



The Education Alliance

Financial Statements

31st August 2016



The Education Alliance

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The Education Alliance

**Reference and Administrative Details
for the Year Ended 31st August 2016**

MEMBERS

Mr S Nicholson
Mr L Whiting
Mr A Bradley
Mr R Swain
Mr J Buckley (Lead member)

TRUSTEES

Miss C Abbott * (CEO and Accounting Officer) (resigned
as Trustee 1.3.2016)
Mr P Ness #*
Mr P Hall * (Vice Chairman)
Miss N Hornsby #*
Mr P Nicholson *
Mrs N Wicks *
Mr P Wong * (resigned 1.3.2016)
Mrs T Beasley *
Mr A M Steele * (appointed 21.7.2016)
Mrs A Barker * (appointed 1.3.2016)
Mrs L Killelay * (appointed 1.3.2016)
Mr R Swain * (Chairman)
Mr D Gilmour * (resigned 8.10.2015)

members of the audit committee
* members of the Board of Directors

COMPANY SECRETARY

Mrs L Pipes

**SENIOR MANAGEMENT
PERSONNEL**

| | |
|---------------|---------------------------------|
| Miss C Abbott | <i>Chief Executive Officer</i> |
| Mr J Uttley | <i>Executive Principal</i> |
| Mr P Sprakes | <i>Head of School</i> |
| Mrs L Hudson | <i>Head of School</i> |
| Mrs J Jewitt | <i>Finance Director</i> |
| Mrs L Pipes | <i>Human Resources Director</i> |
| Mrs J Maund | <i>Director of TSA</i> |

REGISTERED OFFICE

South Hunsley School & 6th Form College
East Dale Road
Melton
North Ferriby
East Yorkshire
HU14 3HS

REGISTERED COMPANY NUMBER

07542211 (England and Wales)

AUDITORS

Smailes Goldie
Chartered Accountants
Statutory Auditor
Regent's Court
Princess Street
Hull
East Yorkshire
HU2 8BA

BANKERS

HSBC Bank plc
Merit House
Priory Park
West Saxon Way
Hessle
HU13 9PB

The Education Alliance

Report of the Trustees for the year ended 31st August 2016

The Trustees, who are also Directors of the Academy Trust for the purposes of the Companies Act 2006, present their annual report with the financial statements of the Academy Trust for the year ended 31st August 2016. The annual report serves the purpose of both a Trustees' report (including a strategic report), and a Directors' report under company law.

The Trustees have adopted the provisions of 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) (effective 1 January 2015) and the Academies Accounts Direction issued by the Education Funding Agency.

The Trust operates three academies;

- South Hunsley School and Sixth Form College for pupils aged 11 to 18 serving a catchment area in the East Riding of Yorkshire. It has a pupil capacity of 1877 and had a roll of 2160 in the school census on 6 October 2016;
- Malet Lambert for pupils aged 11 to 16 serving a catchment area in the east of Kingston upon Hull. It has a pupil capacity of 1535 and had a roll of 1497 in the school census on 6 October 2016;
- Hunsley Primary School for pupils aged 4 to 11 which does not currently have a catchment area as it is a Free School currently in temporary accommodation. It has a pupil capacity in 2015/16 of 30 and in 2016/17 of 60 and had a role of 56 in the school census on 6 October 2016.

OBJECTIVES AND ACTIVITIES

Objectives and aims

The Academy Trust's objectives are set to reflect the educational aims and ethos of each Trust school. In setting the objectives and planning the activities, the Trustees have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education and on fee-charging.

The main objects of the Academy Trust are:

- (a) Advancing education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum; and
- (b) Promoting for the benefit of the inhabitants of each Trust school's local and surrounding area the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of life of the said inhabitants.

The main objectives between 1 September 2015 and 31 August 2016 were

- To develop a new governance handbook that ensures effective operation of all parts of the Academy Trust and builds capacity to bring other schools into the Trust.
- To develop additional infrastructure on the South Hunsley site to continue to provide high quality educational provision and ensure the long term financial sustainability of the school and meet the needs of South Hunsley's growing population.
- To develop the KPIs and reporting systems for the Board of Trustees including building a robust risk management procedure.
- Ensure the Wolds Teaching School Alliance operates across the region to recruit, train and develop staff and raise standards and aspirations in schools and to successfully apply to become a SCITT (School Centred Initial Teacher Training).
- To ensure outstanding progress is made by the Hunsley Primary school, across all areas in its first year of operation.
- To develop and deliver robust due diligence procedures for any prospective schools joining the Trust.

The Education Alliance opened Hunsley Primary as a Free School with a reception class in September 2015. The Education Alliance transferred Malet Lambert standalone Academy Trust in to the Academy Trust on 1 February 2016.

The Education Alliance

Report of the Trustees for the year ended 31st August 2016

Public benefit

We have referred to the public benefit guidance contained in the Charity Commission general guidance when reviewing the Academy Trust's aims and objectives and in planning future activities. The availability and access to the public of the Academy Trust's facilities is a key object within the Articles of Association.

Equal Opportunities

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

Disabled Persons

The policy of the Academy Trust is to support recruitment and retention of students and employees with disabilities. The Academy Trust supports this by adapting the physical environment wherever possible, by making support resources available and through training and career development. New buildings and improvements to existing buildings all recognise the need to be fully DDA compliant.

STRATEGIC REPORT

Achievement and performance

South Hunsley School and Sixth Form College

GCSE results in the summer of 2016 were again outstanding, continuing the trend for outstanding academic achievement. 87% of students achieved GCSEs graded A*-C in English and Maths. Using the Department for Education's new gold standard Progress 8 measure, results were exceptionally good. The school achieved a score of 0.6 meaning all students achieved, on average, more than half a grade higher than expected nationally across 8 GCSE subjects placing the school in the top 2% of all schools nationally.

At A-level, the 2016 results were excellent and consolidated the upward trend of recent years. The students taking A Levels achieved a 100% pass rate, the percentage of A* and A grades was 24 %; A*-B grades were 53% and A*-C grades were 81%. The average points per entry were 32.4, which is above both national and the local authority average. The progress students made from the end of key stage 4 places the Sixth Form College in the top 30% of A level providers nationally and second in the East Riding of Yorkshire.

Malet Lambert

Malet Lambert gained a good Progress 8 score in 2016 (+0.24) with an attainment figure of 5.12 (C grade). The progress 8 measure equates to almost 1/4 grade higher than national for 2016 across the suite of 8 subjects. The progress 8 gender gap shows males having outperformed females (+0.28 v +0.19) validating the school's efforts to address the gender gap. Disadvantaged pupils are in line with the national average. The 5 EAL pupils are the top performing cohort having made great progress with more than a third of a grade (+0.38) above national. The basics measure sees 59% of pupils, achieving a C or above in English and Maths, which is marginally above national for 2016, again supporting a picture of good performance by the school against the lower entry profile.

Hunsley Primary School

The Average Point Score was above the national average for 2016. The target set at the start of the year to achieve 88% Good Level of Development has been exceeded with 90% achieving GLD. The target set at the start of the year to achieve 38% of pupils with Exceeding in one or more of the Prime, Literacy, Maths or UTW has been exceeded with 59% hitting the target

Hunsley Primary is above the 2016 national data set across all headline measures. All pupils have made at least Expected Progress with the average progress across each of the 17 areas standing between 4 and 7 points across the board. Mathematics and Understanding the World show the highest level of attainment. Literacy, Maths, Understanding the World and Expressive Arts show the most significant progress

Key Financial Performance Indicators

The Academy Trust produces monthly budget to actual reports to monitor its on-going progress against target. For the year ended 31 August 2016 income was 4% higher than expected, staff costs were 0.1% less than expected and overheads were 4% less than expected.

The Academy Trust understands that its biggest expense is staff costs and that this must be carefully monitored. The Academy Trust expects that staff costs should be less than 80% of income in order to remain efficient. In the year to 31 August 2016 staff costs were 70.7% (2015: 67.6%) of incoming resources.

**Report of the Trustees
for the year ended 31st August 2016**

STRATEGIC REPORT

Financial review

Financial position

The financial results for the year were as expected.

The Academy Trust's main source of income (the General Annual Grant (GAG)) consists mainly of the funding for pupils aged between 4 and 16. This income is based on the "replication model" of the Local Authority's funding formula; the funding for post 16 pupils which is based on a formula administered by the EFA; and ESGG (Education Services Grant) which is a grant to cover responsibilities transferred from the Local Authority to the Academy Trust.

In addition to the educational operations of the Academy Trust, four other related operations have been performed, these are:

- A Teaching School Alliance (including outreach work at other schools) and a SCITT
- A Catering Service, which provides meals to students and staff
- Sports facilities, which when not used by the Academy Trust, are made available to the public, and
- Hosting of three Public Sector Frameworks with Value Added Portal Limited t/a PAGABO

Careful financial management had enabled the Academy Trust to operate with a surplus balance. At 31 August 2016 balances on the restricted and unrestricted funds of £2,684,000 surplus (2015: £2,748,000 surplus) and £2,396,000 surplus (2015: £2,361,000 surplus) were carried forward.

The Academy Trust's non-teaching staff are entitled to membership of the Local Government Pension Scheme (LGPS). The balance at 31 August 2016 was a net liability of £6,447,000. This had increased from the balance 31 August 2015 which was £2,799,000. We are currently reviewing our long term LGPS position and what safeguards, if any, we would be able to adopt to reduce the effect that current market volatility is having on the financial results. The employers' contribution rate is currently 23.9% at South Hunsley School and Sixth Form College, 36.8% at Malet Lambert and 21.2% at Hunsley Primary School. The LGPS pension liability is underwritten by the DfE.

Investment policy and objectives

The Academy Trust aims to manage its cash balances to provide for the day-to-day working capital requirements of its operations, whilst protecting the real long term value of any surplus cash balances against inflation. In addition, the Academy Trust aims to invest surplus cash funds to optimise returns, but ensuring the investment instruments are such that there is minimal risk to the loss of these cash funds.

The main purpose of the Academy Trust's investment policy is to;

- ensure adequate cash balances are maintained in the current account to cover day to day working capital requirements
- ensure there is no risk of loss in the capital value of any cash funds invested
- protect the capital value of any invested funds against inflation
- optimise returns on invested funds

Reserves policy

The Trustees review the reserve levels of the Academy Trust annually. The review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The educational obligations that the Academy Trust has on a day-to-day basis are funded from its restricted reserves that were provided for this purpose. The Trustees need to ensure that the Academy Trust has sufficient working capital to cover delays between receipt of grants and spending, and are able to deal with unexpected emergencies that may arise such as emergency maintenance. The Academy Trust's current level of general reserves (Restricted and Unrestricted reserves excluding Fixed Asset and Pension Funds) is £5,080,000 (2015: £5,109,000). Taking into account the nature of the Academy Trust's income streams, the Trustees are of the view that reserves at this level are sufficient to cover its working capital needs.

**Report of the Trustees
for the year ended 31st August 2016**

STRATEGIC REPORT

Financial review

Going concern

After making appropriate enquiries on the Academy Trust's ability to continue to operate as a going concern is required as best practice, the Trustee body 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.

Principal risks and uncertainties

The Academy Trust has identified principal risks and uncertainties including:

- Income reduction as a result of changes to the national funding.
- On-going national curriculum changes and educational reforms.
- Future LGPS actuarial losses.
- Depreciation costs on the land and buildings
- Significant growth in projected student numbers at South Hunsley School and Sixth Form College over the next 10 years due to housing developments within the catchment area and potential effects on education provision.
- Provision of a permanent school for Hunsley Primary School before September 2018 when space on the temporary site will run out.

The Trustees are reviewing a number of systems to assess risks that the school faces and they have introduced systems and internal financial controls in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover. The Academy Trust has an effective system of internal financial controls and this is explained in more detail in the following statement.

The Trustees have reviewed current examples of best practice and have:

- set policies on internal controls which cover the following:
 - the type of risks the Academy Trust faces
 - the level of risks which they regard as acceptable;
 - the likelihood of the risks materialising;
 - the Academy Trust's ability to reduce the incidence and impact on the Academy Trust's operations of risks that do materialise;
 - the costs of operating particular controls relative to the benefits obtained.
- built further capacity in leadership teams across the trust
- further clarified the responsibility of Senior Leadership Teams in academies to implement the Trustees' policies and to identify and evaluate risks for the Trustees' consideration;
- explained to employees that they have responsibility for internal control as part of their accountability for achieving objectives;
- embedded the control system in the Academy Trust's operations so that it becomes part of the culture of the Academy Trust;
- developed systems to respond quickly to evolving risks arising from factors within the Academy Trust and to changes in the external environment; and
- included procedures for reporting failings immediately to appropriate levels of management and the Trustees together with details of corrective action being undertaken.

The Education Alliance

Report of the Trustees for the year ended 31st August 2016

STRATEGIC REPORT

Future plans

In order to continue to develop with consistency and coherence, we have agreed the following three key themes for school development planning over the next year:

Distinction and high achievement

Securing outstanding outcomes for all our young people at all stages of their school career and continuing to create a culture that encourages and celebrates achievements of all kinds.

Limitless potential

Continuing to create systems of support to ensure that all young people are able to aspire to greatness and thrive in all areas of their lives.

Learning for its own sake

Working relentlessly to develop a love of learning in our young people through focusing on outstanding classroom practice, assessment, differentiation and challenge.

Key activities include

- To complete the final phase of South Hunsley's site development plan, including a multi-purpose space that will include dining facilities, an exam hall and sports space that will be available for external hire outside of school hours
- To develop and grow the Wolds Teaching School Alliance and begin work as a School Centred Initial Teacher Training Centre
- To develop and grow Hunsley Primary School and achieve an Outstanding OFSTED rating
- Grow the Trust further in response to regional and national priorities

The Education Alliance has also successfully submitted a 'Northern Bid' sponsor application to the DfE and is now eligible to bring in and support underperforming schools within the Multi Academy Trust. The Academy Trust is in negotiations with the East Riding of Yorkshire Council to transfer Driffield School into its Academy Trust on 1 February 2017.

The Education Alliance has developed, and is continuing to develop, the knowledge, skills and expertise of its central team to ensure there is capacity for the trust to expand in both the primary and secondary education sectors

STRUCTURE, GOVERNANCE AND MANAGEMENT

Charity constitution

The Academy Trust is a private 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 are also the Directors of the charitable company for the purposes of company law. The charitable company is known as the The Education Alliance and trades as South Hunsley School and Sixth Form College, Malet Lambert, The Wolds Teaching Alliance and Hunsley Primary School (which opened as a Free School in September 2015).

Details of the Members and Trustees who served throughout the year are included in the Reference and Administrative Information 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 whilst 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 cease to be a member.

Trustees' indemnities

During the year the Academy Trust had in place third party indemnity provisions for the benefit of the Academy Trust's Members and Trustees.

The Education Alliance

Report of the Trustees for the year ended 31st August 2016

STRUCTURE, GOVERNANCE AND MANAGEMENT

Recruitment and appointment of new Trustees

As stated above all new Trustees are appointed by the Members and current Trustees and are responsible for the day to day management of the Academy Trust, exercising all the powers of the Members as stated in Article 94. Any changes to Trustees are listed on page 1.

Full details relating to the appointment and removal of Trustees are contained in the Articles of Association with a brief summary given below.

The Members may appoint up to 10 Trustees with their term of office being 4 years. Subject to remaining eligible any Trustee may be re-appointed or re-elected.

A minimum of 2 Parent Trustees shall, if necessary, be appointed according to articles 53-56. The Trustees may appoint Co-opted Trustees including employees of the Academy Trust providing that the number of Staff Trustees does not exceed one third of the total number of Trustees (including the CEO).

The Secretary of State may also appoint additional Trustees if he feels it appropriate and ultimately has the power to in effect take over the Governance of the Academy Trust. The Secretary of State has not appointed any additional Trustees.

During the academic year, at least eight formal Board meetings are held.

Organisational structure

The Trustee Body has established Academy Local Governing Bodies to help it carry out its work effectively. The Local Governing Bodies are delegated responsibility for holding the Heads of School to account and providing support and challenge to improve the educational outcomes for all students at each Trust school. The Trustee Body retains responsibility for monitoring Academy educational and financial performance and ensuring the effective management and governance of the Trust.

In addition a number of ad-hoc Committees and Panels meet to deliver specific tasks as set out in the Trust's Scheme of Delegation.

Arrangements for Setting Pay and Remuneration of Key Management Personnel

The Academy Trust's HR Director performs annual remuneration benchmarking and works with the CEO to prepare a report of recommendations for the pay and remuneration of key management personnel.

The Remuneration Committee meet annually to review and set the pay and remuneration of key management personnel using the report of recommendations. The Academy Trust also has a pay policy that is regularly reviewed by the Board of Trustees.

Policies and Procedures Adopted for the Induction and Training of Trustees

All new Trustees are inducted into their role by the Chair of the Board of Directors and the CEO along with the support of the Secretary to the Board of Directors and the Trust HR Director (who at date of signing the accounts was the same individual) to ensure that they understand their Trustee responsibilities and duties as a Director.

Trustee training is provided as required either on request by the Directors or on the recommendation of the CEO, or by agreement of the Chair of the Board of Directors.

Connected Organisations, including Related Party Relationships

The Academy Trust currently has no connected organisations or related party relationships.

AUDITORS

The auditors, Smalles Goldie, will be proposed for re-appointment at the forthcoming Annual General Meeting.

Report of the Trustees, incorporating a strategic report, approved by the Board of Trustees, as the company Directors, on 15th December 2016 and signed on the board's behalf by:



Mr R Swain - Trustee

The Education Alliance

Governance Statement for the Year Ended 31st August 2016

Scope of Responsibility

As Trustees we acknowledge we have overall responsibility for ensuring that The Education Alliance 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 Education Alliance and the Secretary of State for Education. They are also responsible for reporting to the governing body any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of the Trustees' Responsibilities. The Board of Trustees has formally met 10 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 |
|----------------|--------------------------|--------------------------|
| Mr R Swain | 10 | 10 |
| Mr P Nicholson | 4 | 10 |
| Mr P Ness | 6 | 10 |
| Mr P Hall | 10 | 10 |
| Miss N Hornsby | 10 | 10 |
| Mrs N Wicks | 6 | 10 |
| Mr P Wong | 3 | 4 |
| Mrs T Beasley | 6 | 10 |
| Mrs A Barker | 4 | 6 |
| Mrs L Killelay | 5 | 6 |

There is no separate Finance Committee and therefore all financial oversight of the Trust is through the Board of Directors or the Audit Committee (see below).

The Board of Trustees established a separate Audit Committee to maintain oversight of the Trust's governance, risk management, internal control and value for money framework. The membership of the Audit Committee includes Mr P Ness (Chair) and Ms Hornsby as Trustees of The Education Alliance along with Mr C Wicks as an external representative to the Trust and Mrs M Wright, Governor of Malet Lambert Local Governing Body. This committee will meet at least three times per year.

| Trustee/individual | Meetings attended | Out of a possible |
|---------------------------|--------------------------|--------------------------|
| J P Ness | 2 | 3 |
| C Wicks | 3 | 3 |
| N Hornsby | 2 | 3 |
| M Wright | 1 | 1 |

A Governance Handbook for The Education Alliance has been produced. The full governance membership has been reviewed during the year to ensure appropriate representation and segregation at all levels of the Trust.

Review of Value for Money

As Accounting Officer the CEO has responsibility for ensuring that the Academy Trust delivers good value in the use of its 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 Education Alliance

Governance Statement for the Year Ended 31st August 2016

Review of Value for Money

The Accounting Officer considered how the Trust's use of its resources has provided good value for money during each academic year, and reports to the Board of Directors where value for money can be improved, including the use of benchmarking data where available. The Accounting Officer for the Academy Trust has delivered value for money during the year by:

- Completing a detailed tendering process for the appointment of Professional Services connected to the multi-use space development phase
- Utilising the OJEU compliant framework set up by South Hunsley for the procurement of its building works
- Continually reviewing staffing costs and structures and monitoring staff costs as a percentage of income
- Adopting a two week timetable structure at South Hunsley to bring about greater efficiencies in the curriculum

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at The Education Alliance for the year ended 31 August 2016 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Board of Trustees has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the 1 September 2015 to 31 August 2016 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 governing body;
- regular reviews by the Board of Directors of reports which indicate financial performance against the forecasts;
- 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 reviewed the internal auditor role during this academic year. The East Coast Audit Consortium was appointed as internal auditors following a tender process. The internal auditor's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems.

On a quarterly basis, the internal auditors produce a report to the Board of Trustees and the Audit Committee regarding the operation of the systems of control and on the discharge of the governing body's financial responsibilities. There have been no material control issues identified by the internal auditors during the year. Any non-material recommendations have been addressed on a timely basis by the Academy Trust's Finance Director.

The Education Alliance

Governance Statement for the Year Ended 31st August 2016

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:

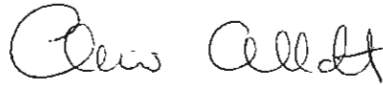
- the work of the internal auditor;
- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the senior leadership team and executive board within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

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

Approved the members of the Board of Trustees on 15th December 2016 and signed on its behalf by:



Mr R Swain - Trustee



C Abbott - Accounting Officer

The Education Alliance

Statement on Regularity, Propriety and Compliance for the year ended 31st August 2016

As Accounting Officer of The Education Alliance I have considered my responsibility to notify the Academy 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 for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

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 2015.

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.



C Abbott - Accounting Officer

15th December 2016

The Education Alliance

Statement of Trustees Responsibilities for the year ended 31st August 2016

The Trustees (who act as governors of The Education Alliance and are also the Directors of the charitable company for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" 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 Academy Trust and of the incoming resources and application of resources, including the income and expenditure, of the Academy Trust for that period. In preparing those financial statements, the Trustees are required to

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016;
- make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards (FRS102) 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 Academy Trust will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Academy Trust's transactions and disclose with reasonable accuracy at any time the financial position of the Academy Trust and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Academy Trust 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 Academy Trust applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the EFA/DfE have been applied for the purposes intended.

In so far as the Trustees are aware:

- there is no relevant audit information of which the Academy Trust's auditors are 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 auditors are aware of that information.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the Academy Trust'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 Board of Trustees on 15th December 2016 and signed on its behalf by:



Mr R Swain - Trustee

Report of the Independent Auditors to the Members of The Education Alliance

We have audited the financial statements of The Education Alliance for the year ended 31st August 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Accounts Direction 2015 to 2016 issued by the Education Funding Agency (EFA).

This report is made solely to the Academy 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 Academy 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 Academy Trust and the Academy Trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

As explained more fully in the Statement of Trustees Responsibilities, the Trustees (who are also the Directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Academy Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Trustees to identify material inconsistencies with the audited financial statements 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 financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Academy Trust's affairs as at 31st August 2016 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, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland';
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2015 to 2016.

Opinion on other matter prescribed by the Companies Act 2006

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

Report of the Independent Auditors to the Members of The Education Alliance

Matters on which we are required to report by exception

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

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



Peter Duffield LLB FCA (Senior Statutory Auditor)
for and on behalf of Smailes Goldie
Chartered Accountants
Statutory Auditor
Regent's Court
Princess Street
Hull
East Yorkshire
HU2 8BA

15th December 2016

Independent Reporting Accountant's Assurance Report on Regularity to The Education Alliance and the Education Funding Agency

In accordance with the terms of our engagement letter dated 1st November 2016 and further to the requirements of the Education Funding Agency (EFA), as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Education Alliance during the period 1st September 2015 to 31st August 2016 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 Education Alliance and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Education Alliance 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 Education Alliance and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Education Alliance's Accounting Officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of The Education Alliance's funding agreement with the Secretary of State for Education dated 1st April 2011 and the Academies Financial Handbook, extant from 1st September 2015, 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 to 2016. 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 1st September 2015 to 31st August 2016 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 to 2016 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.

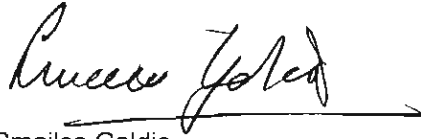
The work undertaken to draw our conclusion includes:

- Ensuring value for money is sought for all goods/services procured by the Academy Trust, including those procured from related parties of the Academy Trust.
- Ensuring that fixed asset additions are made in line with the terms of the funding received and that fixed asset disposals are properly authorised by the DfE
- Ensuring that expenditure incurred through the Academy Trust bank account and debit card is appropriate for the purposes of the Academy Trust and that there has been no personal expenditure from the Academy Trust's funds.
- Ensuring pension contributions are paid to the respective schemes in a timely manner.
- Ensuring returns required by regulatory or funding authorities are completed on a timely basis.

**Independent Reporting Accountant's Assurance Report on Regularity to
The Education Alliance and the Education Funding Agency**

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 1st September 2015 to 31st August 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

A handwritten signature in black ink, appearing to read 'Smailes Goldie', with a horizontal line extending to the right from the end of the signature.

Smailes Goldie
Chartered Accountants
Regent's Court
Princess Street
Hull
East Yorkshire
HU2 8BA

15th December 2016

The Education Alliance

Statement of Financial Activities
for the year ended 31st August 2016

| | Notes | Unrestricted fund £'000 | Restricted Fixed Asset Fund £'000 | Restricted Funds £'000 | 2016 Total funds £'000 | 2015 Total funds £'000 |
|---|-------|----------------------------|---|---------------------------|------------------------------|------------------------------|
| INCOME AND ENDOWMENTS FROM | | | | | | |
| Donations and capital grants | 2 | (18) | 32,625 | (1,047) | 31,560 | 2,993 |
| Charitable activities | | | | | | |
| Funding for the Academy's educational operations | 3 | 1,132 | - | 14,594 | 15,726 | 10,448 |
| Other trading activities | 4 | 382 | - | - | 382 | 689 |
| Investment income | 5 | 32 | - | - | 32 | 39 |
| Total | | 1,528 | 32,625 | 13,547 | 47,700 | 14,169 |
| EXPENDITURE ON | | | | | | |
| Raising funds | | 1,438 | - | - | 1,438 | 1,562 |
| Charitable activities | | | | | | |
| Academy's educational operations | | 55 | 922 | 14,918 | 15,895 | 10,069 |
| Total | 6 | 1,493 | 922 | 14,918 | 17,333 | 11,631 |
| NET INCOME/(EXPENDITURE) | | | | | | |
| | | 35 | 31,703 | (1,371) | 30,367 | 2,538 |
| Transfers between funds | 22 | - | 501 | (501) | - | - |
| Other recognised gains/(losses) | | | | | | |
| Actuarial gains/losses on defined benefit schemes | | - | - | (1,840) | (1,840) | 8 |
| Net movement in funds | | 35 | 32,204 | (3,712) | 28,527 | 2,546 |
| RECONCILIATION OF FUNDS | | | | | | |
| Total funds brought forward | | 2,361 | 19,035 | (51) | 21,345 | 18,799 |
| TOTAL FUNDS CARRIED FORWARD | | 2,396 | 51,239 | (3,763) | 49,872 | 21,345 |

The notes form part of these financial statements

**Balance Sheet
At 31st August 2016**

| | Notes | 2016 £'000 | 2015 £'000 |
|--|-------|----------------------|----------------|
| FIXED ASSETS | | | |
| Intangible assets | 13 | 13 | - |
| Tangible assets | 14 | <u>51,226</u> | <u>17,182</u> |
| | | 51,239 | 17,182 |
| CURRENT ASSETS | | | |
| Stocks | 15 | 8 | 10 |
| Debtors | 16 | 1,552 | 2,746 |
| Cash at bank and in hand | | <u>6,277</u> | <u>5,515</u> |
| | | 7,837 | 8,271 |
| CREDITORS | | | |
| Amounts falling due within one year | 17 | <u>(2,661)</u> | <u>(1,199)</u> |
| NET CURRENT ASSETS | | <u>5,176</u> | <u>7,072</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 56,415 | 24,254 |
| CREDITORS | | | |
| Amounts falling due after more than one year | 18 | (96) | (110) |
| PENSION LIABILITY | 23 | <u>(6,447)</u> | <u>(2,799)</u> |
| NET ASSETS | | <u>49,872</u> | <u>21,345</u> |
| FUNDS | 22 | | |
| Unrestricted funds | | 2,396 | 2,361 |
| Restricted funds | | <u>47,476</u> | <u>18,984</u> |
| TOTAL FUNDS | | <u>49,872</u> | <u>21,345</u> |

The financial statements were approved by the Board of Trustees on 15th December 2016 and were signed on its behalf by:



Mr R Swain -Trustee

The notes form part of these financial statements

The Education Alliance

**Cash Flow Statement
for the year ended 31st August 2016**

| | Notes | 2016 £'000 | 2015 £'000 |
|---|-------|----------------|---------------|
| Cash flows from operating activities: | | | |
| Cash generated from operations | 26 | 2,242 | 705 |
| Interest paid | | <u>(9)</u> | <u>(8)</u> |
| Net cash provided by (used in) operating activities | | <u>2,233</u> | <u>697</u> |
| Cash flows from investing activities: | | | |
| Purchase of intangible fixed assets | | (20) | - |
| Purchase of tangible fixed assets | | (2,404) | (736) |
| Capital grants from DfE/EFA | | 70 | 589 |
| Cash inherited on transfer to MAT | | 851 | - |
| Interest received | | <u>32</u> | <u>39</u> |
| Net cash provided by (used in) investing activities | | <u>(1,471)</u> | <u>(108)</u> |
| Change in cash and cash equivalents in the reporting period | | 762 | 589 |
| Cash and cash equivalents at the beginning of the reporting period | | <u>5,515</u> | <u>4,926</u> |
| Cash and cash equivalents at the end of the reporting period | | <u>6,277</u> | <u>5,515</u> |

The notes form part of these financial statements

**Notes to the Financial Statements
for the year ended 31st August 2016**

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

The financial statements of the Academy Trust, which is a public 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 in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by the EFA, the Charities Act 2011 and the Companies Act 2006.

The Education Alliance meets the definition of a public benefit entity under FRS 102.

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 at least one year from the date of authorisation for issue of the financial statements.

Income

All income is recognised in the Statement of Financial Activities once the Academy Trust has entitlement to the funds, it is probable that the income will be received and the amount can be measured reliably.

Grants

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of Financial Activities in the 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

Donations are recognised on a receivable basis (where there are no performance related conditions), where it is probable that the income will be received and the amount can be measured reliably.

Other income

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

**Notes to the Financial Statements - continued
for the year ended 31st August 2016**

1. ACCOUNTING POLICIES - continued

Donated goods, facilities and services

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

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

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 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. Depreciation charges are allocated on the portion of the asset's use.

All resources expended are inclusive of irrecoverable VAT

Raising funds

Raising funds includes all expenditure incurred by the Academy Trust to raise funds for its charitable purposes and includes costs of all fundraising activities, events and non-charitable trading.

Charitable activities

Costs of charitable activities are incurred on the Academy Trust's educational operations, including support costs and costs relating to the governance of the Academy Trust apportioned to charitable activities.

Intangible fixed assets

Intangible assets costing £500 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment. Amortisation is provided on intangible fixed assets calculated to write off the cost of each asset on a straight line basis over its expected useful life, as follows:

| | |
|----------|-------------------------------------|
| Software | <i>Over the life of the licence</i> |
|----------|-------------------------------------|

**Notes to the Financial Statements - continued
for the year ended 31st August 2016**

1. ACCOUNTING POLICIES - continued

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. 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 and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Depreciation is provided on all tangible fixed assets, 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 land | <i>125 years</i> |
| Long leasehold buildings | <i>Between 40 and 50 years</i> |
| Fixtures, fittings and equipment | <i>Between 3 and 10 years</i> |
| ICT equipment | <i>Between 3 and 6 years</i> |
| Motor vehicles | <i>Between 3 and 6 years</i> |

Assets in the course of construction are included at cost but depreciation is not charged on them until they are brought into use. Charges for impairment may be made if an event or change in circumstances indicates that the net value of the fixed asset may not be recoverable. Any shortfall between the net value and their recoverable value is recognised as an impairment and included in the Statement of Financial Activities.

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

Liabilities

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

Leased assets

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

Stocks

Unsold education supplies and catering stocks are valued at the lower of cost or net realisable value.

**Notes to the Financial Statements - continued
for the year ended 31st August 2016**

1. ACCOUNTING POLICIES - continued

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 part 11, chapter 3 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.

Pension 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.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in the notes, 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 the staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Fund accounting

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the Trustees.

Restricted funds can only be used for particular restricted purposes within the objects of the Academy Trust. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

**Notes to the Financial Statements - continued
for the year ended 31st August 2016**

1. ACCOUNTING POLICIES - continued

Critical accounting estimates and areas of judgement

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

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, 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 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. 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.

Transfer of Malet Lambert Academy

On 31 January 2016, Malet Lambert became a part of The Education Alliance, a Multi-Academy Trust and all its assets and liabilities were transferred on that date. Further details of the transaction are set out in note 25.

2. DONATIONS AND CAPITAL GRANTS

| | 2016 | 2015 |
|--|----------------------|--------------|
| | £'000 | £'000 |
| Donations | 28 | 49 |
| Capital grants | 70 | 2,944 |
| Transferred to the Multi Academy Trust (see note 25) | <u>31,462</u> | <u>-</u> |
| | <u>31,560</u> | <u>2,993</u> |

3. FUNDING FOR THE ACADEMY'S EDUCATIONAL OPERATIONS

| | Unrestricted | Restricted | 2016 | 2015 |
|----------------------------|---------------------|----------------------|----------------------|----------------------|
| | funds | funds | Total | Total |
| | £'000 | £'000 | £'000 | £'000 |
| General Annual Grant (GAG) | - | 13,497 | 13,497 | 8,868 |
| Other DfE/EFA grants | - | 442 | 442 | 143 |
| Other grants and income | <u>1,132</u> | <u>655</u> | <u>1,787</u> | <u>1,437</u> |
| | <u>1,132</u> | <u>14,594</u> | <u>15,726</u> | <u>10,448</u> |

4. OTHER TRADING ACTIVITIES

| | 2016 | 2015 |
|-----------------|-------------------|------------|
| | £'000 | £'000 |
| Catering income | 102 | 135 |
| Sports centre | <u>280</u> | <u>554</u> |
| | <u>382</u> | <u>689</u> |

Notes to the Financial Statements - continued
for the year ended 31st August 2016

5. INVESTMENT INCOME

| | 2016 £'000 | 2015 £'000 |
|--------------------------|---------------|---------------|
| Deposit account interest | <u>32</u> | <u>39</u> |

6. EXPENDITURE

| | Staff costs £'000 | Non-pay Premises £'000 | expenditure Other costs £'000 | 2016 Total £'000 | 2015 Total £'000 |
|---|----------------------|------------------------------|-------------------------------------|------------------------|------------------------|
| Raising funds | | | | | |
| Costs of fundraising | 546 | 7 | 885 | 1,438 | 1,562 |
| Charitable activities | | | | | |
| Academies educational operations | | | | | |
| Direct costs | 9,276 | 728 | 1,127 | 11,131 | 7,000 |
| Allocated support costs | <u>1,842</u> | <u>1,634</u> | <u>1,288</u> | <u>4,764</u> | <u>3,069</u> |
| | <u>11,664</u> | <u>2,369</u> | <u>3,300</u> | <u>17,333</u> | <u>11,631</u> |

Net income/(expenditure) is stated after charging/(crediting):

| | 2016 £'000 | 2015 £'000 |
|-----------------------------------|---------------|---------------|
| Depreciation - owned assets | 915 | 561 |
| Computer software amortisation | 7 | - |
| Auditors Remuneration | 7 | 5 |
| Auditors Remuneration - non audit | 2 | 8 |
| Operating leases | <u>21</u> | <u>35</u> |

7. CHARITABLE ACTIVITIES - ACADEMY'S EDUCATIONAL OPERATIONS

| | Unrestricted funds £'000 | Restricted funds £'000 | 2016 Total funds £'000 | 2015 Total funds £'000 |
|---------------|--------------------------------|------------------------------|---------------------------------|---------------------------------|
| Direct costs | 44 | 11,087 | 11,131 | 7,000 |
| Support costs | <u>11</u> | <u>4,753</u> | <u>4,764</u> | <u>3,069</u> |
| | <u>55</u> | <u>15,840</u> | <u>15,895</u> | <u>10,069</u> |

Notes to the Financial Statements - continued
for the year ended 31st August 2016

7. CHARITABLE ACTIVITIES - ACADEMY'S EDUCATIONAL OPERATIONS - continued

| | 2016 Total £'000 | 2015 Total £'000 |
|----------------------------------|------------------------|------------------------|
| Analysis of support costs | | |
| Support staff costs | 1,842 | 1,214 |
| Depreciation | 194 | 203 |
| Technology costs | 88 | 71 |
| Premises costs | 1,634 | 1,269 |
| Other support costs | 989 | 203 |
| Governance costs | <u>17</u> | <u>109</u> |
| Total support costs | <u>4,764</u> | <u>3,069</u> |

8. TRUSTEES' REMUNERATION AND BENEFITS

One or more Trustees has been paid remuneration or has received other benefits from an employment with the Academy Trust. The CEO and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of CEO and staff members under their contracts of employment.

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

- C Abbott (CEO and Trustee until resignation as a Trustee on 1 March 2016)
- Remuneration £85,000 - £90,000 (2015: £145,000 - £150,000)
 - Employer's pension contributions paid £10,000 - £15,000 (2015: £15,000 to £20,000)

Trustees' expenses

During the period ended 31 August 2016, travel and subsistence expenses totalling £340 were reimbursed or paid directly to the Trustees (2015: £6,454).

Notes to the Financial Statements - continued
for the year ended 31st August 2016

9. STAFF COSTS

Staff costs during the period were:

| | Total 2016 £'000 | Total 2015 £'000 |
|-----------------------|------------------------|------------------------|
| Wages and salaries | 9,017 | 6,176 |
| Social security costs | 726 | 433 |
| Other pension costs | <u>1,754</u> | <u>1,155</u> |
| | 11,497 | 7,764 |
| Supply staff costs | 158 | 15 |
| Compensation payments | <u>9</u> | <u>11</u> |
| | <u>11,664</u> | <u>7,790</u> |

Included in compensation payments is a single non-statutory/non-contractual severance payment totalling £8,800 (2015: £14,748).

The average number of persons (including senior management team) employed by the Academy Trust during the year was as follows:

| | 2016 | 2015 |
|----------------------------|-------------------|-------------------|
| Teachers | 178 | 121 |
| Administration and support | 327 | 253 |
| Management | <u>7</u> | <u>6</u> |
| | <u>512</u> | <u>380</u> |

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

| | 2016 | 2015 |
|---------------------|-----------------|-----------------|
| £60,001 - £70,000 | 1 | - |
| £80,001 - £90,000 | 1 | 1 |
| £140,001 - £150,000 | - | 1 |
| £160,001 - £170,000 | <u>1</u> | <u>-</u> |
| | <u>3</u> | <u>2</u> |

Key management personnel

The key management personnel of the Academy Trust comprise of the Trustees and the Executive Board (see Reference and Administration Details 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 £641,688 (2015: £531,987).

10. TRUSTEES' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the Academy Trust has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions whilst on Academy business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the period ended 31 August 2016 was £2,450 (2015: £2,450).

Notes to the Financial Statements - continued
for the year ended 31st August 2016

11. COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES

| | Unrestricted fund £'000 | Restricted Fixed Asset Fund £'000 | Restricted Funds £'000 | Total funds £'000 |
|---|-------------------------------|--|------------------------------|-------------------------|
| INCOME AND ENDOWMENTS FROM | | | | |
| Donations and capital grants | 49 | 2,944 | - | 2,993 |
| Charitable activities | | | | |
| Funding for the Academy's educational operations | 970 | - | 9,478 | 10,448 |
| Other trading activities | 689 | - | - | 689 |
| Investment income | 39 | - | - | 39 |
| Total | 1,747 | 2,944 | 9,478 | 14,169 |
| EXPENDITURE ON | | | | |
| Raising funds | 1,562 | - | - | 1,562 |
| Charitable activities | | | | |
| Academy's educational operations | - | 558 | 9,511 | 10,069 |
| Total | 1,562 | 558 | 9,511 | 11,631 |
| NET INCOME/(EXPENDITURE) | 185 | 2,386 | (33) | 2,538 |
| Transfers between funds | - | (358) | 358 | - |
| Other recognised gains/(losses) | | | | |
| Actuarial gains/losses on defined benefit schemes | - | - | 8 | 8 |
| Net movement in funds | 185 | 2,028 | 333 | 2,546 |
| RECONCILIATION OF FUNDS | | | | |
| Total funds brought forward | 2,176 | 17,007 | (384) | 18,799 |
| TOTAL FUNDS CARRIED FORWARD | <u>2,361</u> | <u>19,035</u> | <u>(51)</u> | <u>21,345</u> |

12. CENTRAL SERVICES

No central services were provided by the Academy Trust to its academies during the year and no central charges arose. South Hunsley Secondary School and Sixth Form incurred the costs for all of the central Academy Trust work and Malet Lambert made a contribution to support these costs.

Notes to the Financial Statements - continued
for the year ended 31st August 2016

13. INTANGIBLE FIXED ASSETS

| | Computer software £'000 |
|-----------------------|-------------------------------|
| COST | |
| Additions | <u>20</u> |
| AMORTISATION | |
| Charge for year | <u>7</u> |
| NET BOOK VALUE | |
| At 31st August 2016 | <u><u>13</u></u> |
| At 31st August 2015 | <u><u>-</u></u> |

14. TANGIBLE FIXED ASSETS

| | Long leasehold £'000 | Fixtures and fittings £'000 | Motor vehicles £'000 | Computer equipment £'000 | Totals £'000 |
|------------------------|----------------------------|-----------------------------------|----------------------------|--------------------------------|----------------------|
| COST | | | | | |
| At 1st September 2015 | 17,619 | 589 | 28 | 401 | 18,637 |
| Additions | 2,289 | 8 | - | 107 | 2,404 |
| Transferred to the MAT | <u>32,697</u> | <u>107</u> | <u>-</u> | <u>26</u> | <u>32,830</u> |
| At 31st August 2016 | <u>52,605</u> | <u>704</u> | <u>28</u> | <u>534</u> | <u>53,871</u> |
| DEPRECIATION | | | | | |
| At 1st September 2015 | 754 | 495 | 17 | 189 | 1,455 |
| Charge for year | 728 | 87 | 6 | 94 | 915 |
| Transferred to the MAT | <u>264</u> | <u>9</u> | <u>-</u> | <u>2</u> | <u>275</u> |
| At 31st August 2016 | <u>1,746</u> | <u>591</u> | <u>23</u> | <u>285</u> | <u>2,645</u> |
| NET BOOK VALUE | | | | | |
| At 31st August 2016 | <u><u>50,859</u></u> | <u><u>113</u></u> | <u><u>5</u></u> | <u><u>249</u></u> | <u><u>51,226</u></u> |
| At 31st August 2015 | <u><u>16,865</u></u> | <u><u>94</u></u> | <u><u>11</u></u> | <u><u>212</u></u> | <u><u>17,182</u></u> |

On 31st January 2016, the Multi Academy Trust recognised the transfer of leasehold land and buildings, relating to Malet Lambert Academy, with a net book value of £32,433,000.

15. STOCKS

| | 2016 £'000 | 2015 £'000 |
|--------------------|-----------------|------------------|
| Education supplies | 5 | 7 |
| Catering | <u>3</u> | <u>3</u> |
| | <u><u>8</u></u> | <u><u>10</u></u> |

Notes to the Financial Statements - continued
for the year ended 31st August 2016

16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2016 | 2015 |
|----------------|---------------------|---------------------|
| | £'000 | £'000 |
| Sundry debtors | 182 | 22 |
| VAT debtor | 305 | 122 |
| Other debtors | 908 | 2,498 |
| Prepayments | <u>157</u> | <u>104</u> |
| | <u>1,552</u> | <u>2,746</u> |

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2016 | 2015 |
|---------------------------------|---------------------|---------------------|
| | £'000 | £'000 |
| Trade creditors | 763 | 651 |
| Social security and other taxes | 245 | 123 |
| Other creditors | 303 | 134 |
| Accruals and deferred income | <u>1,350</u> | <u>291</u> |
| | <u>2,661</u> | <u>1,199</u> |

Deferred income

| | 2016 | 2015 |
|-------------------------------------|-------------------|------------------|
| | £'000 | £'000 |
| Deferred income at 1 September 2015 | 30 | 19 |
| Resources deferred in the year | 692 | 30 |
| Released from previous years | <u>(30)</u> | <u>(19)</u> |
| Deferred income at 31 August 2016 | <u>692</u> | <u>30</u> |

At the balance sheet date the Academy Trust was holding funds received in advance for educational activities for the 2016/17 academic year of £22,261, rates relief of £54,649 and Northern Humber Hub Funding of £615,076.

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2016 | 2015 |
|-----------------|-----------|------------|
| | £'000 | £'000 |
| Other creditors | <u>96</u> | <u>110</u> |

Included within other creditors is a loan of £109,433 from Salix which is provided interest free over an 8 year payback period. Repayments are scheduled to be made six monthly with the first repayment in September 2016.

Notes to the Financial Statements - continued
for the year ended 31st August 2016

19. OPERATING LEASE COMMITMENTS

At 31 August 2016 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

| | Other operating leases | |
|----------------------------|------------------------|-----------|
| | 2016 | 2015 |
| | £'000 | £'000 |
| Expiring: | | |
| Within one year | 18 | 14 |
| Between one and five years | <u>4</u> | <u>5</u> |
| | <u>22</u> | <u>19</u> |

20. 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.

21. ANALYSIS OF NET ASSETS BETWEEN FUNDS

| | Unrestricted fund | Restricted Fixed Asset Fund | Restricted Funds | 2016 Total funds | 2015 Total funds |
|-----------------------|-------------------|-----------------------------|------------------|------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | - | 51,239 | - | 51,239 | 17,182 |
| Current assets | 2,581 | 481 | 4,775 | 7,837 | 8,271 |
| Current liabilities | (185) | (481) | (1,995) | (2,661) | (1,199) |
| Long term liabilities | - | - | (96) | (96) | (110) |
| Pension liability | - | - | (6,447) | (6,447) | (2,799) |
| | <u>2,396</u> | <u>51,239</u> | <u>(3,763)</u> | <u>49,872</u> | <u>21,345</u> |

22. MOVEMENT IN FUNDS

| | At 1.9.15 | Net movement in funds | Transfers between funds | At 31.8.16 |
|--------------------------------|---------------|-----------------------|-------------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Unrestricted funds | | | | |
| General fund | 2,361 | 35 | - | 2,396 |
| Restricted funds | | | | |
| DfE/EFA Capital Grants | 2,951 | 37 | (346) | 2,642 |
| Capital Expenditure from GAG | 1,880 | (130) | 847 | 2,597 |
| Inherited from Local Authority | 14,204 | 31,796 | - | 46,000 |
| General Annual Grant | 2,748 | 437 | (847) | 2,338 |
| Other DfE/EFA Grants | - | - | 346 | 346 |
| Pension Fund | (2,799) | (3,648) | - | (6,447) |
| | <u>18,984</u> | <u>28,492</u> | <u>-</u> | <u>47,476</u> |
| TOTAL FUNDS | <u>21,345</u> | <u>28,527</u> | <u>-</u> | <u>49,872</u> |

Notes to the Financial Statements - continued
for the year ended 31st August 2016

22. MOVEMENT IN FUNDS - continued

Net movement in funds, included in the above are as follows:

| | Incoming resources £'000 | Resources expended £'000 | Gains and losses £'000 | Movement in funds £'000 |
|--------------------------------|--------------------------------|--------------------------------|------------------------------|-------------------------------|
| Unrestricted funds | | | | |
| General fund | 1,528 | (1,493) | - | 35 |
| Restricted funds | | | | |
| DfE/EFA Capital Grants | 69 | (32) | - | 37 |
| Capital Expenditure from GAG | 4 | (134) | - | (130) |
| Inherited from Local Authority | 32,552 | (756) | - | 31,796 |
| General Annual Grant | 14,050 | (13,613) | - | 437 |
| Other DfE/EFA Grants | 1,127 | (1,127) | - | - |
| Pension Fund | (1,630) | (178) | (1,840) | (3,648) |
| | 46,172 | (15,840) | (1,840) | 28,492 |
| TOTAL FUNDS | 47,700 | (17,333) | (1,840) | 28,527 |

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

General Annual Grant (GAG) must be used for the normal running costs of the Academy Trust. Under the funding agreement with the Secretary of State, the Academy Trust was not subject to a limit on the amount of GAG that it could carry forward as at 31 August 2016.

Other DfE/EFA grants must be used for the specific purpose for which they are given. These grants are given to fulfil the charitable objects of the Trust.

Restricted Pension Fund relates to the deficit on the Local Government Pension Scheme.

Restricted Fixed Assets Funds include Inherited from Local Authority Fund, DfE/EFA Capital Grants Fund and Capital Expenditure from GAG Fund. These funds represent fixed assets transferred on conversion to an Academy Trust, assets funded by capital grants and assets purchased from brought forward reserves.

The transfer of funds of £847,000 from GAG has been used to acquire tangible fixed assets. A further transfer of £336,000 has been made from DfE/EFA Capital to Other DfE/EFA representing unspent monies on the refurbishment project carried forward.

Notes to the Financial Statements - continued
for the year ended 31st August 2016

22. MOVEMENT IN FUNDS - continued

Total funds analysis by Academy

Funds balances at 31 August 2016 were allocated as follows:

| | Total 2016 £'000 |
|--|---------------------------------|
| South Hunsley Secondary and Sixth Form Academy | 4,342 |
| Hunsley Primary Academy | 184 |
| Malet Lambert Academy | <u>554</u> |
| Total before fixed assets and pension reserve | 5,080 |
| Restricted fixed asset fund | 51,239 |
| Pension reserve | <u>(6,447)</u> |
| Total | <u><u>49,872</u></u> |

Total cost analysis by Academy

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

| | Teaching and Educational Support Staff Costs £'000 | Other Support Staff Costs £'000 | Educational Supplies £'000 | Other Costs (Excluding depreciation) £'000 | Total 2016 £'000 |
|--|---|--|---|---|---------------------------------|
| South Hunsley Secondary and Sixth Form Academy | 6,137 | 1,908 | 432 | 3,168 | 11,645 |
| Hunsley Primary Academy | 163 | 31 | 9 | 40 | 243 |
| Malet Lambert Academy | 2,976 | 449 | 233 | 865 | 4,523 |
| Total | <u><u>9,276</u></u> | <u><u>2,388</u></u> | <u><u>674</u></u> | <u><u>4,073</u></u> | <u><u>16,411</u></u> |

**Notes to the Financial Statements - continued
for the year ended 31st August 2016**

23. PENSION COMMITMENTS

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

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £139,912 were payable to the schemes at 31 August 2016 (2015: £117,947) 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.

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 previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS will be as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pensions costs paid to TPS in the period amounted to £954,298 (2015: £543,307).

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

Under the definitions set out in FRS 102, the TPS is 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.

**Notes to the Financial Statements - continued
for the year ended 31st August 2016**

23. PENSION COMMITMENTS - continued

Local government pension scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate Trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £1,100,429 (2015: £538,000) of which employer's contributions totalled £624,921 (2015: £431,000) and employees' contributions totalled £475,508 (2015: £107,000). The agreed contribution rates for future years are between 23.9 per cent and 36.8 per cent for employers and between 5.5 per cent and 12.5 per cent for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of Academy Trust 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

| | At 31 August 2016 | At 31 August 2015 |
|--|------------------------------|------------------------------|
| Rate of increase in salaries | 2.30% | 4.10% |
| Rate of increase for pensions in payment/inflation | 2.10% | 2.70% |
| Discount rate for scheme liabilities | 2.10% | 3.80% |

Sensitivity analysis

| Changes in assumptions at 31 August 2016 expressed as weighted averages | Approximate % increase to employer liability | Approximate monetary amount (£'000) |
|--|---|--|
| 0.5% decrease in Real Discount Rate | 14% | 1,104 |
| 1 year increase in member life expectancy | 3% | 234 |
| 0.5% increase in Salary Increase Rate | 5% | 388 |
| 0.5% increase in Pension Increase Rate | 8% | 686 |

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

| | At 31 August 2016 | At 31 August 2015 |
|-----------------------------|------------------------------|------------------------------|
| Retiring Today | | |
| Males | 21.9 | 21.9 |
| Females | 24.1 | 24.1 |
| Retiring in 20 years | | |
| Males | 24.2 | 24.2 |
| Females | 26.7 | 26.7 |

The Academy Trust's share of the net assets in the scheme were:

| | Fair value at 31 August 2016 | Fair value at 31 August 2015 |
|-------------------------------------|---|---|
| | £'000 | £'000 |
| Equity Instruments | 5,102 | 3,267 |
| Debt Instruments | 748 | 436 |
| Property | 748 | 479 |
| Cash | 204 | 174 |
| Total market value of assets | 6,802 | 4,356 |

The actual return on the scheme assets was £773,000 (2015: (£125,000)).

The Education Alliance

Notes to the Financial Statements - continued
for the year ended 31st August 2016

23. PENSION COMMITMENTS - continued

Local government pension scheme

Amounts recognised in the statement of financial activities

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Current service cost (net of employee contributions) | (591) | (408) |
| Net interest cost | (191) | (99) |
| Benefit charges, gain/(loss) on curtailment and gain/(loss) on settlement | - | - |
| Total operating charge | <u>(782)</u> | <u>(507)</u> |

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

| | 2016 £'000 | 2015 £'000 |
|--|------------------------|-----------------------|
| At 1 September | (7,155) | (6,463) |
| Transferred into the MAT | (2,450) | - |
| Valuation adjustment on transfer to MAT | (372) | - |
| Current Service Cost | (750) | (515) |
| Interest Cost | (395) | (250) |
| Employee Contributions | (159) | (107) |
| Actuarial (gain)/loss | (2,003) | 133 |
| Benefits paid | 35 | 47 |
| Plan introductions, benefit changes curtailments and settlements | - | - |
| At 31 August | <u>(13,249)</u> | <u>(7,155)</u> |

Changes in fair value of Academy Trust's share of scheme assets:

| | 2016 £'000 | 2015 £'000 |
|---|---------------------|---------------------|
| At 1 September | 4,356 | 3,839 |
| Transferred into the MAT | 820 | - |
| Valuation adjustment on transfer to MAT | (238) | - |
| Interest income | 204 | 151 |
| Actuarial gain/(loss) | 773 | (125) |
| Employer contributions | 763 | 431 |
| Employee contributions | 159 | 107 |
| Benefits paid | (35) | (47) |
| Plan introductions, benefit changes, curtailments and settlements | - | - |
| At 31 August | <u>6,802</u> | <u>4,356</u> |

24. RELATED PARTY DISCLOSURES

No related party transactions took place in the period of account, other than certain Trustees' remuneration and expenses already disclosed in note 8.

Notes to the Financial Statements - continued
for the year ended 31st August 2016

25. TRANSFER TO THE MULTI ACADEMY TRUST

On 31 January 2016 Malet Lambert ceased to exist and all operations, assets and liabilities were transferred to The Education Alliance. The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised in incoming resources in the Statement of Financial Activities.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the Statement of Financial Activities.

| | Unrestricted funds £000 | Restricted general funds £000 | Restricted fixed asset funds £000 | Total £000 |
|--------------------------|-------------------------------|--|--|---------------|
| Tangible fixed assets | | | 32,555 | 32,555 |
| LGPS pension deficit | | (1,630) | | (1,630) |
| Surplus on Academy funds | (46) | 586 | (4) | 536 |
| | <u>(46)</u> | <u>(1,044)</u> | <u>32,551</u> | <u>31,461</u> |

The above pension scheme liability is the LGPS deficit relating to the employees who were transferred from the predecessor school, Malet Lambert.

On receiving the most recent valuation of the LGPS deficit, an adjustment was required to the pension scheme's assets and obligations totalling £610,000. This has been recognised in the Statement of Financial Activities of The Education Alliance for the year ended 31 August 2016 within other recognised gains/(losses).

26. CASH GENERATED FROM OPERATIONS

| | 2016 £'000 | 2015 £'000 |
|---|---------------------|-------------------|
| Net income/(expenditure) for the reporting period (as per the statement of financial activities) | 30,367 | 2,538 |
| Adjustments for: | | |
| Depreciation | 922 | 561 |
| Capital grants from DfE/EFA | (70) | (589) |
| Interest received | (32) | (39) |
| Interest paid | 9 | 8 |
| Inherited on transfer to MAT | (30,925) | - |
| Cash transferred to MAT | (851) | - |
| Decrease/(increase) in stocks | 2 | (3) |
| Decrease/(increase) in debtors | 1,194 | (2,568) |
| Increase in creditors | 1,448 | 614 |
| Difference between pension charge and cash contributions | 178 | 183 |
| Net cash provided by (used in) operating activities | <u>2,242</u> | <u>705</u> |

Notes to the Financial Statements - continued
for the year ended 31st August 2016

27. FIRST YEAR ADOPTION

The Academy Trust has adopted FRS 102 for the first time in the year ended 31st August 2016.

The effect of transition to FRS 102 is outlined below.

a) Changes in accounting policies

There were no consequential changes in accounting estimates resulting from adoption of FRS 102.

b) Reconciliation of funds

There were no adjustments to previously reported funds at the date of transition to FRS 102.

c) Reconciliation of comparative period statement of financial activities

Adjustments to previously reported net movement in funds in the comparative period were as follows:

| | £'000 |
|--|---------------------|
| Net movement in funds for the period ended 31 August 2015 under previous financial reporting framework | 2,546 |
| FRS 102 adjustment to pension costs | (83) |
| FRS 102 adjustment to actuarial gains/losses | 83 |
| Net movement in funds under FRS 102 | <u>2,546</u> |