.

The Trust has also developed its capability to develop 3 to 5 year budget plans so that it has advance knowledge of potential shortfalls or surpluses and can adjust plans accordingly. The Trust is in regular contact with the ESFA about all financial matters.

The Trust is actively engaged in discussions with the LA about future growth in size of its academies and with UTC Portsmouth about future membership of Salterns Trust.

The Trust is actively involved in the Portsmouth Education Partnership's high profile recruitment and retention strategy and is also part of a national recruitment pilot. The Trust has committed to review the already extensive CPD programmes that are offered in its schools to see if these can be even better tailored for staff.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Fundraising

As part of its work within the wider community, the schools within the academy trust undertake fundraising activities, for example through non-uniform days, cakes sales and sponsored activities. The vast majority of this fundraising is for the purpose of charitable giving which is split between local, national and international charities, including our partner schools in the Gambia. Trust schools undertake all such activities themselves, with the help of their students and families. We can confirm that when fundraising:

- no unsolicited approaches are made to members of the public
- no commercial participators are used
- no regularity schemes or standards are applicable
- no complaints were made to the Trust during the year

Plans for future Periods

The main objectives over the next financial year are:

- continue the performance improvements at ALNS and build on the Ofsted rating of 'Good'
- improve the performance of Trafalgar School having now achieved a "good" Ofsted report
- improve the number of students choosing to attend Trafalgar School
- grow the number of students choosing to attend ALNS
- to make structural changes in both schools to protect students from the new financial realities

Funds held as Custodian Trustee on Behalf of Others

The trust holds no funds as a Custodian Trustee on behalf of others.

Auditor

Insofar as the trustees are aware:

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

The Trustees' Report, incorporating a Strategic Report, was approved by order of the board of trustees, as the company directors on 5 December 2018 and signed on the board's behalf by:



.....
A Cree
Chair of Trustees

THE SALTERNS ACADEMY TRUST
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GOVERNANCE STATEMENT

Scope of Responsibility

As Trustees, we acknowledge we have overall responsibility for ensuring that The Salterns 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 CEO, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Salterns 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 six times during the period. Attendance during the period at meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of a possible
Mark Mitchell, coopted appointee (resigned 17/01/18)	3	3
Scott Taviner, members appointee (resigned 31/12/17)	1	2
Steven Labedz, CEO and Accounting Officer	6	6
Mike Park, members' appointee	4	6
Andy Cree members' appointee	5	6
Paul Hayes members' appointee	5	6
Flick Drummond, coopted appointee	5	6
Amanda Barrett coopted appointee (appointed 17/01/18)	4	4
Maria Phillips coopted appointee (appointed 02/05/18)	1	2
N Hardingham, Headteacher ALNS	5	6
Claire Copeland Headteacher TS (appointed 17/01/18)	4	6
Tania Osborne Chair ALNS	4	6
Matt Stratton Chair TS (resigned 13/09/18)	2	6

The board has been strengthened during the period by the appointment several new Trustees bringing outside knowledge, skills and experience. During the Year, a new Chair was appointed, a new vice-chair bringing corporate education experience, a director who is a qualified accountant, a director with a wealth of political and community experience and a director with a current educational strategic background. All of these new directors bring an independence from either of the schools in the Trust. An external clerk and company secretary has been appointed to commence in September 2018.

Finance Committee

Salterns Trust Board takes full responsibility for the financial management of the Trust. The Finance and Resources Committee ensures that decisions taken in operating the Trust provide full value for money and the highest levels of propriety. The task of recommending and then monitoring the two schools' in-house budgets are delegated to the Local Governing Bodies.

Audit Committee

The Salterns Trust Board has resolved to have an Audit Committee to advise the Board on matters relating to the Trust's audit arrangements, systems of internal control and risk management.

The Committee is responsible to the Board and was separated from the Finance Committee after the December 2017 meeting.

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GOVERNANCE STATEMENT (continued)

Pay and Conditions Committee

The Salterns Trust Board has resolved to have a Pay and Conditions Committee to advise the Board on matters relating to the Trust's staffing organisation and all matters relating to pay and appraisal arrangements.

The Committee is responsible to the Board.

The Committee has delegated powers to determine the pay policy and annual salary for all staff in the Trust and to approve the organisation structure.

Meetings and attendance at these meetings are as follows:

Finance Committee	Meetings Attended	Out of a possible
Andy Cree	3	3
Paul Hayes	2	2
Flick Drummond	3	3
S Labeledz Accounting Officer	3	3
N Hardingham	3	3
Mark Mitchell	1	1
Maria Phillips	2	2
Audit Committee	Meetings Attended	Out of a possible
Andy Cree	2	2
Paul Hayes	2	2
Flick Drummond	2	2
Mike Park	1	2
Steven Labeledz in attendance	2	2
Pay and Conditions Committee	Meetings Attended	Out of a Possible
Andy Cree	1	2
Scott Taviner	1	1
Steven Labeledz	2	2
Nys Hardingham	2	2
Tania Osborne	2	2
Claire Copeland	2	2
Matt Stratton	0	2

Governance reviews:

A Governance review was carried out in partnership with the RSC, advising on composition, structure and modes of function. The Ofsted report at Trafalgar School praised the work of the Trust and identified the key pieces of work by which the LGB which would improve their impact still further.

A thorough overhaul of the Scheme of Delegation was carried out in the summer term, building in the recommendations from the RSC, Ofsted and the new Trustees.

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GOVERNANCE STATEMENT (continued)

Review of Value for Money

As Accounting Officer, the CEO has responsibility for ensuring that the 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 appropriate. The Accounting Officer for the Trust has delivered improved value for money during the year by:

- Continuing to provide a very wide range of educational opportunity for the students at both academies in the Trust while ensuring that achievement continues to improve. The curriculum at both schools has been extended to give a wider choice of pathway for students, which is a major contributor to increased engagement and motivation. This has been achieved using existing staff but deploying them with considerably more efficient timetabling. Two week timetables have been successfully embedded in each academy. Staff restructuring has also ensured that the right people are in the most effective positions to promote student success.
- Benchmarking against the newly DfE-adopted financial led curriculum planning document has shown that the curriculum is relatively efficiently timetabled at both academies and illustrates clearly further steps to be taken.
- Pupil Premium grants have been spent to ensure that we can close the gaps in achievement for disadvantaged students and make sure that they do not miss out on any opportunity.
- Academy freedoms have continued to give us the mechanisms to locate the best available deals to pay for non-staffing costs, and, as we reached the end of more LA originated contracts, we were able to release more money back into the education of students.
- Careful reinvestment of community income is ensuring that our facilities remain outstanding for our students as well as the community.
- Two further CIF bids have brought a further £2.5 million capital investment into the Trust's buildings
- The Trust has continued the process of overhauling all of its central functions looking for the value for money that economies of scale can bring. The Trust's central team has reduced in size to provide greater efficiency and now comprises, the CEO, an HR Director and assistant, a Finance Manager and a finance team to join the previously shared network manager.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Salterns Academy Trust for the year 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

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GOVERNANCE STATEMENT (continued)

Capacity to Handle Risk

The board of trustees has reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Trust's significant risks, that has been in place for the year 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 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 Hopper Williams & Bell Limited, the external auditor, to perform additional checks.

The auditor'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:

- testing of payroll systems
- testing of purchase systems
- testing of control account/bank reconciliations
- testing of compliance with the Academies Financial Handbook

On a regular basis, the auditors reports to the board of trustees on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

THE SALTERNS ACADEMY TRUST
(A company limited by guarantee)

GOVERNANCE STATEMENT (continued)

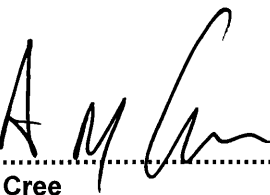
Review of Effectiveness

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 external auditors
- the financial management and governance self-assessment process
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework
- the appointment of a Trustee with accountancy expertise

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the board of trustees and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on 5 December 2018 and signed on their behalf, by:



.....

A Cree
Chair of Trustees



.....

S Labedz
Accounting Officer

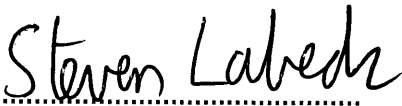
THE SALTERNS ACADEMY TRUST
(A company limited by guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of The Salterns Academy Trust I have considered my responsibility to notify the academy trust board of trustees and the Education & 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 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.



.....
S Labedz
Accounting Officer

Date: 5 December 2018

THE SALTERNS ACADEMY TRUST
(A company limited by guarantee)

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2018

The Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Strategic report, the Trustees' report and the financial statements in accordance with the Annual Accounts Direction issued by the Education & 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 of the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 5 December 2018 and signed on its behalf by:


.....
A Cree
Chair of Trustees

THE SALTERNS ACADEMY TRUST
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
SALTERNS ACADEMY TRUST**

OPINION

We have audited the financial statements of The Salterns Academy Trust (the 'Trust') for the year ended 31 August 2018 which comprise the Statement of financial activities incorporating income and expenditure account, the Balance sheet, the Statement of cash flows and the related notes, 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In our opinion the financial statements:

- give a true and fair view of the state of the Trust'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; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Academies Accounts Direction 2014 to 2015 issued by the Education 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 Trust'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.

THE SALTERNS ACADEMY TRUST
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
SALTERNS ACADEMY TRUST**

OTHER INFORMATION

The Trustees are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditors' report thereon. 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.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Trustees' report including the Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' report and the Strategic report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of our knowledge and understanding of the Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' report including the Strategic report.

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

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

THE SALTERNS ACADEMY TRUST
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
SALTERNS ACADEMY TRUST**

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Statement of Trustees' responsibilities, the Trustees (who are also the directors of the Trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

AUDITORS' 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 Auditors' 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

USE OF OUR REPORT

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

Hopper Williams & Bell Limited

Michaela Johns FCCA (Senior statutory auditor)
for and on behalf of

Hopper Williams & Bell Limited

Statutory Auditor

Highland House

Mayflower Close

Chandlers Ford

Eastleigh

Hampshire

SO53 4AR

Date: 14 December 2018

THE SALTERNS ACADEMY TRUST
(A company limited by guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO THE
SALTERNS ACADEMY TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 4 September 2017 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Salterns Academy Trust during the year 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

**RESPECTIVE RESPONSIBILITIES OF THE SALTERNS ACADEMY TRUST'S ACCOUNTING OFFICER AND
THE REPORTING ACCOUNTANT**

The Accounting Officer is responsible, under the requirements of The Salterns Academy Trust's funding agreement with the Secretary of State for Education dated 4 March 2014, and the Academies Financial Handbook extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

APPROACH

We conducted our engagement in accordance with the Academies Accounts Direction 2017 to 2018 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

THE SALTERNS ACADEMY TRUST
(A company limited by guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO THE
SALTERNS ACADEMY TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY (continued)**

SUMMARY OF WORK UNDERTAKEN

We carried out the following:

- planning of assurance procedures including identifying key risks;
- substantive testing including analytical review;
- concluding on procedures carried out.

Substantive testing included the following procedures:

- confirming that activities conform to the Trust's framework of authorities;
- considering the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance;
- evaluating the general control environment of the Trust;
- testing a sample of transactions to consider whether the transaction is permissible within the Trust's framework of authorities;
- confirming whether any extra-contractual payments have been made and whether appropriate authority was obtained;
- reviewing documentation for evidence of borrowing and confirming if approval was obtained from the ESFA;
- confirming whether ESFA approval was obtained for any disposals of assets;
- reviewing the internal control procedures relating to credit cards;
- reviewing for any indication of purchases for personal use by staff or officers;
- reviewing the list of suppliers to consider whether supplies are from related parties;
- considering whether income generating activities are permissible within the Trust's charitable objects;
- reviewing whether lettings to related parties are made at favourable rates.

CONCLUSION

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Hopper Williams & Bell Limited

Michaela Johns FCCA

Hopper Williams & Bell Limited

Statutory Auditor
Highland House
Mayflower Close
Chandlers Ford
Eastleigh
Hampshire
SO53 4AR

Date: *14 December 2018*

THE SALTERNS ACADEMY TRUST
(A company limited by guarantee)

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

	Note	Unrestricted funds 2018 £	Restricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £	Total funds 2017 £
INCOME FROM:						
Donations and capital grants	2	58,283	-	2,516,636	2,574,919	2,997,216
Charitable activities	5	-	8,895,147	-	8,895,147	8,982,387
Other trading activities	3	188,930	-	-	188,930	183,957
Investments	4	865	-	-	865	777
TOTAL INCOME		248,078	8,895,147	2,516,636	11,659,861	12,164,337
EXPENDITURE ON:						
Charitable activities		-	9,445,964	451,951	9,897,915	9,583,215
TOTAL EXPENDITURE	6	-	9,445,964	451,951	9,897,915	9,583,215
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS						
Transfers between Funds	18	248,078 (337,949)	(550,817) 334,817	2,064,685 3,132	1,761,946 -	2,581,122 -
NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES						
		(89,871)	(216,000)	2,067,817	1,761,946	2,581,122
Actuarial gains on defined benefit pension schemes	23	-	636,000	-	636,000	1,432,000
NET MOVEMENT IN FUNDS		(89,871)	420,000	2,067,817	2,397,946	4,013,122
RECONCILIATION OF FUNDS:						
Total funds brought forward		313,677	(2,307,000)	21,883,033	19,889,710	15,876,588
TOTAL FUNDS CARRIED FORWARD		223,806	(1,887,000)	23,950,850	22,287,656	19,889,710

The notes on pages 26 to 50 form part of these financial statements.

THE SALTERNS ACADEMY TRUST
(A company limited by guarantee)
REGISTERED NUMBER: 08921490

BALANCE SHEET
AS AT 31 AUGUST 2018

	Note	£	2018 £	£	2017 £
FIXED ASSETS					
Tangible assets	13		23,041,745		19,971,710
CURRENT ASSETS					
Stocks	14	848		1,412	
Debtors	15	1,842,933		1,891,947	
Cash at bank and in hand		1,635,644		1,055,149	
			<u>3,479,425</u>	<u>2,948,508</u>	
CREDITORS: amounts falling due within one year	16		<u>(1,870,350)</u>	<u>(638,234)</u>	
NET CURRENT ASSETS			<u>1,609,075</u>		<u>2,310,274</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>24,650,820</u>		<u>22,281,984</u>
CREDITORS: amounts falling due after more than one year	17		<u>(476,164)</u>		<u>(85,274)</u>
NET ASSETS EXCLUDING PENSION SCHEME LIABILITIES			<u>24,174,656</u>		<u>22,196,710</u>
Defined benefit pension scheme liability	23		<u>(1,887,000)</u>		<u>(2,307,000)</u>
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u>22,287,656</u>		<u>19,889,710</u>
FUNDS OF THE TRUST					
Restricted income funds:					
Restricted income funds excluding pension liability			23,950,850	21,883,033	
Pension reserve			<u>(1,887,000)</u>	<u>(2,307,000)</u>	
Total restricted income funds			<u>22,063,850</u>		19,576,033
Unrestricted income funds	18		<u>223,806</u>		313,677
TOTAL FUNDS			<u>22,287,656</u>		<u>19,889,710</u>

The financial statements on pages 23 to 50 were approved by the Trustees, and authorised for issue, on 5 December 2018 and are signed on their behalf, by:



A Cree
Chair of Trustees

THE SALTERNS ACADEMY TRUST
(A company limited by guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Net cash provided by operating activities	20	<u>4,102,481</u>	<u>1,689,124</u>
Cash flows from investing activities:			
Proceeds from the disposal of tangible fixed assets		200	-
Purchase of tangible fixed assets		<u>(3,522,186)</u>	<u>(1,710,047)</u>
Net cash used in investing activities		<u>(3,521,986)</u>	<u>(1,710,047)</u>
Change in cash and cash equivalents in the year		580,495	(20,923)
Cash and cash equivalents brought forward		<u>1,055,149</u>	<u>1,076,072</u>
Cash and cash equivalents carried forward	21	<u><u>1,635,644</u></u>	<u><u>1,055,149</u></u>

THE SALTERNS ACADEMY TRUST
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES

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

1.1 Basis of preparation of financial statements

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

The Salterns Academy Trust constitutes a public benefit entity as defined by FRS 102.

1.2 Fund accounting

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

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

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

THE SALTERNS ACADEMY TRUST
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.3 Income

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

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

General Annual Grant is recognised in full in the Statement of financial activities incorporating income and expenditure account in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

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

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

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

1.4 Expenditure

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

Expenditure on charitable activities are costs incurred on the Trust's educational operations, including support costs and those costs relating to the governance of the Trust appointed to charitable activities.

All expenditure is inclusive of irrecoverable VAT.

THE SALTERNS ACADEMY TRUST
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.5 Going concern

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

1.6 Tangible fixed assets and depreciation

All assets costing more than £2,500 are capitalised and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of financial activities incorporating income and expenditure account 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 incorporating income and expenditure account. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Tangible fixed assets are carried at cost or valuation, net of depreciation and any provision for impairment. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold land	-	Not provided
Freehold property	-	50 years straight line basis
Long-term leasehold land	-	Not provided
Furniture and fixtures	-	20% straight line basis
Long-term leasehold property	-	Lower of 50 years straight line basis or length of lease
Motor vehicles	-	20% straight line basis
Computer equipment	-	33% straight line basis

Long leasehold land has not been depreciated as it is similar to freehold land, which does not require depreciation.

Assets under construction are not depreciated until the asset is ready for use.

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 incorporating income and expenditure account.

THE SALTERNS ACADEMY TRUST
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.7 Operating leases

Rentals under operating leases are charged to the Statement of financial activities incorporating income and expenditure account on a straight line basis over the lease term.

1.8 Stocks

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

1.9 Taxation

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

1.10 Debtors

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

1.11 Cash at Bank and in hand

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

1.12 Liabilities and provisions

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

THE SALTERNS ACADEMY TRUST
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.13 Financial instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 15. Prepayments are not financial instruments. Amounts due to the Trust's wholly owned subsidiary are held at face value less any impairment. Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised costs as detailed in notes 16 and 17. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or other financial instruments. Amounts due to the Trust's wholly owned subsidiary are held at face value less any impairment.

1.14 Pensions

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Governments Pension Scheme ("LGPS"). These are 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 Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 23, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each Balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of financial activities incorporating income and expenditure account 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.

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

1. ACCOUNTING POLICIES (continued)

1.15 Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, 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.

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

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £	Total funds 2017 £
Donations	58,283	-	58,283	12,001
Capital grants	-	2,516,636	2,516,636	2,985,215
	<u>58,283</u>	<u>2,516,636</u>	<u>2,574,919</u>	<u>2,997,216</u>
<i>Total 2017</i>	<u>12,001</u>	<u>2,985,215</u>	<u>2,997,216</u>	

3. OTHER TRADING ACTIVITIES

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Lettings income	132,805	-	132,805	151,125
Music tuition	4,300	-	4,300	4,192
Sale of goods and services	51,019	-	51,019	26,154
Uniform income	806	-	806	2,486
	<u>188,930</u>	<u>-</u>	<u>188,930</u>	<u>183,957</u>
<i>Total 2017</i>	<u>183,957</u>	<u>-</u>	<u>183,957</u>	

4. INVESTMENT INCOME

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Bank interest	865	-	865	777
<i>Total 2017</i>	<u>777</u>	<u>-</u>	<u>777</u>	

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

5. FUNDING FOR TRUST'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
DfE/ESFA grants				
General Annual Grant (GAG)	-	7,797,019	7,797,019	7,948,434
DfE/ESFA other grants	-	456,813	456,813	461,656
	-	8,253,832	8,253,832	8,410,090
Other government grants				
Local authority grants	-	198,935	198,935	141,166
	-	198,935	198,935	141,166
Other funding				
Trip income	-	184,258	184,258	136,997
Catering income	-	201,322	201,322	183,818
Other income	-	56,800	56,800	110,316
	-	442,380	442,380	431,131
	-	8,895,147	8,895,147	8,982,387
<i>Total 2017</i>	-	8,982,387	8,982,387	

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

6. EXPENDITURE

	Staff costs 2018 £	Premises 2018 £	Other costs 2018 £	Total 2018 £	Total 2017 £
Trust's educational operations					
Direct costs	5,470,857	-	389,280	5,860,137	5,506,497
Support costs	2,162,878	470,253	1,404,647	4,037,778	4,076,718
	<u>7,633,735</u>	<u>470,253</u>	<u>1,793,927</u>	<u>9,897,915</u>	<u>9,583,215</u>
<i>Total 2017</i>	<u>7,236,374</u>	<u>614,734</u>	<u>1,732,107</u>	<u>9,583,215</u>	

7. ANALYSIS OF SUPPORT COSTS

	Educational operations £	Total 2018 £	Total 2017 £
Technology costs	101,884	101,884	108,872
Premises costs	470,253	470,253	614,734
Governance costs	19,545	19,545	18,178
Other costs	831,325	831,325	793,396
Wages and salaries	1,594,242	1,594,242	1,545,384
National insurance	101,554	101,554	98,126
Pension cost	467,082	467,082	457,430
Depreciation	451,893	451,893	440,598
	<u>4,037,778</u>	<u>4,037,778</u>	<u>4,076,718</u>
<i>Total 2017</i>	<u>4,076,718</u>	<u>4,076,718</u>	

8. NET INCOME/(EXPENDITURE)

This is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets: - owned by the charity	451,893	440,598
Auditors' remuneration - audit	10,710	10,470
Auditors' remuneration - other services	8,325	7,708
Operating lease rentals	59,667	57,329
	<u>59,667</u>	<u>57,329</u>

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

9. STAFF COSTS

a. Staff costs

Staff costs were as follows:

	2018	2017
	£	£
Wages and salaries	5,933,538	5,634,629
Social security costs	569,006	523,095
Operating costs of defined benefit pension schemes	1,131,191	1,078,650
	<u>7,633,735</u>	<u>7,236,374</u>

b. Staff numbers

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

	2018	2017
	No.	No.
Teachers	97	96
Administration and support	144	136
Management	13	11
	<u>254</u>	<u>243</u>

c. Higher paid staff

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

	2018	2017
	No.	No.
In the band £60,001 - £70,000	2	2
In the band £70,001 - £80,000	1	0
In the band £80,001 - £90,000	1	1
In the band £100,001 - £110,000	1	1

d. Key management personnel

The key management personnel of the academy trust comprise the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £948,291 (2017: £1,102,660).

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

10. CENTRAL SERVICES

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

- Staff costs
- Governance costs

The Trust charges for these services on the following basis:

Flat percentage of income (4%)

The actual amounts charged during the year were as follows:

	2018	2017
	£	£
Admiral Lord Nelson School	187,308	264,996
Trafalgar School	128,544	177,382
	315,852	442,378
Total	<u><u>315,852</u></u>	<u><u>442,378</u></u>

11. TRUSTEES' REMUNERATION AND EXPENSES

One or more Trustees has been paid remuneration or has received other benefits from an employment with the Trust. The CEO and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of principal and other staff members under their contracts of employment, and not in respect of their role as Trustees. The value of Trustees' remuneration and other benefits was as follows:

		2018	2017
		£'000	£'000
S Labeledz	Remuneration	100-105	100-105
	Pension contributions paid	15-20	15-20
N Hardingham	Remuneration	85-90	80-85
	Pension contributions paid	10-15	10-15
S Sewell (reigned 31 December 2016)	Remuneration	-	20-25
	Pension contributions paid	-	-
C Copeland (appointed 17 July 2017)	Remuneration	70-75	5-10
	Pension contributions paid	10-15	0-5

During the year three Trustees received reimbursed travel expenses of £684 (2017: £89).

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 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.

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13. TANGIBLE FIXED ASSETS

	Freehold property £	Leasehold property £	Furniture and fixtures £	Motor vehicles £	Computer equipment £	Total £
Cost						
At 1 September 2017	8,638,925	12,242,688	137,009	3,000	212,840	21,234,462
Additions	2,061,627	1,414,441	46,118	-	-	3,522,186
Disposals	-	-	-	(500)	-	(500)
At 31 August 2018	<u>10,700,552</u>	<u>13,657,129</u>	<u>183,127</u>	<u>2,500</u>	<u>212,840</u>	<u>24,756,148</u>
Depreciation						
At 1 September 2017	300,491	743,893	72,099	1,450	144,819	1,262,752
Charge for the year	151,439	223,687	29,266	500	47,001	451,893
On disposals	-	-	-	(242)	-	(242)
At 31 August 2018	<u>451,930</u>	<u>967,580</u>	<u>101,365</u>	<u>1,708</u>	<u>191,820</u>	<u>1,714,403</u>
Net book value						
At 31 August 2018	<u><u>10,248,622</u></u>	<u><u>12,689,549</u></u>	<u><u>81,762</u></u>	<u><u>792</u></u>	<u><u>21,020</u></u>	<u><u>23,041,745</u></u>
At 31 August 2017	<u><u>8,338,434</u></u>	<u><u>11,498,795</u></u>	<u><u>64,910</u></u>	<u><u>1,550</u></u>	<u><u>68,021</u></u>	<u><u>19,971,710</u></u>

Included above is freehold property totalling £1,296,098 and leasehold property totalling £1,413,803 which are currently under construction. Depreciation has therefore not been provided on these amounts.

14. STOCKS

	2018 £	2017 £
Uniform	<u>848</u>	<u>1,412</u>

15. DEBTORS

	2018 £	2017 £
Trade debtors	16,763	15,386
Other debtors	607	24
Prepayments and accrued income	1,556,991	1,704,223
Recoverable VAT	268,572	172,314
	<u><u>1,842,933</u></u>	<u><u>1,891,947</u></u>

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16. CREDITORS: Amounts falling due within one year

	2018	2017
	£	£
Other loans	28,852	15,834
Trade creditors	660,790	105,479
Other creditors	198,771	43,733
Accruals and deferred income	981,937	473,188
	1,870,350	638,234
	2018	2017
	£	£
Deferred income		
Deferred income at 1 September 2017	121,235	45,896
Resources deferred during the year	52,821	121,235
Amounts released from previous years	(121,235)	(45,896)
Deferred income at 31 August 2018	52,821	121,235

Deferred income includes trip monies and grant income received in advance.

17. CREDITORS: Amounts falling due after more than one year

	2018	2017
	£	£
Other loans	166,979	85,274
Other creditors	309,185	-
	476,164	85,274

Other loans comprises Salix energy efficiency loans which are repayable in instalments between March 2018 and September 2024. No interest was charged on the Salix loans.

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FOR THE YEAR ENDED 31 AUGUST 2018

18. STATEMENT OF FUNDS

	Balance at 1 September 2017 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2018 £
Unrestricted funds						
Reserves	313,677	248,078	-	(337,949)	-	223,806
Restricted funds						
General Annual Grant (GAG)	-	7,797,019	(8,131,836)	334,817	-	-
Pupil premium	-	456,813	(456,813)	-	-	-
Local authority grants	-	198,935	(198,935)	-	-	-
Other educational operations	-	442,380	(442,380)	-	-	-
Pension reserve	(2,307,000)	-	(216,000)	-	636,000	(1,887,000)
	<u>(2,307,000)</u>	<u>8,895,147</u>	<u>(9,445,964)</u>	<u>334,817</u>	<u>636,000</u>	<u>(1,887,000)</u>
Restricted fixed asset funds						
Restricted Fixed Asset Fund	19,971,710	-	(451,951)	3,521,986	-	23,041,745
DfE/ESFA capital grants - DFC (ALNS)	-	28,746	-	(28,746)	-	-
DfE/ESFA capital grants - DFC (Trafalgar)	539	13,501	-	(14,040)	-	-
DfE/ESFA capital grants - CIF (ALNS)	32,481	1,515,764	-	(1,414,441)	-	133,804
DfE/ESFA capital grants - CIF (Trafalgar)	1,878,303	828,625	-	(2,061,627)	-	645,301
Local authority capital grants (Trafalgar)	-	130,000	-	-	-	130,000
	<u>21,883,033</u>	<u>2,516,636</u>	<u>(451,951)</u>	<u>3,132</u>	<u>-</u>	<u>23,950,850</u>
Total restricted funds	<u>19,576,033</u>	<u>11,411,783</u>	<u>(9,897,915)</u>	<u>337,949</u>	<u>636,000</u>	<u>22,063,850</u>
Total of funds	<u><u>19,889,710</u></u>	<u><u>11,659,861</u></u>	<u><u>(9,897,915)</u></u>	<u><u>-</u></u>	<u><u>636,000</u></u>	<u><u>22,287,656</u></u>

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18. STATEMENT OF FUNDS (continued)

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

General annual grant

This includes all funding received from the ESFA to carry out the objectives of the academy. It includes the school budget share, minimum funding guarantee, education services grant, insurance, rates and pre-16 high need funding streams.

Pupil premium

This is funding received from the ESFA for specific purposes.

Local authority grants

This is funding received from the local authority for specific purposes, for example Special Educational Needs funding.

Other educational activities

This includes all other educational income/expenditure.

Pension reserve

This represents the negative reserve in respect of the liability on the LGPS pension scheme which was transferred to the trust on conversion.

Fixed asset fund

The fund includes the value of the tangible fixed assets of the academies on conversion, and amounts transferred from GAG or other restricted funds specifically for expenditure on tangible fixed assets, and the annual charges for depreciation of these assets.

DfE/ESFA capital grants

This is money received from the DfE/ESFA specifically for expenditure on tangible fixed assets.

ANALYSIS OF ACADEMIES BY FUND BALANCE

Fund balances at 31 August 2018 were allocated as follows:

	Total 2018 £	<i>Total 2017 £</i>
Admiral Lord Nelson School	360,211	396,730
Trafalgar School	(145,783)	(143,030)
Central services	9,378	59,977
Total before fixed asset fund and pension reserve	223,806	313,677
Restricted fixed asset fund	23,950,850	21,883,033
Pension reserve	(1,887,000)	(2,307,000)
Total	22,287,656	19,889,710

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NOTES TO THE FINANCIAL STATEMENTS
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18. STATEMENT OF FUNDS (continued)

The following academy is carrying a net deficit on its portion of the funds as follows:

Name of academy	Amount of deficit £
Trafalgar School	(145,783)

In addition to the above, a balance of £12,500 (2017: £110,000) was due to Admiral Lord Nelson School from Trafalgar School at the year-end.

The Trust is taking the following action to return the academies to surplus:

Trafalgar School is increasing its number of pupils on roll following a change to co-educational status. Grant funding has previously been received in arrears based in part upon pupil numbers, and as a result an initial deficit has arisen. The Academy Trust has been in discussions with the ESFA regarding funding and a three-year plan is in place to return the Academy to a surplus position.

ANALYSIS OF ACADEMIES BY COST

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

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total 2018 £	<i>Total 2017 £</i>
Admiral Lord Nelson School	3,212,697	1,310,133	51,811	1,170,933	5,745,574	<i>5,696,108</i>
Trafalgar School	2,258,160	852,745	42,926	546,559	3,700,390	<i>3,446,509</i>
	<u>5,470,857</u>	<u>2,162,878</u>	<u>94,737</u>	<u>1,717,492</u>	<u>9,445,964</u>	<i><u>9,142,617</u></i>

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18. STATEMENT OF FUNDS (continued)

STATEMENT OF FUNDS - PRIOR YEAR

	<i>Balance at 1 September 2016 £</i>	<i>Income £</i>	<i>Expenditure £</i>	<i>Transfers in/out £</i>	<i>Gains/ (Losses) £</i>	<i>Balance at 31 August 2017 £</i>
General funds						
Reserves	247,421	196,735	-	(130,479)	-	313,677
	<u>247,421</u>	<u>196,735</u>	<u>-</u>	<u>(130,479)</u>	<u>-</u>	<u>313,677</u>
Restricted funds						
General Annual Grant (GAG)	-	7,948,434	(7,840,664)	(107,770)	-	-
Pupil premium	-	461,656	(461,656)	-	-	-
Local authority grants	-	141,166	(141,166)	-	-	-
Other educational operations	-	431,131	(431,131)	-	-	-
Pension reserve	(3,471,000)	-	(268,000)	-	1,432,000	(2,307,000)
	<u>(3,471,000)</u>	<u>8,982,387</u>	<u>(9,142,617)</u>	<u>(107,770)</u>	<u>1,432,000</u>	<u>(2,307,000)</u>
Restricted fixed asset funds						
Restricted Fixed Asset Fund	18,702,261	-	(440,598)	1,710,047	-	19,971,710
DfE/ESFA capital grants - DFC (ALNS)	-	20,774	-	(20,774)	-	-
DfE/ESFA capital grants - DFC (Trafalgar)	-	12,201	-	(11,662)	-	539
DfE/ESFA capital grants - CIF (ALNS)	133,129	-	-	(100,648)	-	32,481
DfE/ESFA capital grants - CIF (Trafalgar)	264,777	2,952,240	-	(1,338,714)	-	1,878,303
	<u>19,100,167</u>	<u>2,985,215</u>	<u>(440,598)</u>	<u>238,249</u>	<u>-</u>	<u>21,883,033</u>
Total restricted funds	<u>15,629,167</u>	<u>11,967,602</u>	<u>(9,583,215)</u>	<u>130,479</u>	<u>1,432,000</u>	<u>19,576,033</u>
Total of funds	<u>15,876,588</u>	<u>12,164,337</u>	<u>(9,583,215)</u>	<u>-</u>	<u>1,432,000</u>	<u>19,889,710</u>

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A CURRENT YEAR 12 MONTHS AND PRIOR YEAR 12 MONTHS COMBINED POSITION IS AS FOLLOWS:

	Balance at 1 September 2016 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2018 £
Unrestricted funds						
Reserves	247,421	444,813	-	(468,428)	-	223,806
	<u>247,421</u>	<u>444,813</u>	<u>-</u>	<u>(468,428)</u>	<u>-</u>	<u>223,806</u>
Restricted funds						
General Annual Grant (GAG)	-	15,745,453	(15,972,500)	227,047	-	-
Pupil premium	-	918,469	(918,469)	-	-	-
Local authority grants	-	340,101	(340,101)	-	-	-
Other educational operations	-	873,511	(873,511)	-	-	-
Pension reserve	(3,471,000)	-	(484,000)	-	2,068,000	(1,887,000)
	<u>(3,471,000)</u>	<u>17,877,534</u>	<u>(18,588,581)</u>	<u>227,047</u>	<u>2,068,000</u>	<u>(1,887,000)</u>
Restricted fixed asset funds						
Restricted Fixed Asset Fund	18,702,261	-	(892,549)	5,232,033	-	23,041,745
DfE/ESFA capital grants - DFC (ALNS)	-	49,520	-	(49,520)	-	-
DfE/ESFA capital grants - DFC (Trafalgar)	-	25,702	-	(25,702)	-	-
DfE/ESFA capital grants - CIF (ALNS)	133,129	1,515,764	-	(1,515,089)	-	133,804
DfE/ESFA capital grants - CIF (Trafalgar)	264,777	3,780,865	-	(3,400,341)	-	645,301
Local authority capital grants (Trafalgar)	-	130,000	-	-	-	130,000
	<u>19,100,167</u>	<u>5,501,851</u>	<u>(892,549)</u>	<u>241,381</u>	<u>-</u>	<u>23,950,850</u>
	<u>15,629,167</u>	<u>23,379,385</u>	<u>(19,481,130)</u>	<u>468,428</u>	<u>2,068,000</u>	<u>22,063,850</u>
Total of funds	<u><u>15,876,588</u></u>	<u><u>23,824,198</u></u>	<u><u>(19,481,130)</u></u>	<u><u>-</u></u>	<u><u>2,068,000</u></u>	<u><u>22,287,656</u></u>

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

19. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2018 £	Restricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £
Tangible fixed assets	-	-	23,041,745	23,041,745
Current assets	223,806	745,682	2,509,937	3,479,425
Creditors due within one year	-	(549,422)	(1,320,928)	(1,870,350)
Creditors due in more than one year	-	(196,260)	(279,904)	(476,164)
Pension liability	-	(1,887,000)	-	(1,887,000)
	<u>223,806</u>	<u>(1,887,000)</u>	<u>23,950,850</u>	<u>22,287,656</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	<i>Unrestricted funds</i> 2017 £	<i>Restricted funds</i> 2017 £	<i>Restricted fixed asset funds</i> 2017 £	<i>Total funds</i> 2017 £
Tangible fixed assets	-	-	19,971,710	19,971,710
Current assets	313,677	622,403	2,012,428	2,948,508
Creditors due within one year	-	(622,403)	(15,831)	(638,234)
Creditors due in more than one year	-	-	(85,274)	(85,274)
Pension liability	-	(2,307,000)	-	(2,307,000)
	<u>313,677</u>	<u>(2,307,000)</u>	<u>21,883,033</u>	<u>19,889,710</u>

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20. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2018 £	2017 £
Net income for the year (as per Statement of Financial Activities)	1,761,946	2,581,122
Adjustment for:		
Depreciation charges	451,893	440,598
Loss on the disposal of fixed assets	58	-
Decrease in stocks	564	1,588
Decrease/(increase) in debtors	49,014	(1,561,792)
Increase/(decrease) in creditors	1,623,006	(40,392)
Defined benefit pension scheme cost less contributions payable	216,000	268,000
Net cash provided by operating activities	4,102,481	1,689,124

21. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Notice deposits (less than 3 months)	1,635,644	1,055,149
Total	1,635,644	1,055,149

22. CAPITAL COMMITMENTS

At 31 August 2018 the Trust had capital commitments as follows:

	2018 £	2017 £
Contracted for but not provided in these financial statements	862,000	1,878,000

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23. PENSION COMMITMENTS

The Trust's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Hampshire County Council. Both are Multi-employer defined benefit pension schemes.

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

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

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

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 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 TPS in the period amounted to £636,430 (2017 - £587,596).

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23. PENSION COMMITMENTS (continued)

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £410,000 (2017 - £347,000), of which employer's contributions totalled £321,000 (2017 - £271,000) and employees' contributions totalled £89,000 (2017 - £76,000). The agreed contribution rates for future years are 15.1% for employers and between 5.5% and 12.5% for employees.

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

Principal actuarial assumptions:

	2018	<i>2017</i>
Discount rate for scheme liabilities	2.80 %	<i>2.50 %</i>
Rate of increase in salaries	3.60 %	<i>3.60 %</i>
Rate of increase for pensions in payment / inflation	2.10 %	<i>2.10 %</i>
Inflation assumption (CPI)	2.10 %	<i>2.10 %</i>

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

	2018	<i>2017</i>
Retiring today		
Males	24.1	<i>24.0</i>
Females	27.2	<i>27.0</i>
Retiring in 20 years		
Males	26.2	<i>26.0</i>
Females	29.4	<i>29.3</i>

Sensitivity analysis	At 31 August 2018	<i>At 31 August 2017</i>
	£	£
Discount rate +0.1%	6,968,000	<i>6,741,000</i>
Discount rate -0.1%	7,271,000	<i>7,034,000</i>
Mortality assumption - 1 year increase	7,319,000	<i>7,090,000</i>
Mortality assumption - 1 year decrease	6,917,000	<i>6,683,000</i>

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23. PENSION COMMITMENTS (continued)

The Trust's share of the assets in the scheme was:

	Fair value at 31 August 2018 £	<i>Fair value at 31 August 2017 £</i>
Equities	3,343,000	2,802,000
Property	361,000	298,000
Government bonds	1,198,000	1,136,000
Corporate bonds	63,000	50,000
Cash and other liquid assets	120,000	137,000
Other	146,000	156,000
	<hr/> 5,231,000 <hr/>	<hr/> 4,579,000 <hr/>

The actual return on scheme assets was £343,000 (2017 - £453,000).

The amounts recognised in the Statement of financial activities incorporating income and expenditure account are as follows:

	2018 £	<i>2017 £</i>
Current service cost	(483,000)	(473,000)
Net interest cost	(54,000)	(66,000)
	<hr/> (537,000) <hr/>	<hr/> (539,000) <hr/>

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

	2018 £	<i>2017 £</i>
Opening defined benefit obligation	6,886,000	7,299,000
Current service cost	483,000	473,000
Interest cost	172,000	146,000
Employee contributions	89,000	76,000
Actuarial gains	(411,000)	(1,059,000)
Benefits paid	(101,000)	(49,000)
	<hr/> 7,118,000 <hr/>	<hr/> 6,886,000 <hr/>

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NOTES TO THE FINANCIAL STATEMENTS
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23. PENSION COMMITMENTS (continued)

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

	2018 £	2017 £
Opening fair value of scheme assets	4,579,000	3,828,000
Interest income	118,000	80,000
Actuarial losses	225,000	373,000
Employer contributions	321,000	271,000
Employee contributions	89,000	76,000
Benefits paid	(101,000)	(49,000)
	<u>5,231,000</u>	<u>4,579,000</u>

24. OPERATING LEASE COMMITMENTS

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

	2018 £	2017 £
Amounts payable:		
Within 1 year	54,998	47,324
Between 1 and 5 years	26,081	80,948
Total	<u>81,079</u>	<u>128,272</u>

25. RELATED PARTY TRANSACTIONS

Owing to the nature of the academy trust and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which Trustees have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the AFH and with the trust's financial regulations and normal procurement procedures relating to connected and related party transactions.

a) The Trust is a member of UTC Portsmouth, a University Technical College. During the year the Trust provided land for use by UTC Portsmouth on a rent-free basis. Income from transactions with UTC Portsmouth was £19,200 (2017: £nil) and expenditure was £2,794 (2017: £nil).

b) The Trust purchased services totalling £nil (2017: £1,200) from a close family member of C Copeland (Trustee).

c) The Trust purchased services totalling £nil (2017: £638) from a close family member of Y Barber (member of senior management team).

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NOTES TO THE FINANCIAL STATEMENTS
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26. MEMBERS' LIABILITY

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