



(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2015

CONTENTS

	Page
Reference and Administrative Details	1
Trustees' Report	2 - 7
Governance Statement	8 - 10
Statement on Regularity, Propriety and Compliance	11
Statement of Trustees' Responsibilities	12
Independent Auditor's Report on the Financial Statements	13 - 14
Independent Reporting Accountant's Assurance Report on Regularity	15 - 16
Consolidated Statement of Financial Activities	17
Balance Sheets	18
Consolidated Cash Flow Statement	19
Notes to the Financial Statements	20 - 36

REFERENCE AND ADMINISTRATIVE DETAILS

Members	M Taylor I Mooney R Vigurs N Ward	Appointed 26 August 2015 Resigned 26 August 2015
Trustees/Directors	M Taylor N Ward G Wainwright S McKeown I Mooney L Hughes S Hughes	Chair of Trustees Appointed 1 March 2015 Resigned 2 February 2015
Company Secretary	L Hughes	
Senior Management Team	N Ward R Stead P Lloyd S McInerney A Cawood L Hughes	Chief Executive Principal – North Liverpool Academy (to 31 August 2015) Principal – Liverpool Life Sciences UTC Principal – The Studio School Principal – The Kingsway Academy (from 1 February 2015) Director of Finance
Company Registration Number	05067702	
Principal and Registered Office	120 Heyworth Street Liverpool L5 0SQ	
Auditors	HBD Accountancy Services LLP Gladstone House 2 Church Road Liverpool L15 9EG	
Bankers	HSBC 99-101 Lord Street Liverpool L2 6PG	
Solicitors	Stone King LLP 13 Queen Square Bath BA1 2HJ	

TRUSTEES' REPORT

The trustees present their annual report together with the financial statements and auditor's reports of the charitable company for the year ended 31 August 2015. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The trust operates 4 secondary academies in Liverpool and Wirral. Its academies have a combined pupil capacity of 4,100 and had a roll of 2,737 in the school census in October 2015.

On 1 February 2015 The Kingsway Academy, an former LA Maintained school joined the trust.

Structure, Governance and Management

Constitution

The 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 trust. The trustees of the Northern Schools Trust are also the directors of the charitable company for the purposes of company law. The charitable company is known as Northern Schools 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 trust undertakes to contribute to the assets of the charitable trust 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

In accordance with normal commercial practice the Trust has purchased insurance to protect trustees, governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business.

Method of Recruitment and Appointment or Election of Trustees

The Trust will follow processes for any new recruits that are appropriate and use criteria for recruitment based on a review of the existing board membership.

Policies and Procedures Adopted for the Induction and Training of Trustees

The induction, training and support programme for trustees will differ according to the nature of the post and the varying needs and experience of the individual concerned. There are, however, some general principles outlined below which should be common to all.

- It is expected that the incumbent trustees will provide a good deal of practical help, advice, guidance and encouragement in all aspects of Governance and in enabling new trustees to integrate into a new situation.
- Prior to taking up the appointment the new member will be welcome to visit the Academies as necessary to meet key people as appropriate.
- The Trust's Equality & Diversity and related policies will be applicable to all.
- The other trustees will be informed of any new appointments.
- Every trustee should be prepared to offer support to new trustees as appropriate. In some circumstances it may be advisable to appoint a short term mentor to provide individual support.

TRUSTEES' REPORT (continued)

Organisational Structure

The management structure consists of three levels: the Board of the Company (trustees), the Local Governing Body of each Academy and the Senior Management Team of each Academy. The aim of this structure is to devolve responsibility to those best able to make the appropriate decisions. The trustees encourage staff contributions at all levels and collaboration between the Academies in the Trust.

The trustees are there to support the local governing body, senior management team and the community in the running of the Trust, and have no ambition to run the Academies on a day-to-day basis. Along with this governance role the trustees are there to give support and advice when asked and to be roving ambassadors for both the Trust and what it is trying to achieve.

Related Parties and other Connected Charities and Organisations

The Trust currently does not sponsor another school. Books were actually purchased during the year for the 15/16 academic year through Harper Collins, of whom member and director I Mooney is linked to the company. Also M Hughes a relation of S Hughes carried out various building works. All transactions were made at arms' length.

Objectives and Activities

Objects and Aims

Northern Schools Trust was established to provide education for pupils of different abilities between the ages of 11 and 19.

The main objectives and aims of the trust are summarised below:

- to raise the standards of educational achievement of all pupils;
- to ensure that every child enjoys the same high quality of education in terms of resourcing, tuition and care;
- to improve the effectiveness of the Trust by keeping the curriculum and organisational structure under continual review;
- to provide value for money for the funds expended;
- to comply with all appropriate statutory and curriculum requirements;
- to maintain close links with industry and commerce;
- to conduct business in accordance with the highest standards of integrity, probity, and openness.

Objectives, Strategies and Activities

Key activities and targets are identified in the Improvement and Development plan and are informed by the significant challenges and opportunities arising from national developments in education policy and funding.

The current targets include;

- Raising student achievement;
- Becoming a Trust with Academies that are graded outstanding by Ofsted;
- Improving Teaching and Learning through the use of Technology;
- Creating a shared support service that provides the foundations for outstanding teaching and learning.

Improvement and Developments plans are supported by detailed activity targets and success criteria.

TRUSTEES' REPORT (continued)

Equal opportunities policy

The trustees recognise that equal opportunities should be an integral part of good practice within the workplace. The Trust will aim to establish equal opportunity in all areas of its activities including creating a working environment in which the contribution and needs of all people will be fully valued.

The trustees ensure that professional development opportunities are available to all employees.

Disabled persons

The policy of the Trust is to support recruitment and retention of students and employees with disabilities. The Trust does this by adapting the physical environment, by making support resources available and through training and career development.

Public Benefit

The Trust has given a high priority to providing public benefit to a cross section of the community, but perhaps the greatest benefit that the Trust can offer is the provision of an education that maximises each student's potential to develop principled, informed, open minded and confident citizens who respect the beliefs of others and who are determined to make a positive contribution to society.

The trustees have considered the impact of the public benefit requirement when reviewing the aims and objectives and when planning activities in the future including the guidance issued by the Charity Commission.

Strategic Report

Achievements and Performance including Key Performance Indicators

The last year has been a year of progress for both the Trust and the schools within it. I would like to thank everyone who works in or attends our academies. The culture within our schools is about student progression alongside strong pastoral support, so when our students leave us they are ready for the opportunities and challenges of the world of work or further education.

We now have four schools in the Trust following the introduction of The Kingsway Academy (formerly Wallasey School) in February 2015.

North Liverpool Academy based in the Anfield area of Liverpool, opened in September 2006, and has become a popular school within the community and the demand for places remains strong. The school is a true community school, serving the needs of the community well and providing its resources for a host of local clubs, community groups as well as parents and carers.

During the year the school received a "requires improvement" notice from Ofsted following an inspection, this follows two "Good with Outstanding features" Ofsted reports. Understandably, we were very disappointed by this but understood the reasons for it. The Trust and the Chair of Governors held a review and a number of interventions were identified and agreed. This led to a team of external consultants and educators spending time at the school combined with a complete re-structuring of the senior and middle management teams.

Towards the end of the summer term, the Ofsted team returned to monitor progress and they reported that the school had made impressive progress since the first judgement. The progress continues and within twelve months we envisage being graded a good school again with some outstanding features. The Governing body and senior leadership team will continue to make the necessary changes to ensure that the North Liverpool Academy has a transformational impact on the community it serves.

TRUSTEES' REPORT (continued)

Liverpool Life Sciences UTC is located on the edge of Liverpool city centre and bordering Toxteth. The school opened in September 2013 with a cohort of two hundred students and due to a growing reputation ended the 2014-15 school year with close to six hundred students. The school is a specialist science school and students join at fourteen to begin their key stage four studies and leave at eighteen following the completion of their A levels or BTEC qualifications.

The UTC is a new type of school, where industrial partners and local universities help to both shape the curriculum offer and support the school by utilising their resources or partners. The school is working hard to develop the love of all things science around the region and runs a number of Saturday clubs to encourage primary school students to experience hands-on science. It also has a programme of events for local primary schools, which give them access to state of the art facilities, which hopefully will inspire the next generation of scientists. During the year the school was a double award winner at the regional Educate Awards ceremony, winning the Science Project of the year and the Career Aspiration Award.

We are awaiting the first Ofsted inspection of the school, which is due fairly soon and taking into consideration the summer exam results, we are confident of a positive inspection. This will further enhance the growing reputation of the school. This summer saw the first students graduating from the school, either with GCSEs or A levels. It's pleasing that all students have moved on to further education or to a job or apprenticeship.

The Studio, Liverpool, is a specialist school of just over three hundred students, between the ages of 14-19, who are keen on the digital technologies or the creative arts. As with the Liverpool Life Sciences UTC, it's a very forward thinking school which benefits from the significant input of over a dozen industrial partners alongside the support and encouragement of the local universities.

The Studio had its first Ofsted inspection during the year, which was very complimentary and the school received a Good rating, with behaviour management and safety being graded as outstanding. For a new school this was a tremendous result and a suitable reward for all of the hard work from the staff and our external partners and supporters.

In a relatively short period of time the Studio has become a much loved school, very much a community school. It runs many community events drawing young people from around the region, with the monthly Saturday Coderdojo events being particularly popular. Along with the positive Ofsted report the other highlight was Jack Mills, a year 12 student, winning the BAFTA Young Game Designer award. This award highlights the unrivalled culture, ethos and work being done at the Studio.

The Kingsway Academy joined the Northern Schools Trust in February 2015, it was formerly known as Wallasey School under the control of the Wirral Local Authority. Since February the Trust alongside the senior management team have re-structured the whole school and have got the school into a good position, dealing with a lot of the areas of concern that had led to the former school being put in special measures two years previously. Major areas of concern were:

- Critical financial problems at the school, with the former LA maintained school having significant in year deficit issues. The cause of the financial problems were falling student numbers, over staffing of both teaching and support staff and significant PFI payments. The Trust have tackled the over staffing immediately and are looking to increase student numbers.
- The quality of teaching and learning was rated as inadequate. New strategies, processes and people are now in place and the challenge is to move towards a good rating in the forthcoming academic year.
- Over the last number of years the local community lost faith in the school and took their children elsewhere. Work has started on connecting with the community and getting more parents and carers into the school more often. With student numbers declining for a number of years, which dramatically effected the prospects for the school, it will take time to turn around the reputation of the school but the process has started and the initial feedback is very positive.

TRUSTEES' REPORT (continued)

The school is very important to the communities of Leasowe and Wallasey on the Wirral and the Northern Schools Trust is committed to turning the school around, providing an outstanding state school for the local community.

We at the Trust are committed to providing outstanding, inclusive, innovative, supportive schools for our teachers to work in and for our students to attend.

Going Concern

After making appropriate enquiries, the board of trustees has a reasonable expectation that the 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 Key Financial Performance Indicators

Most of the Trust's income is obtained from the Department for Education in the form of grants, the use of which is restricted to particular purposes. The grants received from the Department for Education during the year ended 31 August 2015 and the associated expenditure are shown as restricted funds in the statement of financial activities.

The Trust also receives grants for fixed assets from the Department for Education. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charged over the expected useful life of the assets concerned.

During the year ended 31 August 2015, total expenditure of £21,070,000 was covered by grant funding from the Department for Education together with other incoming resources. The excess of expenditure over income for the year (excluding restricted fixed asset funds) was £2,878,000.

At 31 August 2015 the net book value of fixed assets was £58,115,000 and movements in tangible fixed assets are shown in note 13 to the accounts. The assets were used exclusively for providing education and the associated support services to the pupils of the Trust.

Reserves Policy

The Trust currently has £1,690,000 of unrestricted reserves. The trustees have decided that all unrestricted reserves will be utilised in helping the Trust achieve its objectives.

The trustees will endeavour to keep an appropriate level of GAG in reserve that it considers necessary for future operations and any capital projects or capital replacement.

The actuarial valuation of the pension scheme and the corresponding liability does not result in an immediate cash flow impact to the Trust. The trustees are confident that any liabilities can be met as they fall due.

The current level of reserves is considered to be appropriate for the Trust. The reserves policy is reviewed annually.

Investment Policy

The Trust's investments policy is consistent with its Charitable Status. Investments must always be made in accordance with written procedures adopted by the Governing Body and must always ensure that the maximum integrity of such investments. The priority for the Trust since opening and during the period of capital build and student number growth has been to have cash invested in liquid investment products that bear no risk with its bankers HSBC and Santander.

TRUSTEES' REPORT (continued)

Principal Risks and Uncertainties

Financial and Risk Management Objectives and Policies

The trustees, governors and senior management completed a Corporate Risk Review in 2015 which involved identifying the types of risk the Trust faces and the systems in place or that needed to be implemented to mitigate against the risks the Trust faces. The trustees have undertaken to complete a similar exercise in the first few months of operations of any new Academies that become part of the Trust.

The trustees' now considers systems are in place to mitigate any of the risks identified.

Principal Risks and Uncertainties

The Corporate Risk Review in 2015 identified and reviewed the following risk areas:

- Physical Assets;
- Business Continuity;
- Financial;
- Technological;
- Third Partly Liability;
- Environmental;
- Legal and Compliance;
- Market and Sector;
- Personnel;
- Political.

Plans for Future Periods

The Trust will strive to improve the levels of performance of its students at all levels and make efforts to ensure its students get jobs or a place in higher education once they leave.

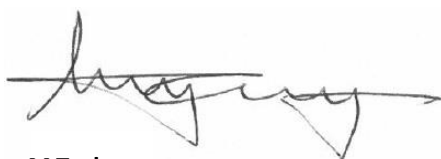
The Trust are considering alternative options for new schools to join the Trust. Although nothing is likely to be instigated in the very short term, the Trust has a desire to grow and take on schools which fits the ethos of the Trust and provide families with the opportunity to have an excellent education.

Auditor

Insofar as the trustees are aware:

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

Trustees' report, incorporating a strategic report, approved by order of the board of trustees, as the company directors, on 9 December 2015 and signed on the board's behalf by:



M Taylor

Chair of Trustees

GOVERNANCE STATEMENT

Scope of Responsibility

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

The board of trustees has delegated the day-to-day responsibility to the chief executive, 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 Northern Schools 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 5 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of a possible	
Northern Schools Trust			
N Ward	5	5	Chief Executive
Dr G Wainwright	5	5	North Liverpool Academy Chair of Governors
M Taylor	4	5	The Studio Chair of Governors
S Hughes	2	2	Resigned 2 February 2015
I Mooney	4	5	
S McKeown	2	3	Appointed 1 March 2015
L Hughes	5	5	Director of Finance

The audit committee is also a sub-committee of the main board of the trustees. Its purpose is to minimise risk, by identifying key areas of risk and mitigating those, in conjunction to safeguarding the Trust's assets. Attendance during the year at meetings of the audit committee was as follows:

Trustee	Meetings attended	Out of a possible	
Northern Schools Trust			
Dr G Wainwright	4	4	North Liverpool Academy Chair of Governors
M Taylor	3	4	The Studio Chair of Governors
S Hughes	2	2	Resigned 2 February 2015
S McKeown	1	1	Appointed 7 July 2015

Review of Value for Money

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

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

GOVERNANCE STATEMENT (continued)

- Better purchasing – ensuring value for money
- Maximising income generation
- Managing cash

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of 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 Trust for the year ended 31 August 2015 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The board of trustees has reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the Trust's significant risks that has been in place for the year ended 31 August 2015 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

The Risk and Control Framework

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

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

The external auditor's role includes giving advice on financial matters and performing a range of checks on the Trust's financial systems. On a quarterly basis, the auditor reports to the board of trustees, through the audit committee on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

The trustees confirm that the external auditor has delivered their schedule of work as planned and has been delivered in line with the EFA's requirements.

GOVERNANCE STATEMENT (continued)

Review of Effectiveness

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

- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the executive managers within the trust who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the board of trustees on 9 December 2015 and signed on its behalf by:



M Taylor

Chair of Trustees



N Ward

Accounting Officer

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As accounting officer of Northern Schools Trust I have considered my responsibility to notify the Trust board of trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the academy trust 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.

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 EFA.



N Ward

Accounting Officer

9 December 2015

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees (who act as governors of Northern Schools Trust and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction published by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

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

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 EFA/DfE have been applied for the purposes intended.

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

Approved by order of the members of the board of trustees on 9 December 2015 and signed on its behalf by:



M Taylor

Chair of Trustees

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE BOARD OF TRUSTEES OF NORTHERN SCHOOLS TRUST

We have audited the accounts of Northern Schools Trust for the year ended 31 August 2015 set out on pages 17 to 36. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2015 issued by the EFA.

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

Respective responsibilities of governors and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 12, the governors, who are also the directors of Northern Schools Trust for the purposes of company law, are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governors; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts

In our opinion the accounts:

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

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE BOARD OF TRUSTEES OF NORTHERN SCHOOLS TRUST (continued)

Matters on which we are required to report by exception

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

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

Handwritten signature in blue ink that reads "HBD Accountancy Services LLP". The signature is written in a cursive style and is underlined with a single horizontal line.

Benjamin Russell BSc ACA (Senior Statutory Auditor)

for and on behalf of HBD Accountancy Services LLP

Chartered Accountants

Statutory Auditor

Gladstone House
2 Church Road
Liverpool
L15 9EG

9 December 2015

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

In accordance with the terms of our engagement letter and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Northern Schools Trust during the period 1 September 2014 to 31 August 2015 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Northern Schools Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Northern Schools Trust and the EFA 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 Northern Schools Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Northern Schools Trust's accounting officer and the reporting auditor

The accounting officer is responsible, under the requirements of Northern Schools Trust's funding agreement with the Secretary of State for Education and the Academies Financial Handbook, extant from 1 September 2014, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2015. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2014 to 31 August 2015 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

- Review of minutes, management accounts and discussions held with key personnel;
- Evaluation of internal control procedures and reporting lines, and the implementation of such controls as were considered relevant, was checked;
- Review of financial transactions for any unusual transactions which maybe improper;
- Ensure that expenditure does not contravene the funding agreement;
- Ensure that key staff and trustees declared their interest in related parties and followed this up with discussion and testing.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO
NORTHERN SCHOOLS TRUST AND THE EDUCATION FUNDING AGENCY (continued)

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 period 1 September 2014 to 31 August 2015 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Benjamin Russell BSc ACA (Reporting Accountant)

for and on behalf of HBD Accountancy Services LLP

Chartered Accountants
Gladstone House
2 Church Road
Liverpool
L15 9EG

9 December 2015

NORTHERN SCHOOLS TRUST

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 AUGUST 2015 (INCLUDING INCOME AND EXPENDITURE AND STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES)

		Unrestricted	Restricted	Restricted	Total	Total
	Notes	Funds £000	General Funds £000	Fixed Asset Funds £000	2015 £000	2014 £000
Incoming resources						
<i>Incoming resources from generated funds:</i>						
Activities for generating funds	2	48	-	-	48	30
Voluntary income		-	-	-	-	11,165
Voluntary income – transfer local authority on conversion	27	117	(1,782)	16,385	14,720	-
Investment income	3	19	-	-	19	34
<i>Incoming resources from charitable activities:</i>						
Funding for the Academy's educational operations	5	-	15,988	-	15,988	11,106
<i>Other incoming resources</i>	4	420	1,711	-	2,131	1,496
Total incoming resources		<u>604</u>	<u>15,917</u>	<u>16,385</u>	<u>32,906</u>	<u>23,831</u>
Resources expended						
<i>Cost of generating funds:</i>						
Deficit gained on transfer		-	-	-	-	262
<i>Charitable activities:</i>						
Academy trust educational operations	7	283	18,773	1,671	20,727	13,788
<i>Governance costs</i>	8	-	343	-	343	238
Total resources expended	6	<u>283</u>	<u>19,116</u>	<u>1,671</u>	<u>21,070</u>	<u>14,288</u>
Net incoming/(outgoing) resources before transfers		321	(3,199)	14,714	11,836	9,543
Gross transfers between funds	16	-	(426)	426	-	-
Net income/(expenditure) for the year		321	(3,625)	15,140	11,836	9,543
Other recognised gains and losses						
Actuarial (losses) gains on defined benefit pension schemes		-	213	-	213	(124)
Net movement in funds		321	(3,412)	15,140	12,049	9,419
Reconciliation of funds						
Total funds brought forward at 1 September 2014		1,369	747	42,975	45,091	35,672
Total funds carried forward at 31 August 2015		<u>1,690</u>	<u>(2,665)</u>	<u>58,115</u>	<u>57,140</u>	<u>45,091</u>

All of the Trust's activities derive from continuing operations during the above two financial periods.

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

NORTHERN SCHOOLS TRUST

BALANCE SHEETS AS AT 31 AUGUST 2015

Company Number 05067702

	Notes	Group		Company	
		2015 £000	2014 £000	2015 £000	2014 £000
Fixed assets					
Tangible assets	13	58,115	42,975	58,115	42,975
Current assets					
Debtors	14	800	2,215	800	2,215
Cash at bank and in hand		4,089	3,645	4,088	3,644
		<u>4,889</u>	<u>5,860</u>	<u>4,888</u>	<u>5,859</u>
Creditors: Amounts falling due within one year	15	<u>(2,822)</u>	<u>(2,690)</u>	<u>(2,822)</u>	<u>(2,690)</u>
Net current assets		<u>2,067</u>	<u>3,170</u>	<u>2,066</u>	<u>3,169</u>
Total assets less current liabilities		<u>60,182</u>	<u>46,145</u>	<u>60,181</u>	<u>46,144</u>
Pension scheme liability	26	(3,042)	(1,054)	(3,042)	(1,054)
Net assets including pension liability		<u>57,140</u>	<u>45,091</u>	<u>57,139</u>	<u>45,090</u>
Funds of the academy trust:					
Restricted income funds					
Fixed asset fund	16	58,115	42,975	58,115	42,975
General fund	16	377	1,801	376	1,800
Pension fund	16	(3,042)	(1,054)	(3,042)	(1,054)
Total restricted funds		<u>55,450</u>	<u>43,722</u>	<u>55,449</u>	<u>43,721</u>
Unrestricted income funds					
General fund	16	1,690	1,369	1,690	1,369
Total unrestricted funds		<u>1,690</u>	<u>1,369</u>	<u>1,690</u>	<u>1,369</u>
Total funds		<u>57,140</u>	<u>45,091</u>	<u>57,139</u>	<u>45,090</u>

The financial statements on pages 20 to 36 were approved by the trustees, and authorised for issue on 9 December 2015 and are signed on their behalf by:



M Taylor

Chair of Trustees

NORTHERN SCHOOLS TRUST

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2015

	Notes	2015 £000	2014 £000
Net cash inflow from operating activities	20	851	341
Returns on investments and servicing of finance	21	19	34
Capital expenditure	22	(426)	(467)
Increase/(decrease) in cash in the year		<u>444</u>	<u>(92)</u>
Reconciliation of net cash flow to movement in net funds			
Net funds at 1 September 2014		3,645	3,737
Net funds at 31 August 2015	23	<u>4,089</u>	<u>3,645</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2015

1 Accounting policies

1.1 Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction 2014 to 2015 issued by EFA and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

1.2 Consolidated accounts

The group financial statements consolidate the financial statements of the company and all its subsidiaries.

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are de-consolidated from the date on which control ceases.

All intra-group transactions are eliminated as part of the consolidation process. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

1.3 Going concern

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

1.4 Incoming resources

All incoming resources are recognised when the academy trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

Grants receivable

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt its recognition is deferred and 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 year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund. Capital grants are recognised when receivable 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.

Sponsorship income

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where there is certainty of receipt and it is measurable.

Donations

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

Other income

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

1 Accounting policies (continued)

Donated goods, facilities and services

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

1.5 Resources expended

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

Costs of generating funds

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

Charitable activities

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

Governance costs

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

All resources expended are inclusive of irrecoverable VAT.

1.6 Tangible fixed assets

Assets costing £500 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

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

Long leasehold buildings	Over 50 years
Fixtures, fittings and equipment	20% on cost
ICT equipment	25% on cost
Motor Vehicles	25% on cost

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2015 (continued)

1 Accounting policies (continued)

1.7 Investments

The Trust's shareholding in the wholly owned subsidiaries is included in the balance sheet at the cost of the share capital owned. There is no readily available market value and the cost of valuation exceeds the benefit derived.

1.8 Taxation

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

1.9 Fund Accounting

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

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

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

1.10 Pensions Benefits

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 26, the TPS is a multi-employer scheme and the academy trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on 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 gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2015 (continued)

1 Accounting policies (continued)

1.11 Conversion to an Academy Trust

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

The assets and liabilities transferred on conversion from Wallasey School to the academy trust have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in Voluntary income – transfer from local authority on conversion in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. The valuation of Fixed Assets (Land & Buildings £16,191,000 and Other Fixed Assets £194,000) were obtained through independent valuation companies, while the pension deficit of £1,782,000 valuation was provided from the Local Government Pension scheme providers triennial valuation. Further details of the transaction are set out in note 27.

1.12 Leased Assets

Rentals under operating leases are charged on a straight line basis over the lease term.

2 Activities for Generating Funds

	Unrestricted Funds £000	Restricted Funds £000	Total 2015 £000	Total 2014 £000
Car park and hire of facilities:	48	-	48	30
	48	-	48	30

3 Investment income

	Unrestricted Funds £000	Restricted Funds £000	Total 2015 £000	Total 2014 £000
Bank interest received	19	-	19	34
	19	-	19	34

4 Other incoming resources

	Unrestricted Funds £000	Restricted Funds £000	Total 2015 £000	Total 2014 £000
Pupil premium	-	1,099	1,099	851
Pupil premium year 7 catch up	-	42	42	26
Pupil premium summer camp	-	89	89	63
Devolved formula capital grant	-	46	46	28
Bursary fund	-	66	66	40
Sundry income	146	-	146	147
Other grants	-	369	369	166
Student catering	119	-	119	104
Contributions to uniforms	14	-	14	6
Contributions to coaches	28	-	28	7
Contributions to trips	113	-	113	58
	420	1,711	2,131	1,496

NORTHERN SCHOOLS TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2015 (continued)

5 Funding for the Academy Trust's educational operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2015 £000	Total 2014 £000
DfE/EFA grants				
- General Annual Grant (GAG)	-	15,453	15,453	10,765
- LEA Grants	-	8	8	12
- Capital Grant	-	60	60	101
- Start-up Grant A	-	340	340	75
- Start-up Grant B	-	127	127	153
	-	15,988	15,988	11,106

6 Resources Expended

	Staff costs £000	Non pay expenditure		Total 2015 £000	Total 2014 £000
		Premises £000	Other Costs £000		
Trust's educational operations					
- Direct costs	11,928	1,671	1,544	15,143	9,812
- Allocated support costs	2,386	1,212	1,986	5,584	3,976
	14,314	2,883	3,530	20,727	13,788
Governance costs	-	-	343	343	238
Deficit gained on transfer	-	-	-	-	262
	14,314	2,883	3,873	21,070	14,288

Net Incoming/outgoing resources for the year include:

	2015 £000	2014 £000
Fees payable to auditor		
- audit	18	17
- other services	11	7
Profit/(loss) on disposal of fixed assets	-	1

NORTHERN SCHOOLS TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2015 (continued)

7 Charitable activities – Trust's educational operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2015 £000	Total 2014 £000
Direct costs				
Teaching and educational support staff costs	-	11,928	11,928	7,212
Depreciation	-	1,671	1,671	1,505
Loss on sale of fixed assets	-	-	-	1
Examination fees	-	499	499	254
Technology costs	-	314	314	270
Coaches	28	127	155	65
Educational supplies	-	567	567	474
Furniture and room hire	-	9	9	31
	<u>28</u>	<u>15,115</u>	<u>15,143</u>	<u>9,812</u>
Allocated support costs				
Support staff costs	9	2,377	2,386	1,581
Severance pay costs	-	413	413	97
Staff development	-	126	126	120
Management charges	-	-	-	418
Maintenance of premises and equipment	-	582	582	384
Car park	-	24	24	4
Cleaning and waste disposal	-	105	105	43
Rates and water	-	217	217	143
Heat and light	-	284	284	132
Insurance	-	164	164	132
Security	-	7	7	6
Travel and visits	113	148	261	154
Printing, photocopying, postage and advertising	-	403	403	337
Free school meals	119	154	273	209
Telephone	-	55	55	33
Catering	-	31	31	18
Uniforms	14	2	16	15
Bank charges	-	4	4	2
New protocol costs / Permanent exclusions	-	129	129	72
Health and safety	-	8	8	5
Subscriptions	-	18	18	12
Other support costs	-	78	78	59
	<u>255</u>	<u>5,329</u>	<u>5,584</u>	<u>3,976</u>
	<u>283</u>	<u>20,444</u>	<u>20,727</u>	<u>13,788</u>

8 Governance costs

	Unrestricted Funds £000	Restricted Funds £000	Total 2015 £000	Total 2014 £000
Audit fees	-	18	18	17
Legal and professional fees	-	325	325	221
	<u>-</u>	<u>343</u>	<u>343</u>	<u>238</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2015 (continued)

9 Staff

a. Staff costs

Staff costs during the period were:

	2015 £000	2014 £000
Wages and salaries	11,278	7,170
Social security costs	840	541
Pension cost	1,843	988
	13,961	8,699
Supply costs	415	94
Staff restructuring costs	413	97
	14,789	8,890

b. Staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £119,894 (2014: £97,000). Nine of these payments were non-statutory/non-contractual payments and individually these payments were £3,928, £3,928, £6,460, £9,474, £10,528, £12,040, £20,690, £24,240 and £28,606.

c. Staff numbers

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

	2015 No.	2014 No.
Teachers	232	156
Administration and support	157	141
	389	297

d. Higher paid staff

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

	2015 No.	2014 No.
£60,001 to £70,000	6	3
£70,001 to £80,000	2	2
£80,001 to £90,000	7	2
£90,001 to £100,000	1	-
£100,001 to £110,000	2	2
£120,001 to £130,000	1	1
£170,001 to £180,000	1	2

Sixteen of the higher paid employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2015, employer pension contributions for these staff amounted to £129,817, (2014: £60,140). The other employees participated in the Local Government Pension Scheme, employer pension contributions amounted to £31,211 (2014: £26,562).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2015 (continued)

10 Central Services

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

- | | |
|----------------------|-------------------------|
| - human resources | - data |
| - financial services | - IT services |
| - marketing | - facilities management |

Charges of 4% of GAG were made for these services in the year.

Charges included £110,271 to Liverpool Life Sciences UTC and £64,447 to the Studio. Central services during the year were managed by North Liverpool Academy.

11 Trustees' remuneration and expenses

The value of trustee's remuneration was as follows:

	2015	2014
N Ward (Chief Executive)	£170,000-£180,000	£170,000-£180,000
L Hughes (Director of Finance)	£50,000-£60,000	£10,000-£20,000

During the year ended 31 August 2015, travel and subsistence expenses totalling £307 (2014 - £57) were reimbursed to 2 trustees (2014 – 1). The trustee's whom participated in the Local Government Pension Scheme, employer pension contributions amounted to £16,000 and £5,333 (2014: £21,627)

12 Trustees' and officers' insurance

In accordance with normal commercial practice the Trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The insurance provides cover up to £5,000,000 on any one claim. The cost for the year ended 31 August 2015 was a part of the total cost for management liability insurance of £9,365 (2014: £13,355). The cost of this insurance is included in the total insurance cost.

13 Tangible fixed assets (group and company)

	Freehold property	Leasehold property	Computer equipment	Furniture and equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 September 2014	9,889	34,769	4,173	4,413	83	53,327
Additions	23	42	304	33	24	426
Disposals	-	-	-	-	-	-
Transfer on conversion	-	16,191	139	43	12	16,385
At 31 August 2015	9,912	51,002	4,616	4,489	119	70,138
Depreciation						
At 1 September 2014	60	3,289	3,097	3,869	37	10,352
Charge for the year	198	885	401	163	24	1,671
Disposals	-	-	-	-	-	-
At 31 August 2015	258	4,174	3,498	4,032	61	12,023
Net book values						
At 31 August 2015	9,654	46,828	1,118	457	58	58,115
At 31 August 2014	9,829	31,480	1,076	544	46	42,975

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2015 (continued)

13 Tangible fixed assets (group and company) (continued)

The trust's transactions relating to land and buildings included:

- during the year all the assets of The Kingsway Academy were transferred into the company including the leasehold for the PFI building at Birket Avenue, Wirral over a term of years expiring July 2031;
- the trust has three leasehold properties, two in the Liverpool city region of whom Liverpool City Council is the legal owner and one in Wirral, as outlined above. The legal owner of the Wirral site until July 2031 is SPIE, and thereafter Wirral Metropolitan Borough Council.

14 Debtors (group and company)

	Company	
	2015	2014
	£000	£000
Trade debtors	6	4
VAT recoverable	100	1,478
Other debtors	23	5
Prepayments and accrued income	671	728
	800	2,215

15 Creditors (group and company)

	2015	2014
	£000	£000
Trade creditors	844	676
Taxation and social security	289	190
EFA creditor: abatement of GAG	727	118
EFA creditor: VAT	-	1,200
Pension	218	118
Other creditors	8	5
Accruals and deferred income	736	383
	2,822	2,690

Deferred income

	2015
	£000
Deferred income at 1 September 2014	258
Resources deferred in the year	222
Amounts released from previous years	(258)
	222

Deferred income held at 31 August 2015 relates to amounts received for the devolved formula capital grant, the Bursary fund, rates relief and an LA grant in the year to 31 August 2015 but which relate to the periods after this date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2015 (continued)

16 Funds

	Balance at 1 September 2014 £000	Incoming resources £000	Resources expended £000	Gains, losses and transfers £000	Balance at 31 August 2015 £000
Restricted general funds					
General Annual Grant (GAG)	1,660	15,453	(16,370)	(366)	377
Start-up grants	-	467	(467)	-	-
Other DfE grants	141	1,711	(1,792)	(60)	-
LEA grants	-	8	(8)	-	-
Pension reserve	(1,054)	-	213	(2,201)	(3,042)
	<u>747</u>	<u>17,639</u>	<u>(18,424)</u>	<u>(2,627)</u>	<u>(2,665)</u>
	Balance at 1 September 2014 £000	Incoming resources £000	Resources expended £000	Gains, losses and transfers £000	Balance at 31 August 2015 £000
Restricted fixed asset fund					
Capital grant	27,820	-	(880)	60	27,000
Capital expenditure from GAG	3,279	-	(104)	366	3,541
Assets gained on transfer	11,082	-	(662)	(10,420)	-
Other	794	-	(25)	26,805	27,574
	<u>42,975</u>	<u>-</u>	<u>(1,671)</u>	<u>16,811</u>	<u>58,115</u>
Total restricted funds	<u>43,722</u>	<u>17,639</u>	<u>(20,095)</u>	<u>14,184</u>	<u>55,450</u>
Unrestricted funds					
Unrestricted funds	1,369	487	(283)	117	1,690
Total unrestricted funds	<u>1,369</u>	<u>487</u>	<u>(283)</u>	<u>117</u>	<u>1,690</u>
Total funds	<u>45,091</u>	<u>18,126</u>	<u>(20,378)</u>	<u>14,301</u>	<u>57,140</u>

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

The General Annual Grant (GAG) is used to meet the day to day working capital commitments of the Trust. Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2015.

The Start Up Grant is used to meet the costs of purchasing basic stock and teaching materials, the transitional costs and the diseconomies of scale arising on opening of an Academy.

The other DfE/EFA grants is made up of amounts received for pupil premium, devolved formula capital and the bursary fund.

The Local Education Authority grants are used to meet costs of a specific project.

The pension fund relates to the Trust's share of the deficit of the Local Government Pension Scheme (note 26).

The capital grant has been used to fund the costs to date of certain computer and specialist equipment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2015 (continued)

16 Funds (continued)

Analysis of academies by fund balance

Fund balances at 31 August were allocated as follows:

	Total £000
North Liverpool Academy	3,552
Liverpool Life Sciences UTC	(551)
The Studio	(380)
The Kingsway Academy	(554)
Total before fixed assets and pension reserve	2,067
Restricted fixed asset fund	58,115
Pension reserve	(3,042)
Total	57,140

	Teaching and educational support staff costs £000	Other support staff costs £000	Educational supplies £000	Other costs (excluding depreciation) £000	Total £000
North Liverpool Academy	6,938	1,481	758	1,468	10,645
Liverpool Life Sciences UTC	1,825	301	382	640	3,148
The Studio	1,014	150	209	339	1,712
The Kingsway Academy	2,151	454	195	1,094	3,894
Academy Trust	11,928	2,386	1,544	3,541	19,399

17 Analysis of net assets between funds

	Unrestricted Funds £000	Restricted Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets	-	-	58,115	58,115
Current assets	1,690	3,199	-	4,889
Current liabilities	-	(2,822)	-	(2,822)
Pension scheme liability	-	(3,042)	-	(3,042)
Total net assets	1,690	(2,665)	58,115	57,140

18 Capital commitments

There are no capital commitments contracted for but not provided in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2015 (continued)

19 Financial commitments

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

	2015 £000	2014 £000
Land and Buildings		
Expiring over five years	657	-
	657	-

20 Reconciliation of consolidated operating (deficit)/surplus to net cash inflow from operating activities

	2015 £000	2014 £000
Net income	11,836	9,543
Assets gained on transfer	(16,385)	(11,165)
Pension deficit gained on transfer	1,782	50
Depreciation (note 13)	1,671	1,505
(Loss)/profit on disposal of tangible fixed assets	-	1
Interest receivable (note 3)	(19)	(34)
FRS17 pension cost less contributions payable	157	158
FRS17 pension finance cost	25	-
FRS17 business combinations	237	10
(Increase)/decrease in debtors	1,415	(231)
Increase/(decrease) in creditors	132	504
Net cash inflow from operating activities	851	341

21 Returns on investments and servicing of finance

	2015 £000	2014 £000
Interest received	19	34
Net cash inflow from returns on investment and servicing of finance	19	34

22 Capital expenditure and financial investment

	2015 £000	2014 £000
Purchase of tangible fixed assets	(426)	(467)
Net cash outflow from capital expenditure and financial investment	(426)	(467)

23 Analysis to changes in net funds

	At 1 September 2014 £000	Cash flows £000	At 31 August 2015 £000
Cash in hand and at bank	3,645	444	4,089
	3,645	444	4,089

24 Contingent liabilities

During the period of the Funding Agreement, in the event of the sale or disposal by other means of any assets for which a Government capital grant was received, the Trust is required either to re-invest the proceeds or to repay the EFA the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State.

Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the Trust serving notice, the Trust shall repay to the Secretary of State sums determined by reference to:

- (a) the value, at the time, of the Trust's sites and premises and other assets held for the purpose of the Trust: and
- (b) the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement.

25 Members' liability

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/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.

26 Pension and similar obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £217,708 (2014: £118,282) were payable to the schemes at 31 August 2015 and are included within creditors.

Teachers' Pension Scheme

Introduction

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

26 Pension and similar obligations (continued)**Valuation of the Teachers' Pension Scheme**

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer 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 (currently 14.1%))
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%

During the year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015, which will be payable during the implementation period until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019. Total pension contributions payable to the Teachers' Pension Scheme for the year ended 31st August 2015 was £1,780,416 (2014: £1,032,899).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website. Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2015 was £523,211, of which employer's contributions totalled £351,552 and employees' contributions totalled £171,659. The agreed contribution rates for future years are 10 – 16.4 per cent for employers and 5.5 -12.5 per cent for employees.

As described this note the LGPS obligation relates to the employees of the academy trust, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the Scheme in the year/period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy trust at the balance sheet date.

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

26 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

Principal actuarial assumptions

	2015	2014
Rate of increase in salaries	3.50 - 3.80%	3.60 - 3.70%
Rate of increase for pensions in payment / inflation	2.00 - 2.30%	2.10 - 2.20%
Discount rate for scheme liabilities	3.20 - 4.00%	3.80 - 4.00%
Inflation assumption (CPI)	2.00 - 2.30%	2.10 - 2.20%
Commutation of pensions to lump sums	50.00%	50.00%

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

	2015	2014
<i>Retiring today</i>		
Males	22.4	22.3
Females	25.3	25.2
<i>Retiring in 20 years</i>		
Males	24.8	24.7
Females	28.1	28.0

The Trust's share of the assets and liabilities in the scheme and the expected rates of return were:

	Expected return at 31 Aug 15 %	Fair value at 31 Aug 15 £000	Expected return at 31 Aug 14 %	Fair value at 31 Aug 14 £000
Equities	6.5%	2,986	7.0%	2,202
Government bonds	2.5%	686	2.9%	501
Other bonds	3.6%	259	3.8%	85
Property	6.1%	427	6.2%	286
Cash/liquidity	0.5%	144	0.5%	160
Other	6.5%	467	7.0%	424
Total market value of assets		4,969		3,658
Present value of scheme liabilities				
- funded		(8,011)		(4,712)
Deficit in the scheme		(3,042)		(1,054)

The actual return on scheme assets was £90,000 (2014: £346,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2015 (continued)

26 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

Amounts recognised in the statement of financial activities

	2015 £000	2014 £000
Current service cost (net of employee contributions)	514	309
Past service cost (gain)	-	32
Total operating charge	514	341

Analysis of pension finance income/(costs)

	2015 £000	2014 £000
Expected return on pension scheme assets	208	170
Interest on pension liabilities	(249)	(170)
Pension finance income / (costs)	(41)	-

The actuarial gains and losses for the current year are recognised in the statement of financial activities. The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since the adoption of FRS 17 is a £3,042,000 loss (2014: £1,054,000 loss).

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

	2015 £000	2014 £000
At 1 September	4,712	3,300
Obligations transferred on joining academies	2,558	323
Current service cost	514	309
Interest cost	249	170
Employee contributions	175	118
Past service cost (gain)	-	32
Actuarial (gain)/loss	(345)	364
Benefits paid	(87)	(88)
Business combinations	235	184
At 31 August	8,011	4,712

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

	2015 £000	2014 £000
At 1 September	3,658	2,588
Assets transferred on joining academies	776	273
Expected return on assets	224	170
Actuarial gains / (losses)	(134)	240
Business combinations	-	174
Employer contributions	357	183
Employee contributions	175	118
Benefits paid	(87)	(88)
At 31 August	4,969	3,658

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2015 (continued)

26 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

The estimated value of employer contributions for the year ended 31 August 2016 is £445,000.

The five-year history of experience adjustments is as follows:

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Present value of defined benefit obligations	(8,011)	(4,712)	(3,300)	(2,802)	(2,364)
Fair value of share of scheme assets	4,969	3,658	2,588	2,058	1,934
Deficit in the scheme	<u>(3,042)</u>	<u>(1,054)</u>	<u>(712)</u>	<u>(744)</u>	<u>(430)</u>
Experience adjustments on share of scheme assets	(103)	240	166	-	(142)
Experience adjustments on scheme liabilities	-	120	-	28	311

27 Conversion to an Academy Trust

The Kingsway Academy joined the Trust on 1 February 2015. The balances transferred to the trust were as follows:

	£000
Fixed assets	16,385
Budget surplus on LA funds	117
Defined benefit pension scheme deficit	<u>(1,782)</u>
Total transfer	<u>14,720</u>

28 Related party transactions

Owing to the nature of the Trust's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Trust's financial regulations and normal procurement procedures.

During the year M Hughes, a relation of S Hughes, provided building maintenance totalling £31,830 (2014: £44,870). The balance due to M Hughes at the balance sheet date was £750.

Also during the year books were actually purchased for the 15/16 academic year through Harper Collins, of whom member and director I Mooney is linked to the company, £24,000. There was no balance due at the balance sheet date.

All transactions were made at arm's length.