



Registration number: 09666511

The Sovereign Trust

(A company limited by guarantee)

Annual Report and Financial statements

for the period from 1 July 2015 to 31 August 2016

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1 Reference and Administrative Details

		Appointed	Resigned
Members	Jean Spruce		
	Shiv Chouksey	01 July 2015	12 October 2016
	William Jones	01 July 2015	03 September 2016
	Rik Waddon	01 July 2015	
	Natalie Jones	01 July 2015	
Directors	Jack Brymer	12 October 2016	
	Maurice French	12 October 2016	
	Ian McGrath	01 July 2015	
	Dilys Morgan	12 October 2016	
	Paul Nolan	01 July 2015	
	Beverley Owens	01 July 2015	
	Helen Wilson	01 July 2015	8 September 2016
	Margaret Blowey	01 July 2015	9 December 2015
	Dr Shiv Chouksey	01 July 2015	12 October 2016
	Terry Crewe	12 October 2016	5 August 2016
	William Jones	07 January 2016	03 September 2016
	David Nash	15 December 2015	12 October 2016
Chief Executive Officer	Beverley Owens		
Company Secretary	Claire McKenna	01 July 2015	01 August 2016
Senior Management Team	Beverley Owens, Headteacher: Helen Wilson, Headteacher: Jacqueline Wheble, Deputy Headteacher: Simon Birch Assistant Head Teachers: Pamela Symonds & Sara Nolan Deputy Head Teacher: Paul Eckley		
	Claire McKenna, School business manager	01 July 2015	01 August 2016
Registered Office	Pictor Academy Grove Lane Timperley Altrincham WA15 6PH		
Company Number	09666511		
Auditors	Hallidays		
Bankers	Lloyds Bank plc, 40-41 School road, Sale, Manchester M33 7JX		
Solicitors	Browne Jacobson 18-22 Bridge Street Manchester, M3 3BZ		

2 Directors' Report

for the period from 1 July 2015 to 31 August 2016

The Directors present their annual report together with the financial statements and auditors' report of the charitable company for the period 1 July 2015 to 31 August 2016. The annual report serves the purposes of both a Directors' report, and a directors' report under company law.

The trust operates an academy for pupils aged 2 to 19 serving a catchment area of Trafford and surrounding boroughs. It has a pupil capacity of 260 and had a roll of 270 in the census on 17 June 2016.

Discussion on conversion to academy trust

On 1 January 2016 Manor High School and Pictor School converted to academy trust status under the Academies Act 2010 and all the operations assets and liabilities were transferred to The Sovereign Trust from the Trafford Metropolitan Borough Council Local Authority for £Nil consideration.

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 the Statement of Financial Activities as voluntary income.

Structure, governance and management

Constitution

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

Details of the Directors who served throughout the year except as noted are included in the Reference and Administrative Details section on page 1.

Members' liability

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

Directors' indemnities

The Directors have liability insurance with the RPA scheme effective date 1st January 2016. There is a limit of indemnity of £10,000,000.

Directors' Report (continued)

Method of Recruitment and Appointment or Election of Directors

The processes for appointing or electing the various types of Director/Director at The Sovereign Trust are as follows:

1. Parent Directors or Advisory Committee members (minimum of two)

The Articles of Association require that there shall be a minimum of two parent Directors. Parents, including carers, of registered pupils at the academies within the Trust are eligible to stand as individuals for election as a parent representative. They are elected by other parents at the academy as individuals who are representative of the parental body. Suitable procedures have been put in place for the conduct of parental elections.

If insufficient parents stand for election, the Board of Directors must appoint parent Directors to bring their number up to that required by the Articles of Association. Such appointed parent Directors would preferentially be parents or carers of registered pupils at the academies within the Trust. If, however, no such parents are willing to undertake the role then the Board of Directors can appoint any person who is the parent or carer of one or more academy-age children.

2. LA Directors (maximum of one)

The members of The Sovereign Trust may appoint up to one LA representative. The local authority must not have more than 19.9% of the voting rights or seats on the Board of Directors. A company is deemed to have influenced status if 20% or more of its members are associated persons, or if 20% or more of its directors are associated persons. 'Associated persons' are current members (councilors), current officers, or anyone who has been a member within the past 4 years. An officer of the local authority includes any person employed as a director by the local authority, a local authority clerical officer or any other employee of the local authority such as cleaners, kitchen staff if employed directly by the local authority. Headteachers of community academies, voluntary controlled academies, community special academies and maintained nursery academies are 'associated persons' and should be counted when considering whether an academy trust or a board of Directors has influenced status.

3. Staff Directors (maximum of one third)

Up to a maximum of one third of the Board of Directors or Advisory Committee are elected by the academy staff as individuals, representative of the staff of the academy. Both teaching and support staff paid to work at the academy are eligible for staff Directorship. At The Sovereign Trust at least one teacher Director must be appointed. Suitable procedures have been put in place for the conduct of Staff elections.

4. Appointed Directors (minimum of one)

The members of The Sovereign Trust may appoint up to one appointed director.

5. Co-opted Directors (maximum of 3)

Up to a maximum of three co-opted Directors can be appointed by the Board because they have experience and/or expertise of particular benefit to the academy. Following an identification of specific needs suitable candidates are identified by the Board of Directors and approached accordingly.

A "co-opted Director" means a person who is appointed to be a director or member of the Advisory Committee by being co-opted by Directors who have not themselves been so appointed. The Directors may not appoint an employee of The Sovereign Trust as a co-opted Director if the number of Directors who are employed by the academy (including the Principal) would thereby exceed one third of the total number of Directors.

The Secretary of State may appoint additional Directors if the Directors fail to comply with a Secretary of State warning notice

Directors' Report (continued)

Policies and procedures adopted for the induction and training of Directors

Following their appointment/election all new Directors receive an introduction to their role from the Chairman and Executive Principal, Directors are committed to providing adequate opportunities for new Directors to undertake and receive suitable training so as to enable them to undertake their role more effectively. To this end the Board of Directors maintains a service level agreement with Trafford Council's Director services department. This Agreement allows for any or all of the members of the Board or Advisory Committee to attend any of the training courses provide by the Council and provides support guidance and a clerking service for full Board meetings.

All new Directors are actively encouraged to take advantage of this agreement so as to gain a better understanding of the role and responsibilities of being a director. Additionally, Directors with specific roles within the Board or Advisory Committee are strongly encouraged to undertake specific training.

All new Directors also receive:

A welcome pack from Trafford Director Services

A welcome pack from The Trust

An account set up for The Sovereign Trust Director Portal

All Directors of the Academy Trust are provided with access to copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Directors. The Academy Trust will also perform an annual skills audit of Directors, should any gaps be identified training courses are offered to address these issues.

No director received any remuneration in respect of their duties as a director / Director from the Academy during the year.

Organisational structure

The Directors are responsible for setting general policy, adopting an annual development plan and budget, monitoring the Trusts' Academies and senior staff appointments. The members also monitor the performance of the senior leadership team.

The Directors meet once each term to receive reports from committees and to manage strategic objectives.

The Board of Directors has undergone vast changes since the MAT was set up. It began with three main committees Finance/Premises, Audit Committee and an Advisory Committee focused upon Standards and Pupil Welfare. In September 2016 the Board decided to restructure and keep its total number as six directors plus a new Executive Principal. The work of the 'committees' will be undertaken by the Board as a whole at meetings and via email as an agreed method of working, with Finance having additional separate meetings when required.

Directors' Report (continued)

The work of the Board consists of:

Finance

To review and agree each academy's proposals for the budget and recommend it to the Board, will have an overview of the school fund and will review and keep track of expenditure. To also take into account the use of premises, grounds and extended academy facilities. To monitor the efficient use of utilities such as water, electricity or gas and maintain an overview of costs and lettings of the premises.

Health and Safety

To oversee the use of premises, grounds and extended academy facilities. To ensure that the academy complies with health and safety guidelines and to take external advice where appropriate.

HR/Staffing

To be responsible for reviewing and agreeing staff provision, agreeing procedures for staff selection, appointment and performance management, contributing to the appraisal of the Principal, reviewing and agreeing staff training programmes and reviewing and agreeing pay.

Audit

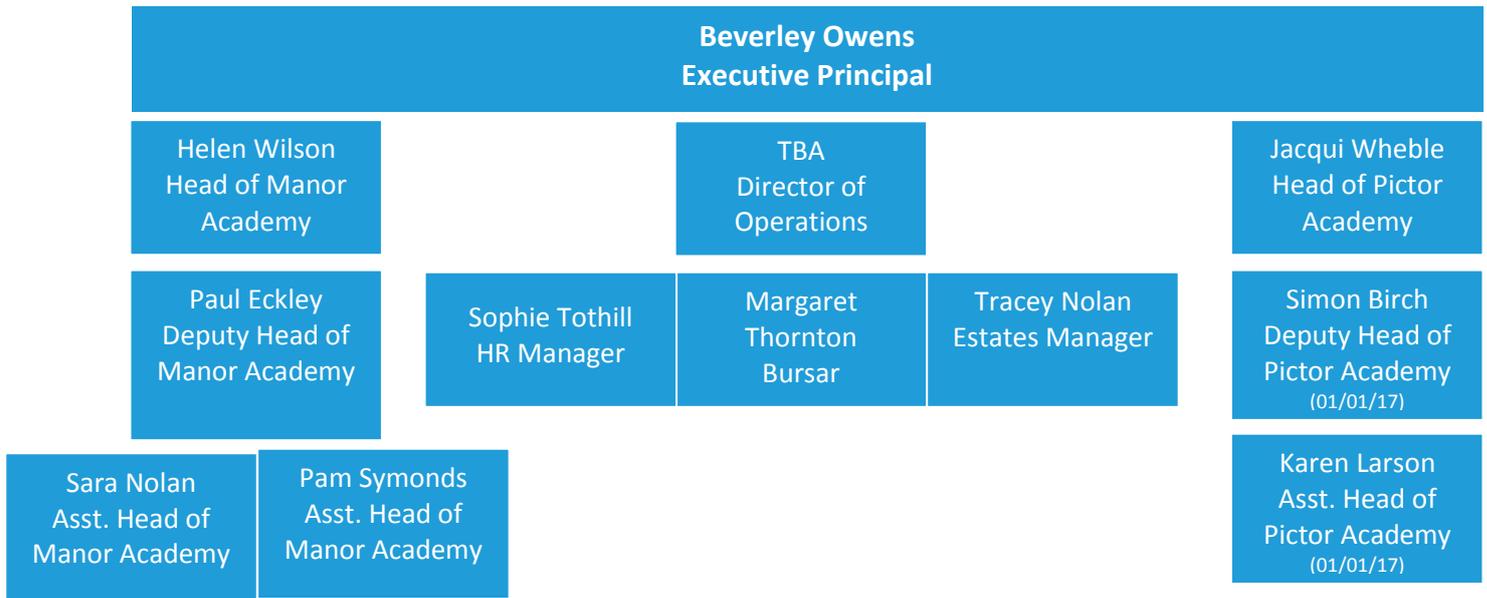
Is an advisory body with no executive powers. The purpose is to promote the highest standards of propriety in the use of public funds and encourage proper accountability for the use of these funds.

It is to review internal and external financial statements on behalf of the board promoting a climate of financial discipline and control which will help to reduce the opportunity for financial mismanagement and to promote the development of internal control systems which will help satisfy the board that the body concerned will achieve its objectives and targets and is operating in accordance with any statutory requirements for the use of public funds. Requests for work, and reports received, from internal audit will be channeled through the accounting officer. It will also obtain independent professional advice if considered necessary.

The Advisory Committees

The committees meet termly and comprise all learning and other experiences that each academy provides for its pupils. Responsibilities for the curriculum are shared between the Executive Principal, Heads of Schools, the Board of Directors, and the Secretary of State for Education and Skills. The Advisory committee will have responsibility for monitoring test results and teaching of the curriculum. For reviewing the assessment policy, and all other policies relevant to curriculum, assessment and pupil progress and welfare.

Day-to-day management is delegated to the Executive Principal and Senior Leadership Team:



The Senior Leadership Team recognises that equal opportunities should be an integral part of good practice within the workplace. The Trust aims to establish 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.

Arrangements for setting pay and remuneration of key management personnel

The Directors consider that they, together with the Executive Principal, Heads of School, and the Bursar currently comprise the Key Management Personnel (this did include the Academy Operations Manager until July 2016). The Directors give of their time freely and the pay and remuneration of the Executive Principal, Heads of Schools and senior staff is set by the Finance Committee as part of The Board of Directors and is kept under annual review via a robust Performance Management and Appraisal system. A number of criteria are used in setting pay:

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

Related Parties and other Connected Charities and Organisations

Throughout the year the Trust has continued to develop partnerships with schools and academies both locally, nationally and internationally. The Executive Principal is the President of Trafford's Branch of NAHT, is the Special School representative on Funding Forum and the High Needs Block funding committee. We also continue to work with the Greater Manchester Challenge, a collective of 9 Local Authorities. We work with local hospitals and Manchester Metropolitan University which are used as a base for our Manor College pupils who are on work placements.

The Pictor Parent, Staff and Friends Association is a registered charity, set up to fundraise within The Sovereign Trust. The Manor Academy PTA is a registered charity, set up to fundraise within The Sovereign Trust.

The Sovereign Trust has employed JSN Creative to design our logo and subsequent leaflets, prospectus, banners etc. together with developing our website design. The Finance Director of the Sovereign Trust works for a part of this company which is a shared partnership between his son and another unrelated person. The company fully complies with the provision of high quality services following the "at cost" principle.

Objectives and activities

Objects and aims

The principal objective and activity of the charitable company is the operation of The Sovereign Trust to provide education for pupils between the ages of 2 and 19 with a statement of special educational need or an Education Health and Care Plan. Our main aims are to:

1. To develop a place that places itself at the heart of the community and values the contribution of every individual.
2. To offer all pupils and students access to the highest quality facilities and excellent staff.
3. To offer all pupils and students an extended school year through the development of holiday clubs other activities.

Objectives, strategies and activities

The main activities for achieving objectives the academies in Trust will undertake will be:

- Strengthen accountability structure by ensuring effective leadership and management in the academies.
- Review and develop curriculum and assessment provision
- The Academy Trust will secure value for money and consistent quality of services through a combination of centrally procured and provided services.

Public benefit

The Directors confirm that they have complied with their duty in Section 4 of the Charities Act 2006 to have due regard to public benefit guidance published by the Charity Commission for England & Wales. The Directors have referred to the Charities Commission's general guidance on public benefit when reviewing the Trust's objectives and aims and in planning future activities for the year. The Academy Trust continues to be at the heart of its community, promoting community cohesion and sharing facilities with other schools and academies and the wider community.

Directors' Report (continued)

Strategic Report

Achievements and performance

As any new academy joins the Trust the Directors are determined to maintain our traditional ethos, values, standards and achievements, whilst continuing to work to fulfil our medium and longer term development plans.

The aims of the academy rest on the following principles:

1. To improve achievement and attainment in the core areas at all key stages through access to a personalised curriculum
2. To extend our community involvement and participation
3. To ensure that all students, pupils and staff are kept safe
4. To further develop our professional training packages
5. To ensure that both the technological and environmental conditions are conducive to optimum learning
6. To ensure that leadership and management is effective

Throughout the year the Trust, appointed as sponsor through a tender process, assisted the local authority in the design and build of a new academy in the town for young people with Autism. The Trust also successfully completed a huge recruitment drive to the new academy and implemented a full curriculum and resources project, successfully opening the academy to pupils on 1st September 2015.

In January 2015 Pictor Academy achieved a third “outstanding” judgement following a full Ofsted inspection. Manor Academy were inspected in 2013 and achieved a ‘good with outstanding features’ judgement and are due for re-inspection in 2017.

Attendance of pupils at Pictor Academy was 94.8%. Attendance of students at Manor Academy was 92.2%. Both academies were oversubscribed throughout the year with demand for places far in excess of our published admission number.

The Sovereign Trust makes good use of assessment systems to monitoring progress. Individual pupil assessments show an overview of all progress, both curricular and holistic.

At Pictor Academy the ethos, aims and curriculum are driven by supporting development through personalised learning opportunities with a focus on independence and communication. At Manor Academy the ethos, aims and curriculum are driven by transitional pathways leading to fulfilling, contributory and worthwhile opportunities for all students as they progress into adulthood.

Achievement is outstanding overall across The Sovereign Trust because from very low starting points children and young people leave with a range of skills and go on to a range of opportunities. There is an expectation, in all core areas, that the majority of young people will engage in external accreditation at the end of Key Stage 4 and students have access to a wide variety of these.

At Pictor pupils make outstanding progress in all areas of the curriculum and personal development. Students at Manor make excellent progress in their social and employability skills through the wide range of opportunities on offer which develop these. These include Independent Travel, residential visits and Duke of Edinburgh’s Award. None of the students leaving Manor this year were NEET (not in employment, education or training) due the innovative vocational pathways. Manor has been successful in ensuring that a larger than average number of young people with SEN go on to paid employment.

Key performance indicators

- a. 98% consistently good and/or outstanding observed teaching.
- b. Pupil (EYFS, KS1 and KS2) and Student attendance (KS3 and KS4) at a minimum of 90% (excluding young people with long term medical conditions)
- c. To continue to develop the organisation through the prudent review of available funds

Achievements and performance(continued)

Going concern

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

Financial review

The majority of the trust and academy income is obtained from the Education Funding Agency (EFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the EFA in the year ended 31 August 2016 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The trust also received grants from the EFA and other organisations. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2015), such grants are shown in the Statement of Financial Activities as restricted income in the restricted general fund and fixed asset fund. The restricted fixed asset fund balance is reduced by depreciation charges over the expected useful life of the assets concerned.

During the period ended 31 August 2016, total expenditure of £3,352,182 was incurred (which excludes depreciation of £395,341 and FRS 102 service costs of £20,000, which was more than covered by the recurrent grant income from the EFA, together with other incoming resources which totalled £3,911,362. This included £463,138 of non-recurrent school budget surplus and school funds which was transferred from the Local Authority upon the conversion to academy status. The excess of income over expenditure for the period was £559,180. Total funds carried forward amount to £372,204. This is in line with the trust's strategy to build and maintain adequate reserves to meet the long-term cyclical needs of renewal and any unforeseen contingencies.

Unrestricted income in the year ended 31 August 2016 amounted to £525,800. Unrestricted expenditure amounted to £4,276.

At 31 August 2016 the net book value of fixed assets amounted to £22,093,076 and movements in fixed assets are shown in note 12 of the financial statements. The cost of fixed asset additions in the year ended 31 August 2016 amounted to £243,548.

Strategic Report

Reserves policy

The Directors review the level of reserves on an annual basis. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of the reserves. The trust's current level of free reserves (total reserves less the amounts held in fixed asset reserve and restricted pension fund reserve) is £372,204.

The Directors have decided to adopt a prudent approach to reserves and aim to maintain a group reserve of designated funds of at least 3% of annual income to safeguard against unforeseen circumstances, capital improvements or developments, late EFA payments, emergencies and other catastrophes. This is sound commercial practice designed to safeguard the trust's business activities and quality of education at both the academies in the trust.

In addition, the net liability due to the trust's participation in the Local Government Pension scheme (Greater Manchester Pension Fund – GMPF) amounts to £2,036,000. It should be noted, however, that an immediate liability for this amount is not crystallised at the financial year end. Parliament has agreed, at the request of the Secretary of State for Education, to guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department of Education. The guarantee came into force on 18 July 2013. This guarantee provides comfort to the Directors in the unlikely event of an academy closure.

Disclosure of funds in deficit is also included in Funds Note in financial statements (note 15 on page 36-37).

Investment policy

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

Principal risks and uncertainties

The major risks, to which the Trust is exposed, as identified by the Directors, have been reviewed, and systems and procedures have been established to mitigate those risks. There is a risk register which is regularly reviewed at Board Meetings and any actions are agreed as required.

The Trust recognises that the Local Government Pension Schemes is a significant potential liability. The Trust is able to meet its known annual deficit contribution commitments for the foreseeable future, the risk from this liability is minimised and is manageable.

Pictor Academy is due to have the number of places commissioned by Trafford cut from 110 to 88 FTE following a review of SEN provision across the borough. The LA supported a Free School application to build a third school in the north of the borough. The intention is that each of the 3 special schools serves their postcode area. The reduction in numbers will begin in 2017/18 and will reduce over the next 4 years to reach 88FTE. However, Pictor is able to offset this reduction by filling the places with Out of Borough pupils. The academy does not face any financial risk associated with falling rolls and is always oversubscribed. We meet regularly with our Local Authority to discuss planned admission numbers to meet local shortages of places for SEN. The demand for places at Pictor, despite the postcode areas, is high and parents still request Pictor in preference to the other schools. There is opposition to the third school due to access concerns from a heavily congested roundabout near the Trafford Centre. Building work has not begun and the opening date of Sept 2016 has passed.

Manor Academy Sale has significant building issues which require urgent and ongoing repairs and replacement. CIF funding is being sought both through the Emergency bid route and through the CIF round 2016/17.

This will require a substantial amount of investment through budget and grant funding where available.

Uncertainties relating the next stage of the reform of school funding arrangements, particularly around SEN funding, the foreseeable freeze on the Government's overall education budget, changes in funding arrangements for special needs pupils and increasing employment and premises costs are all contributing to cost pressure in future periods.

Plans for future periods

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

1. improved academy accommodation;
2. the expansion of pupil opportunity
3. Increased funding from lettings opportunities.

Funds held as Custodian Director on behalf of others

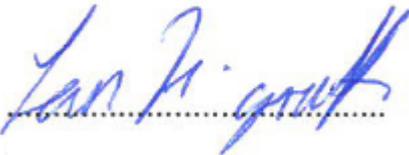
During the period from 1 July 2015 to 31 August 2016 The Sovereign Trust did not hold any funds as a custodian Director on behalf of any other charitable organisation.

Auditor

In so far as the Directors are aware:

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

Directors' Report, incorporating a Strategic Report, approved by order of the members of the Governing Body on 22 December 2016 and signed on its behalf by:



Ian McGrath
Director

3 Governance Statement

Scope of responsibility

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

However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Governing Body has delegated the day-to-day responsibility to the Principal, as Accounting Officer, for ensuring financial controls conform to the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Sovereign Trust and the Secretary of State for Education.

He is also responsible for reporting to the governing body any material weaknesses or breakdowns in internal control. The information on governance included here supplements that described in the Director's Report and in the Statement of Directors' responsibilities.

Governance

Full Directors Meetings

The Board of Directors has formally met 3 times during the year. Attendance during the year at meetings of the Governing Body was as below-

Director	Meetings attended	Out of a possible
Terry Crewe	4	5
Beverley Owens	5	5
Helen Wilson	5	5
William Jones	5	5
Ian McGrath	5	5
David Nash	4	5
Paul Nolan	4	5
Claire McKenna (Appointed 1 July 2015 and resigned 1 August 2016)	5	5
Shiv Chouksey	2	5
Margaret Blowey	0	5

Governance Statement (Continued)

Finance Committee Meetings

The Finance Committee meets termly and is established to review and agree the academies and Trust proposals for the budget and recommend it to the Board of Directors, the committee will have an overview of the school fund accounts and will review and keep track of expenditure. The committee will also take into account the use of premises, grounds and extended academy facilities. They will monitor the efficient use of utilities such as water, electricity or gas and maintain an overview of costs and lettings of the premises.

Director	Meetings attended	Out of a possible
Paul Nolan	3	3
Beverley Owens	3	3
Helen Wilson	3	3
Claire McKenna (Appointed 1 July 2015 and resigned 1 August 2016)	3	3

Review of value for money

As accounting officer, the Director has responsibility for ensuring that the Academy Trust delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the trust's use of its resources has provided good value for money during each academic year, and reports to the board of 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 improved value for money during the year by:

- Improving Educational results:

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

 - Robust tracking systems to record and monitor all aspects of pupil data including progress
 - Continuing to monitor staffing levels and deploy staff efficiently to support the curriculum and areas of development
 - Through robust performance management systems that ensure staff development delivers excellent teaching and learning opportunities for pupils
 - Funding is allocated to optimal effect, e.g. through personalised programmes for pupils, after school clubs, breakfast clubs
 - Working collaboratively with other schools, forming a Teaching School Alliance to improve CPD and share excellent practice and improve standards
 - Implement strategies to improve attendance
 - Provide increased speech and language support for pupils
- Financial Governance and Oversight

Financial governance arrangements include regular monitoring by The Board of Directors and through the Finance and Audit. This includes:

 - Comprehensive budgeting and monitoring systems with an annual budget and monthly financial reports reviewed and agreed by the Board
 - Regular monitoring review of reports and data within the Board meetings, monitoring the impact of activities and funding streams such as pupil premium
 - Monthly reviews by the Finance Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes
 - Robust financial procedures and regular policy reviews ensure the academy trust is operating within the regulations of the Academies Handbook
 - Comprehensive external and internal audit checks, monitoring and reporting on the Academy trusts financial procedures and performance

- Better Purchasing
 - Spending proposals are priced and presented to the Board, challenged appropriately and recorded in minutes.
 - Contracts and service level agreements are reviewed regularly to ensure the service remains suitable for the needs of the Trust and tenders/quotes are obtained to ensure value for money

- Reviewing controls and Managing Risks
 - Cash flow forecasts are included within regular reports to identify surplus cash balances.
 - Clearly defined purchasing guidelines:
 - Delegation of authority and segregation of duties are defined within policies and Board meetings
 - Review of Risk Register is a standing item for all meetings

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of The Sovereign 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 managed and reviewed in line with DfE guidance in the Financial Handbook at The Sovereign Trust from its conversion from two maintained schools on 1st January 2016 for the remainder of the period 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 Directors has reviewed the key risks to which The Sovereign Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Directors is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place from the academy's conversion from a maintained academy on 1st January 2016 for the remainder of the period ended 31st August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board.

There were no material control or other issues reported by the Responsible Officer to date.

Governance Statement (Continued)

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:

1. comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Directors;
2. regular reviews by the Finance Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
3. setting targets to measure financial and other performance;
4. clearly defined purchasing (asset purchase or capital investment) guidelines;
5. delegation of authority and segregation of duties;
6. Identification and management of risks.

The Board of Directors has considered the need for a specific internal audit function and decided to appoint an internal auditor. 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 termly basis, the internal auditor reports to the Board of Directors on the operation of the systems of control and on the discharge of the Board's financial responsibilities.

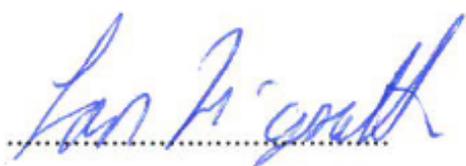
Review of effectiveness

As Accounting Officer, Beverley Owens has responsibility for reviewing the effectiveness of the system of internal control. During the time since conversion the review has been informed by:

- the work of the Local Authority Finance team;
- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the Directors within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the Governing Body on 22 December 2016 and signed on its behalf by:



Ian McGrath
Director
Director



Beverley Owens
Accounting Officer

4 Statement on Regularity, Propriety and Compliance

As Accounting Officer of The Sovereign Trust I have considered my responsibility to notify the Academy Trust Governing Body and the Education Funding Agency (EFA) 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 Governing Body 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 the following instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Governing Body and the EFA. If any instances are identified after the date of this statement, these will be notified to the Governing Body and EFA:

- During the period the procurement policy of the Trust was not adhered to in relation to capital works carried out at one of the schools within the Trust. The works costing £116,000 had been committed to prior to conversion to Academy Trust. However, no evidence could be found that this spend had been approved by the board of Directors at that time. Furthermore, there was no evidence to support this expenditure being authorised by anyone other than the Head Teacher at that school.
- During the period the procurement policy was not adhered to in relation to £8,500 of spend with a supplier installing specialist playground equipment. 3 quotations should have been sought for this spend but could not be found following the resignation of the School Business Manager.
- During the period, following significant changes to the board of Directors/directors and a rebranding of the trusts website, declarations of pecuniary and business interests had not been updated in a timely manner and listed on the Trust's website in accordance with the Academies Financial Handbook section 3.1.20.



Beverley Owens
Accounting officer

22 December 2016

5 Statement of Directors' Responsibilities

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

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

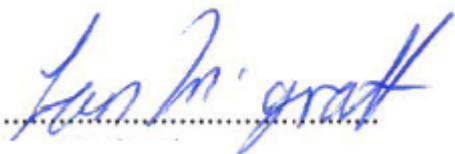
- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards [FRS 102] have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the Board on 22 December 2016 and signed on its behalf by:



Ian McGrath
Director

6 Independent Auditor's Report on the Financial Statement to the Member of The Sovereign Trust

We have audited the financial statements of The Sovereign Trust for the period from 1 July 2015 to 31 August 2016, which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, Balance Sheet, Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the charitable company's Directors, 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 charity's Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its Directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 18), the Directors (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 (APB'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 charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report 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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.
- have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2015 to 2016.

Independent Auditor's Report on the Financial Statement to the Member of The Sovereign Trust (continued)

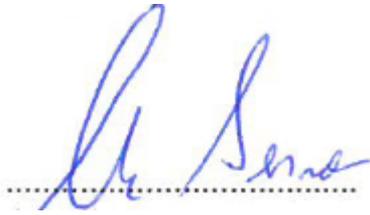
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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 Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Anna Bennett (Senior Statutory Auditor)
For and on behalf of Hallidays, Statutory Auditor

Riverside House
Kings Reach Business Park
Yew Street
Stockport SK4 2HD

22 December 2016

7 Independent Reporting Accountant's Report on Regularity of The Sovereign Trust and the Education Funding Agency

In accordance with the terms of our engagement letter dated 8 July 2015 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 Sovereign Trust during the period 1 July 2015 to 31 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 Governing Body and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we may state to the Governing Body 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 Governing Body and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of the Governing Body's accounting officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of the Governing Body's funding agreement with the Secretary of State for Education dated 16 December 2015 and the Academies Financial Handbook extant from 1 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 from 1 July 2015 to 31 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 EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw to our conclusion includes:

- We have confirmed that the activities conform to the trust's framework of authorities. As identified by review of minutes, management accounts, discussion with the accounting officer and other key management personnel.
- Independent Reporting Accountant's Report on Regularity of The Sovereign Trust and the Education Funding Agency (Continued)
- We have carried out an analytical review as part of the consideration of whether general activities of the trust are within the trust's framework of authorities.
- We have considered the evidence supporting the accounting officer's statement on regularity, propriety and compliance and have evaluated the general control environment of the trust and extended the procedures required for financial statements to include regularity.
- We have assessed and tested a sample of the specific control activities over regularity of a particular activity.
- In performing sample testing of expenditure, we have considered whether the activity is permissible within the trust's framework of authorities. We confirm that each item tested has been appropriately authorised in accordance with the trust's delegated authorities and that the internal delegations have been approved by the

Trust Board and conform to the limits set by the Department for Education.

- Formal representations have been obtained from the Board of Directors and the accounting officer acknowledging
- their responsibilities including disclosing all non-compliance with laws and regulations specific to the authorising framework, access to accounting records, provision of information and explanations, and other matters where direct evidence is not available.
- In performing sample testing of expenditure, we have reviewed against specific terms of grant funding within the funding agreement. We have reviewed the list of suppliers and have considered whether supplies are from related parties and have reviewed minutes for evidence of declaration of interest, and whether or not there was involvement in the decision to order from this supplier.
- We have performed sample testing of other income and tested whether activities are permitted within the trust's charitable objects.

Conclusion

In the course of our work, except for the matters listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period from 1 July 2015 to 31 August 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

As reported by the Accounting Officer in the Statement on Regularity, Propriety and Compliance, two instances were noted where the academy did not follow its financial regulations in relation to procurement and one instance was noted where the academy did not comply with Section 3.1.20 of the Academies Financial Handbook 2015.



For and on behalf of Hallidays,
Chartered Accountants
Riverside House
Kings Reach Business Park
Yew Street
Stockport SK4 2HD

22 December 2016

8 Statement of Financial Activities

for the Period from 1 July 2015 to 31 August 2016 (including Income and Expenditure Account)

		Unrestricted Funds	Restricted General Funds	Restricted Pension Fund	Restricted Fixed Asset Funds	Total 2016
	Note	£	£	£	£	£
Income and endowments from:						
Donations and capital	2	20,114	245	-	56,571	76,930
authority on conversion		463,138	-	(879,000)	22,244,870	21,829,008
<i>Charitable activities:</i>						
Funding for the Academy trust's educational operations	3	-	3,360,414	-	-	3,360,414
Other trading activities	4	42,364	24,903	-	-	67,267
Investments	5	184	-	-	-	184
Total		525,800	3,385,562	(879,000)	22,301,441	25,333,803
Expenditure on:						
<i>Charitable activities:</i>						
Academy trust educational operations	7	4,276	3,347,906	20,000	395,341	3,767,523
Net income/(expenditure)		521,524	37,656	(899,000)	21,906,100	21,566,280
Transfers between funds		(149,320)	(37,656)	-	186,976	-
Other recognised gains and losses						
Actuarial gains/(loss) on defined benefit pension schemes	22	-	-	(1,137,000)	-	(1,137,000)
Net movement in funds/(deficit)		372,204	-	(2,036,000)	22,093,076	20,429,280
Reconciliation of funds						
Total funds/(deficit) carried forward at 31 August 2016		372,204	-	(2,036,000)	22,093,076	20,429,280

9 Balance Sheet

	Note	As at 31 August 2016 £
Fixed assets		
Tangible assets	12	22,093,076
Current assets		
Debtors	13	453,865
Cash at bank and in hand		130,367
		<u>584,232</u>
Creditors: Amounts falling due within one year	14	(212,028)
Net current assets		<u>372,204</u>
Total assets less current liabilities		<u>22,465,280</u>
Net assets excluding pension liability		22,465,280
Pension scheme liability	22	(2,036,000)
Net assets including pension liability		<u>20,429,280</u>
Funds of the Academy:		
Restricted funds		
Restricted fixed asset fund		22,093,076
Restricted pension fund		(2,036,000)
		<u>20,057,076</u>
Unrestricted funds		
Unrestricted general fund		372,204
Total funds		<u><u>20,429,280</u></u>

The financial statements on pages 23 to 43 were approved by the Directors, and authorised for issue on 22 December 2016 and signed on their behalf by:



Ian McGrath Director



Beverley Owens Director

10 Statement of Cash Flows

for the Period from 1 July 2015 to 31 August 2016

	Note	31 August 2016 £
Cash flows from operating activities		
Net cash used in operating activities	18	(145,978)
Cash transferred on conversion to an Academy Trust		463,138
Cash flows investing activities	19	(186,793)
Change in cash and cash equivalents in the period		<u>130,367</u>
Cash and cash equivalents at 1 July		<u>-</u>
Cash and cash equivalents at 31 August	20	<u><u>130,367</u></u>

11 Notes to the Financial statement

for the period 31 July 2015 to August 2016

1 Accounting policies

Statement of accounting policies

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

Basis of preparation

The financial statements of the Academy Trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

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

Conversion to an academy trust

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

The assets and liabilities transferred on conversion from to an Academy Trust have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised as a transfer from local authority on conversion in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. Further details of the transaction are set out in the notes.

Going concern

The Directors 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 Directors make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Academy Trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Income

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

Notes to the Financial statement for the period 31 July 2015 to August 2016 (continued)

1 Accounting policies (continued)

Grants

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

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

Sponsorship income

Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

Donations

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

Other income

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

Donated goods, facilities and services

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

Notes to the Financial statement for the period 31 July 2015 to August 2016 (Continued)

1 Accounting policies (continued)

Expenditure

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

Expenditure on raising funds

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

Charitable activities

These are costs incurred on the Academy Trust's educational operations, including support costs and costs relating to the governance of the Academy Trust apportioned to charitable activities. All resources expended are inclusive of irrecoverable VAT.

Tangible fixed assets

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding 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 other than freehold land, at rates calculated to write off the cost of each asset over its expected useful lives, per the table below.

Asset class	Depreciation method and rate
Leasehold land	0.80% straight line
Leasehold buildings	2% straight line
Fixtures, fittings and equipment	20% Reducing balance
Computer equipment	33 1/3% straight line
Motor vehicles	25% straight line

Notes to the Financial statement for the period 31 July 2015 to August 2016 (Continued)

1 Accounting policies (continued)

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

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

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.

Provisions

Provisions are recognised when the Academy Trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Leased assets

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

Taxation

The Academy Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Accordingly, the Academy Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Notes to the Financial statement for the period 31 July 2015 to August 2016 (Continued)

1 Accounting policies (continued)

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 to the financial statements, 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 Director administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

Fund accounting

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

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

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

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 the circumstances.

Notes to the Financial statement for the period 31 July 2015 to August 2016 (Continued)
1 Accounting policies (continued)
Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (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.

2. Donations and capital grants

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total 2016 £
Educational trips and visits	20,114	245	-	20,359
Capital grants	-	-	56,571	56,571
	<u>20,114</u>	<u>245</u>	<u>56,571</u>	<u>76,930</u>

3 Funding for the Academy Trust's educational operations

	Restricted funds £	2016 £
DfE/EFA revenue grants		
General Annual Grant	1,749,568	1,749,568
Start Up Grant	50,000	50,000
Other DfE/EFA Grants	100,206	100,206
	<u>1,899,774</u>	<u>1,899,774</u>
Other government grants		
Other Government Grants/Income	1,449,140	1,449,140
Non-government grants and other income		
Other non Government Grants	11,500	11,500
Total Grants	<u>3,360,414</u>	<u>3,360,414</u>

4 Other trading activities

	Unrestricted funds £	Unrestricted funds £	Total 2016
Hire of facilities	22,945	-	22,945
Catering income	2,998	-	2,998
School shop sales	3,189	-	3,189
Recharges and reimbursements	-	24,903	24,903
Other sales	13,232	-	13,232
	<u>42,364</u>	<u>24,903</u>	<u>67,267</u>

5 Investment income

	Unrestricted funds £	Total 2016
Short term deposits	<u>184</u>	<u>184</u>

6 Expenditure

	Non Pay Expenditure			Total 2016 £
	Staff costs £	Premise £	Other costs £	
Academy's educational operations				
Direct costs	2,536,936	368,187	137,652	3,042,775
Allocated support costs	200,419	228,568	295,761	724,748
	<u>2,737,355</u>	<u>596,755</u>	<u>433,413</u>	<u>3,767,523</u>
Net income/(expenditure) for the period includes:				31 August 2016 £
Operating leases - other leases				655
Fees payable to auditor - audit other audit services				4,250 8,250
Depreciation				<u>395,341</u>

7 Charitable activities

	Total 2016 £
Direct costs - educational operations	3,042,775
Support costs - educational operations	724,748
	<u>3,767,523</u>

Analysis of support costs	Educational operations £	Total 2016 £
Support staff costs	200,419	200,419
Depreciation	27,154	27,154
Technology costs	5,169	5,169
Premises costs	201,414	201,414
Other support costs	257,057	257,057
Governance costs	33,535	33,535
Total support costs	<u>724,748</u>	<u>724,748</u>

8 Staff

Staff costs

	2016
	£
Staff costs during the period were:	
Wages and salaries	2,155,607
Social security costs	174,075
Pension costs	367,734
	<hr/>
	2,697,416
Supply teacher costs	39,939
	<hr/>
	2,737,355
	<hr/>

Staff numbers

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

	31 August
	2016 no.
Charitable Activities	
Teachers	42
Administration and support	95
Management	6
	<hr/>
Staff numbers	143
	<hr/>

The key management personnel of the Academy Trust comprise the Directors and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Academy Trust during the 8 month period was £283,543.

Central services

No central services were provided by the trust to its academies during the period and no central charges arose.

Related party transactions - Directors' remuneration and expenses

One or more Directors has been paid remuneration or has received other benefits from an employment with the Academy Trust. The principal and other staff Directors only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment, and not in respect of their role as Directors. The value of Directors' remuneration and other benefits during the 8 month period was as follows:

Beverley Owens (Headteacher):

Remuneration: 50,000 - £55,000

Employer's pension contributions: £5,000 - £10,000

Helen Wilson (Headteacher):

Remuneration: £50,000 - £55,000

Employer's pension contributions: £5,000 - £10,000

Other related party transactions involving the Directors are set out in note [23](#).

11 Directors' and officers' insurance

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

12 Tangible fixed assets

	land and buildings	Furniture and equipment	Motor vehicles	Computer equipment	Total
	£	£	£	£	£
Cost					
Inherited assets	21,002,000	1,113,000	41,250	88,620	22,244,870
Additions	116,108	49,784	55,000	22,656	243,548
At 31 August 2016	<u>21,118,108</u>	<u>1,162,784</u>	<u>96,250</u>	<u>111,276</u>	<u>22,488,418</u>
Depreciation					
Charge for the year	207,707	151,353	13,750	22,532	395,342
At 31 August 2016	<u>207,707</u>	<u>151,353</u>	<u>13,750</u>	<u>22,532</u>	<u>395,342</u>
Net book value					
At 31 August 2016	<u>20,910,401</u>	<u>1,011,431</u>	<u>82,500</u>	<u>88,744</u>	<u>22,093,076</u>

The transfer value on conversion of land and buildings was ascertained by Kier on behalf of the Education Funding Agency. The basis of valuation was the "depreciated replacement cost method of valuation".

13 Debtors

	31 August 2016 £
Trade debtors	54,976
VAT recoverable	57,408
Prepayments	5,474
Accrued grant and other income	336,007
	<u>453,865</u>

14 Creditors: amounts falling due within one year

	31 August 2016 £
Trade creditors	27
Accruals	204,353
Deferred income	7,648
	<u>212,028</u>

Deferred income

Resources deferred in the period	<u>7,648</u>
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At the balance sheet date the academy trust was holding funds received in advance for UIFSM in respect of the academic year 2016/2017.

15 Funds

	Incoming resources	Resources expended	Gains, losses and transfers	Balance at 31 August 201
	£	£	£	£
Restricted general funds				
General Annual Grant (GAG)	1,749,568	(1,711,912)	(37,656)	-
Other DfE/EFA grants	100,206	(100,206)	-	-
Start-up grant	50,000	(50,000)	-	-
Other restricted income	1,485,788	(1,485,788)	-	-
	<u>3,385,562</u>	<u>(3,347,906)</u>	<u>(37,656)</u>	<u>-</u>
Restricted fixed asset funds				
Transfer on conversion	22,244,870	(382,366)	-	21,862,504
DfE/EFA capital grants	16,571	(654)	-	15,917
Other capital income	40,000	(4,800)	-	35,200
Capital expenditure from GAG	-	(7,521)	186,976	179,455
	<u>22,301,441</u>	<u>(395,341)</u>	<u>186,976</u>	<u>22,093,076</u>
Restricted pension funds				
Restricted pension funds	(879,000)	(20,000)	(1,137,000)	(2,036,000)
Total restricted funds	<u>24,808,003</u>	<u>(3,763,247)</u>	<u>(987,680)</u>	<u>20,057,076</u>
Unrestricted funds				
Unrestricted general funds	525,800	(4,276)	(149,320)	372,204
Total funds	<u>25,333,803</u>	<u>(3,767,523)</u>	<u>(1,137,000)</u>	<u>20,429,280</u>

Analysis of academies by fund balance

Fund balances at 31 August 2016 were allocated as follows

	Total £
Pictor Academy	344,154
Manor Academy Sale	28,050
Total before fixed assets and pension reserve	<u>372,204</u>
Restricted fixed asset fund	22,093,076
Restricted pension funds	(2,036,000)
Total	<u>20,429,280</u>

Analysis of academies by cost

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

	Teaching and Educational Support	Other support staff costs	Educational Supplies	Other costs (Excluding Depreciation)	Total
	£	£	£	£	£
Pictor Academy	1,256,577	116,392	39,872	283,309	1,696,650
Manor Academy Sale	1,280,359	84,028	71,843	239,629	1,675,532
Academy Trust	<u>2,536,936</u>	<u>200,420</u>	<u>111,355</u>	<u>523,471</u>	<u>3,372,182</u>

16 Analysis of net assets between funds

	Unrestricted funds	Restricted general funds	Restricted fixed asset funds	Total funds
	£	£	£	£
Tangible fixed assets	-		22,093,076	22,093,076
Current assets	372,204	212,028		584,232
Current liabilities	-	(212,028)	-	(212,028)
Pension scheme liability	-	(2,036,000)	-	(2,036,000)
Total net assets	<u>372,204</u>	<u>(2,036,000)</u>	<u>22,093,076</u>	<u>20,429,280</u>

17 Commitments under operating leases

Operating leases

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

	31 August 2016 £
Within one year	3,541
In two and five years	8,658
	<u>12,199</u>

18 Reconciliation of net income to net cash inflow/{outflow} from operating activities

	31 August 2016 £
Net income	21,566,280
Depreciation	395,342
Capital grants from DfE and other capital income	(56,571)
Interest receivable	(184)
FRS 102 Defined benefit pension scheme service cost	(2,000)
FRS 102 Defined benefit pension scheme finance cost	22,000
Increase in debtors	(453,865)
Increase in creditors	212,028
Cash transferred on conversion to an academy trust	(463,138)
FRS 102 deficit transferred on conversion to an academy trust	879,000
Assets inherited on conversion to an academy trust	<u>(22,244,870)</u>
	<u>(145,978)</u>

19 Cash flows from investing activities

	31 August 2016 £
Dividends, interest and rents from investments	184
Purchase of tangible fixed assets	(243,548)
Capital funding received from sponsors and others	56,571
	<u>(186,793)</u>

20 Analysis of cash and cash equivalents

	31 August 2016 £
Cash at bank and in hand	130,367
	<u>130,367</u>

21 Members' liability

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

22 Pension and similar obligations

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

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

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

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 pension costs paid to TPS in the period amounted to £183,561.

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

Under the definitions set out in Financial Reporting Standard 102 (FRS 102), the TPS is a multi-employer pension scheme. The Academy Trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Academy Trust has set out above the information available on the scheme.

Local government pension scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate Director-administered funds. The total contribution made for the period ended 31 August 2016 was £198,000, of which employer's contributions totalled £146,000 and employees' contributions totalled £52,000. The agreed contribution rates for future years are 25 per cent for employers and banded from 5.5 to 12.5 per cent for employees.

As described in the notes the LGPS obligation relates to the employees of the Academy Trust, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the Academy Trust at the balance sheet date.

22 Pension and similar obligations (continued)

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

Principal actuarial assumptions

	31 August 2016 %
Rate of increase in salaries	3.40
Rate of increase for pensions in payment/inflation	2.10
Discount rate for scheme liabilities	2.10

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	-0.5% £
Adjustment to discount rate	
Discount rate for scheme liabilities	645,000
	+0.5% £
Adjustment to discount inflation	
Discount rate for scheme liabilities	361,000
	+0.5% £
Adjustment to rate of salary growth	
Discount rate for scheme liabilities	261,000
	+1 Year £
Adjustment to mortality age rating assumption	
Discount rate for scheme liabilities	261,000

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

	At 31 August 2016
Retiring today	
Males retiring today	21.40
Females retiring today	24.00
Retiring in 20 years	
Males retiring in 20 years	24.00
Females retiring in 20 years	26.60

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

22 Pension and similar obligations (continued)

	At 31 August 2016 £
Equities	1,954,000
Corporate bonds	461,000
Property	163,000
Cash	136,000
Total market value of assets	<u>2,714,000</u>
Present value of scheme liabilities - funded	<u>(4,750,000)</u>
Deficit in the scheme	<u><u>(2,036,000)</u></u>

The actual return on scheme assets was £58,000.

Amounts recognised in the statement of financial activities

	31 August 2016 £
Current service cost (less employer contributions)	(2,000)
Net interest cost	22,000
Total operating charge	<u><u>20,000</u></u>

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

	31 August 2016 £
At 1 July	3,022,000
Current service cost	144,000
Interest cost	80,000
Employee contributions	52,000
Actuarial losses	1,452,000
At 31 August	<u><u>4,750,000</u></u>

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

	31 August 2016 £
At 1 July	2,143,000
Return on plan assets (excluding net interest on the net defined pension liability)	58,000
Actuarial gains	315,000
Employer contributions	146,000
Employee contributions	52,000
At 31 August	<u>2,714,000</u>

Related party transactions

Owing to the nature of the Academy Trust and the composition of the board of Directors being drawn from local public and private sector organisations, transactions may take place with organisations in which the Academy Trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy Trust's financial regulations and normal procurement procedures.

During the period the academy made the following related party transactions:

JSN Creative Ltd

(A company in which Samuel Nolan, son of Paul Nolan (Director of Sovereign Trust) is the sole director.) Transactions totalling £5,196 relating to logo designing, and website design and hosting took place in the period ended 31 August 2016. At the balance sheet date the amount due to JSN Creative Ltd was £Nil.

Conversion to an academy trust

On 1 January 2016 the Manor High School and Pictor School converted to academy status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to The Sovereign Trust from the Trafford Metropolitan Borough Council Local Authority for £Nil consideration.

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

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

	Unrestricted funds	Restricted general funds	Restricted fixed asset funds	Total
	£	£	£	£
Tangible fixed assets				
Leasehold land and buildings	-	-	21,002,000	21,002,000
Other tangible fixed assets	-	-	1,242,870	1,242,870
Budget surplus on LA funds	440,836	-	-	440,836
Budget surplus on other school funds	22,302	-	-	22,302
LGPS pension deficit	-	(879,000)	-	(879,000)
Net assets/(liabilities)	<u>463,138</u>	<u>(879,000)</u>	<u>22,244,870</u>	<u>21,829,008</u>

The above net assets include £466,867 that were transferred as cash.