

SAFFRON ACADEMY TRUST

(A Company Limited by Guarantee)

**TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

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REFERENCE AND ADMINISTRATIVE DETAILS

Members

Mr G Berney
Mr D Bull
Ms R Callaghan
Mr M Hayes, Chair of the Academy Trust
Dr J Keeler

Trustees

Mr S Bancroft (appointed 8 October 2018)
Mr D Barrs
Ms C Derbyshire, CEO of the Academy Trust & Headteacher
Ms S Dignasse (appointed 8 October 2018)
Mr M Hayes, Chair of the Academy Trust
Dr J Keeler
Mr J Kerr
Mrs J Marshall
Mr I Murphy (resigned 1 April 2019)
Mr P Sinnott
Mrs J Sweeting
Mrs L Vincent

**Company registered
number**

07618351

Company name

Saffron Academy Trust

**Registered and principal
office**

Audley End Road
Saffron Walden
Essex
CB11 4UH

Company Secretary

Mr P Wilson

Chief Executive Officer

Ms C Derbyshire

**Senior Management
Team**

Ms C Derbyshire, CEO of the Trust &
Headteacher of Saffron Walden County High School
Mr T Lawn, Headteacher of Alec Hunter Academy
Mrs J Puxley, Executive Headteacher of Katherine Semar Schools
Mrs E Vincent, Executive Headteacher of R A Butler Schools
Mr P Wilson, Finance Director

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REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Independent Auditors	Price Bailey LLP Chartered Accountants Causeway House 1 Dane Street Bishop's Stortford Hertfordshire CM23 3BT
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SAFFRON ACADEMY TRUST
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2019

The Trustees present their Annual Report together with the financial statements and Auditor's Report of Saffron Academy Trust for the year ended 31 August 2019. The Annual Report serves the purposes of both a Trustees' Report, and a Directors' Report under company law.

Saffron Academy Trust (the Charitable Company, SAT or The Trust) currently encapsulates six academy schools, two secondary and four primary academies (the Schools or the Academies) serving a catchment area in North West Essex. The Academies have a combined capacity of 4,262 and had a roll of 4,008 in the October 2019 census.

Structure, Governance and Management

The Trust is a company limited by guarantee and an exempt charity. The Charitable Company's Memorandum and Articles of Association are its primary governing documents. The Trustees of The Charitable Company are also the Directors for the purposes of company law. The terms Trustee and Director are interchangeable. The Charitable Company includes the following Academies:

- Saffron Walden County High School (SWCHS) converted on 1st June 2011
- Alec Hunter Academy (AHA) converted and joined the Trust on 1st April 2013
- Katherine Semar Junior School (KSJ) converted and joined the Trust on 1st December 2014
- Katherine Semar Infant School (KSI) converted and joined the Trust on 1st December 2014
- R A Butler Junior School (RBJ) converted 1st November 2010 and joined the Trust on 1st September 2017
- R A Butler Infant School (RBI) converted 1st November 2010 and joined the Trust on 1st September 2017

The operation of the Academies and employment of staff are the responsibility of the Trustees. The Trust retains control of Academy budgets and finances, and monitors these through its Finance Committee. Throughout this report the Board of Trustees is referred to as the Main Governing Body (MGB). Each Academy has appointed Local Governing Bodies (LGB) who have delegated authority to administer their Academy within agreed budgets. Within this Report the term Trustee or Director refers to a member of the MGB and the term Governor to a member of an LGB. Details of the Trustees who served during the year are included in the Reference and Administrative Details section.

Members' Liability

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

Trustees and Officers' Indemnities

In accordance with normal commercial practice the Trust has purchased insurance to protect Trustees, Governors and Officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The insurance provides cover up to £5,000,000 on any one claim and details of the costs are disclosed in Note 12 to the accounts.

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FOR THE YEAR ENDED 31 AUGUST 2019

Method of Recruitment and Appointment or Election of Trustees

The arrangements are as set out in the Articles and Funding Agreement.

Trustees are appointed for a fixed term of four years, ex-officio post holders excepted. The Chief Executive Officer (CEO) is an ex officio member of the MGB as is the chair of Saffron Educational Trust (SET). Other Trustees are elected to office or appointed if there are insufficient candidates offering themselves for election. The Articles of Association make provision for the Members to appoint up to nine Trustees. Additionally, the sitting Trustees may agree to co-opt such other Trustees as they see fit. The number of Trustees who are also employees is limited to one third of the total number. At the date of approval of this Report, the Directors of SET are D Barrs, C Derbyshire, M Hayes and J Keeler.

Policies and Procedures Adopted for the Induction and Training of Trustees and Governors

The Trust is committed to providing adequate opportunities for Trustees and Governors to undertake and receive suitable training so as to enable them to perform their role effectively.

To this end, The Trust links with a number of local training providers and new Trustees and Governors are required to attend a training programme. The induction programme would involve a tour of the relevant Academy, meetings with students and staff and provision of policy and procedures documents that are appropriate to their role with particular emphasis on the committee work that they will undertake.

Organisational Structure

The governance of the Trust is defined in the Memorandum and Articles of Association together with the Funding Agreement with the Department of Education.

The MGB, meets on at least three occasions per year with Trustees also attending its two sub committees Resources (including Finance) and Standards. In total, Trustees meet at least six times a year with some meeting nine times a year.

The MGB is responsible for the strategic direction of the Trust. The Trustees are responsible for setting strategic policy, adopting an annual plan and budget, monitoring The Trust by the use of those budgets and making major decisions about the direction of The Trust, capital expenditure and senior staff appointments. The Governors within their LGB's are responsible for implementing strategic policy, ensuring the appropriateness of annual budgets and proposing capital expenditure projects for their Academy and monitoring performance against budgets.

The Senior Leadership Teams (SLT's) control the Academies at an executive level implementing policies and reporting to their LGB. Each SLT is responsible for the day to day operation of their Academy, in particular organising staff, resources and students. They are responsible for the authorisation of spending within agreed budgets and for the appointment of staff following vetting and safeguarding recruitment processes.

The Senior Management Team (SMT) looks across the Trust and aligns local SLT and LGB activity with the strategic aims of The Trust as a whole. All changes to SLT structures are subject to the approval of the Trust's CEO who is also the Accounting Officer.

Arrangements for Setting Pay and Remuneration of Key Management Personnel

Pay and remuneration of key management personnel is aligned with industry standard pay scales and nationally agreed pay awards. Each School has delegated powers at the LGB level to review their employee's remuneration via an appointed subcommittee. All amendments to central services employee's and key management's pay and remuneration are approved by the appropriate sub-committee and ratified by the MGB. In setting remuneration levels the Trust takes into account contributory factors such as experience, ability to recruit and retain and the scope and complexity of the role, all of which are in accordance with the Trust's appointment and pay policies.

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Trade union facility time

	Employees
Employees who were relevant union officials	4
Full time equivalent	4
Percentage of time spent on facility time in the range 1%-50%	4
Total Trust pay bill	£17.3m
Cost of facility time	£260
Percentage of pay bill spent on facility time	0%

Related Parties and other Connected Charities and Organisations

Owing to the nature of the Trust's operations and the composition of the Board of Trustees being drawn from local public and private sector organisations, it is inevitable that from time to time transactions will take place with organisations in which Trustees may have an interest. The Trust maintains a register of such interests and there is a standing agenda item on all MGB and LGB meetings for attendees to declare any changes and furthermore, any potential conflicts with agenda items. All transactions involving such organisations are conducted at arm's length and in accordance with the Trust's financial regulations and normal procedures. Any transaction where the Trustee may have a pecuniary interest is only undertaken in accordance with the 'at cost' principle described in the Academies Financial Handbook.

The Trust cooperated with the following organisations during the academic year in pursuit of its charitable activities:

- The 14-19 Delivery Group is a consortium of local secondary schools and post-16 providers who work together to deliver a vocational 14-19 educational programme for young people in the Uttlesford area.
- The School Games Organiser, works with PE staff at local primary schools to increase participation in physical education and sports programmes outside the curriculum.
- Local Delivery Group, a cluster of primary and secondary schools in the North Essex area who receive external funding to support Narrowing the Gap and Extended Schools services for primary and secondary phase students. This activity ceased in April 2019.

The Trust reports the following related parties by nature of common Directors or Trustees.

- Saffron Educational Trust (SET) owns the freehold of the SWCHS site and is effectively this Academy's landlord.
- Saffron Walden County High School Trust administers a modest trust fund whose source of income is generated from private donations. This trust makes donations for specific SWCHS projects.
- Saffron Hall Trust, manages the arts and music offering to the public. It is a separate commercial venture that works closely with SWCHS to manage the concert hall space outside of normal school hours.

Saffron Academy Trust does not have a formal sponsor.

Objectives and Activities

Objects and Aims

The principal object and aim of the Charitable Company is the operation of a number of Academies to provide free education and care for pupils of different abilities within its local community between the ages of 5 and 18.

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TRUSTEES' REPORT (CONTINUED)
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Objectives, Strategies and Activities

Saffron Academy Trust seeks to operate a local family of Schools of exceptional quality.

The following aims arise from that vision:

- to attain standards of achievement which reflect the fact that all pupils have reached their full academic potential and achieved their personal best;
- to promote the maximum opportunities for success by each pupil through excellent teaching and personalised learning;
- to provide a secure and caring community which encourages academic ambition alongside respect and responsibility for all;
- to provide inspirational and motivational leadership which offers clear direction and shared objectives, and management which maximises potential through valuing, supporting and developing people; and
- to promote outstanding personal development opportunities for all pupils through a rich and varied programme of extra-curricular activities.

During the year the Trust has worked towards these aims by:

- continuing to provide two Directors of School Improvement covering both secondary and primary schools.
- completing an outside covered catering area at SWCHS to ease congestion in order to address safety concerns and creating a student catering preparation area, funded by Sec 106, providing a tuition space for SEND students to learn basic cooking skills and experience a working kitchen.
- replacing aging and potentially ineffective fire doors across all sites
- continuing to change the culture of Schools so that they focus on the progress of all children and not just on attainment outcomes;
- continuing to put greater emphasis on student progress in targets set, intervention and monitoring
- continuing to improve teaching, assessment and leadership at all levels throughout the Trust

Our success in fulfilling our aims can be measured by:

- evidencing reductions in student congestion;
- commissioning of outdoor catering pod and student kitchen;
- physical installation of fire doors;
- improved Progress 8 score at SWCHS and AHA;
- successful integration of The Honywood Secondary School into the Trust; and
- Beckers Green Primary School joining the Trust has been approved by the HTB.

Public Benefit

The Trustees believe that by working towards the objects and aims of the Trust as detailed above, they have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission.

Strategic Report

Achievements and Performance

The Trust continued its mission to ensure that students achieved their potential in public examinations; encouraged a wide range of extra-curricular activities; developed and retained suitable staff and guided students in suitable progression when they left their Academy.

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Specific achievements were as follows:

1. SWCHS enjoyed strong results at every level in 2019. At A level, 100% of students achieved A*-E grades, 90% achieved grade A*-C and 40% of all grades were A*/A. Overall, the school scored Alps 2 for progress, putting it in the top 5% of schools nationally. At GCSE, attainment was strong and progress was good. The average Attainment 8 score per pupil was 59 and the Progress 8 was +0.41. Both were well above the local and national averages.

2. AHA had a very positive year. In July 2017 it was graded as a 'Good' school by HMI Ofsted for the first time in its history and outcomes have continued to improve in 2019. The average Attainment 8 score was 44.9 and its Progress 8 was -0.14 which, for the first time, is categorised as 'Average Progress' on the DfE Data Dashboard. Its overall results are now the strongest of any state school in the Braintree district.

3. R A Butler's Infant School achieved an Ofsted grading of 'Good' in 2019. At Key Stage 1, the percentage of children meeting age related expectations in Reading, Writing and Maths was 71.6%. 21% of children achieved this at the higher level. At Key Stage 2, 80% achieved the expected standard in Reading, Writing and Maths and 26.7% achieved this at the higher standard. These results exceed local and national percentages and represent strong improvement over time for the Schools, bettering the 2018 performance.

4. At Katherine Semar Infants, the percentage of children reaching the expected standard in Reading, Writing and Maths at the end of Key Stage 1 was 85%. The percentage achieving this at the higher standard was 19%. At Katherine Semar Juniors, the Key Stage 2 results reveal that 87% met the expected standard and 31% met the higher standard. Both Schools achieved results that exceeded local and national percentages by some margin.

Key Performance Indicators

The Trustees receive regular management reports at each committee meeting to enable them to monitor the performance of the Trust compared to its aims, strategies, cashflows and financial budgets. Regular management information reports differentiate between the principle activity of the Trust, that of delivering education to students and other ancillary, or non-principle, activity such as capital projects, after school clubs and school trips etc.

Funding is based on pupil numbers collated from the annual October census, for 2019-20 and 2020-21 the relevant student numbers driving funding at the various key stages are as follows.

SAT	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Student #	Student #	Student #	Student #	Student #	Student #	Student #	Student #
Key Stage 1&2	392	422	435	433	432	431	1,041	1,046
Key Stage 3	1,525	1,473	1,413	1,386	1,358	1,342	1,344	1,429
Key Stage 4	1,031	998	987	996	960	891	907	894
Key Stage 5	562	597	557	557	625	636	651	639
Total	3,510	3,490	3,392	3,372	3,375	3,300	3,943	4,008

Trustees have closely monitored the fall in student numbers at key stage 3 / key stage 4 over previous years and were aware that this related mainly to Alec Hunter Academy. However, they are again delighted to report that this trend has continued to reverse and improve. The school now has a Good Ofsted grading, benefitted from a substantial internal refit and reported improving progress 8 scores this summer.

Another key financial performance indicator is staffing costs as a percentage of total income. For 2018/19 this averaged out at 84.3% (2017/18 - 81.6%) for the Trust as a whole which indicates that staff costs are rising faster than income. The Trustees are confident that staffing levels are both closely monitored and linked to the delivery of the curriculum at a local school level. Furthermore, all staffing structures have been approved by the MGB during the annual budget setting process.

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The Resources Committee also monitors the costs for occupancy, administration and curriculum delivery in relation to GAG and other income at both LGB and MGB meetings. Additionally the MGB Resources Committee receive a range of KPIs based upon student numbers, staff numbers, GAG income and staff costs across all Schools and in aggregation. These reports and the detailed budget staff cost schedules are the cornerstones of the Trust's Integrated Curriculum Financial Planning process.

Going Concern

After making appropriate enquiries and despite authorising a £0.2m deficit budget for 2019-20 (£0.4m 2018-19), the Trustees have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future.

The Trust has again reviewed its staff cost base and non-staff related costs during 2018-19 whilst centralising core resources such as IT support to facilitate staff reductions. These strategies enabled all Schools except Alec Hunter Academy to set balanced budgets for 2019-20. During the year the Trustees monitored the recovery plans put in place at Alec Hunter Academy and have been encouraged by the resulting cost reduction measures. The MGB board have noted that student numbers are rising but the associated funding lags by a year and have therefore agreed to support the school during 2019-20 with a repayable loan of £250,000. The MGB acknowledge that budgets in all Schools are extremely challenging and are committed to monitoring developments as they arise. For this reason The MGB 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 principal source of funding for the Trust is the General Annual Grant (GAG) and other grants that it receives from the Education and Skills Funding Agency (ESFA). For the year ended 31 August 2019 the Trust received £23,131,278 of GAG and other income. A high percentage of this income is spent on wages and salaries and support costs to deliver the Trust's primary objective of the provision of education. During the year the Trust spent £25,687,497 on general running costs and transferred £2,631 to support capital new build and improvement projects on the various Academy sites. The Trust brought forward from 2017-18, £22,081 restricted funds and £1,843,627 unrestricted funding. The carry forward for 2018-19 is £Nil restricted funding and £1,472,369 unrestricted funding.

Due to the accounting rules for the Local Government Pension Scheme under FRS102, the Trust is recognising a significant pension fund deficit of £12,078,000 (2018: £9,422,000). This does not mean that an immediate liability for this amount crystallises and such a deficit generally results in a cash flow effect in the form of increased employer contributions over a number of years, indeed the Teacher Pension Contribution rates for 2019-20 have increased to 23.48% from 16.48%.

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FOR THE YEAR ENDED 31 AUGUST 2019

The results for the Trust for the year are displayed in the table below:

	Restricted General Funds	Unrestricted Funds	Fixed Asset Fund	Pension Reserve	Total
Incoming Resources	19,837,666	2,118,856	1,174,756		23,131,278
Resources Expended	(19,857,116)	(2,490,114)	(1,397,743)		(23,744,973)
LGPS Charge				(1,913,000)	(1,913,000)
Depreciation			(893,524)		(893,524)
Employer contributions paid				864,000	864,000
Total Resources Expended	(19,857,116)	(2,490,114)	(2,291,267)	(1,049,000)	(25,687,497)
Assets Purchased from GAG	(2,631)		2,631		-
Actuarial Loss				(1,607,000)	(1,607,000)
Surplus / (Deficit) for the year	(22,081)	(371,258)	(1,113,880)	(2,656,000)	(4,163,219)
Balance at 1 September 2018	22,081	1,843,627	29,859,580	(9,422,000)	22,303,288
Balance at 31 August 2019	-	1,472,369	28,745,700	(12,078,000)	18,140,069

Reserves Policy

The Trustees are aware of the requirement to balance current and future needs and always aim to set a balanced budget with annual income balancing annual expenditure. The Trustees monitor estimated year-end carry forward figures via the monthly reports from central finance. The budget plan identifies how any carry forward will be allocated in the plan for the following academic year, including the identification of any funds earmarked for a specific project or purpose.

The cash balance of the Trust has been very healthy all year, ending the year with a balance of £3,220,063. After the effect of liabilities and other current assets, the Trust's current level of free reserves (total funds less the amount held in fixed assets and restricted funds) is £1,472,369. This has been built up from a mixture of locally raised income and balances transferred from the predecessor Schools.

The Trustees monitor cash flow as part of the monthly finance reports and in line with the Reserves Policy they attempt to hold a liquidity buffer to cover short term cash flow variances. As part of the budget process the Trustees are informed as to the cash impacts of the budgets they authorise and the LGB committees all receive regular cash flow forecasts for their individual Schools. In July 2019 the Trustees initiated two strategic enhancements to their direct control over Reserves. Firstly, they authorised the gradual centralisation of the Trust's free reserves for implementation during 2019/20 and secondly, subsumed the SCA policy into the Capital Expenditure policy whilst withdrawing the capacity of LGBs to transfer free reserves into capital; this is now the sole prerogative of the Trustee Board.

The Trustees have expressed their deep concerns regarding the distribution of the new National Funding Formula grants. In September 2017 the DfE released a paper setting out their plans for the centralised delivery of the National Fairer Funding formula grants. This report set out transitional (soft formula) arrangements for the years 2018-19 and 2019-20 whereby central funding was to be delivered via the Local Authorities. These transitional arrangements declared minimum funding levels per pupil for both primary and secondary schools for each year.

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Whilst these minimum funding levels were met in 2018-19 they fell short for two Trust schools for the 2019-20 year. Additionally, the Local Authority diverted 0.5% of grant funding they received to support their SEND budget requirements. The estimated impact upon the Trust of both actions was a funding decrease of over £350,000 compared to expectations. The Trustees are encouraged by recent communication from the ESFA stating that the Minimum Per Pupil Level (MPPL) funding for 2020/21, set at £3,750 for primary and £5,000 for secondary schools, is mandatory for the Local Authority to apply.

Together, with the additional impact of rising staff and other costs the Trustees acknowledge that the finances of the Trust are likely to continue to tighten and/or be less predictable in forthcoming years. The Trustees in executing their obligation to maintain the Trust's building infrastructure are aware that future maintenance and refurbishment requires planned adequate funding. Notwithstanding the fact that the Trust is now eligible to receive an annual School Condition Allocation (SCA), in light of these anticipated on-going costs and uncertain revenues the Trustees have again declined to deplete historical cash reserves and have chosen instead to retain as much as possible to support future expenditure. This has been achieved without compromising the quality of the education offering to the Trust's students.

Investment Policy

The aim of the policy is to ensure funds that the Trust does not immediately need to cover anticipated expenditure are invested to maximise its income but with minimal risk. The Trustees do not consider the investment of surplus funds as a primary activity but rather, as good stewardship and as and when circumstances allow. The central finance function coordinates this activity with all the Schools in the Trust.

Principal Risks and Uncertainties

The Trust works with the LGB's in maintaining a central risk register identifying the major risks, to which each Academy is exposed, and identifying actions and procedures to mitigate those risks.

This register is approved and monitored by the MGB via the Finance Sub-Committee and a more independent review by the Audit Committee typically undertaken on an annual basis. The internal control systems and the exposure to identified risks are monitored on behalf of the Trustees at each Audit Committee meeting. The principal risks facing the Trust are outlined below; those facing the Academies at an operational level are addressed by its systems and by internal financial and other controls.

The Trustees report that the Trust's financial and internal controls conform to guidelines issued by the ESFA, and that improvements to the wider framework of systems dealing with business risk and risk management strategy continue to be made and formally documented.

The Trustees recognise that systems can only provide reasonable but not absolute assurance that major risks have been adequately managed. To address this, the Audit Committee appointed Price Bailey LLP to carry out a rolling program of reviews on governance controls, processes and procedures. This year the review focused upon the Procurement process.

The Board reported last year on the implementation of GDPR with the Trust taking advantage of the managed offering from Essex Local Authority, the implementation of which included an audit of the Trust's readiness for compliance purposes. The Trustees are pleased to report that five of the six schools have been assessed and awarded the highest rating, the final school will be assessed in Q1 next year.

As a group of academy schools, the level of financial risk is low. Cash flows can be reliably forecast, monitored and reported. Staff costs make up the majority of expenditure and are relatively stable with contingencies in place to cover such items as sickness and maternity.

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The Trustees assess the other principal risks and uncertainties facing the Trust as follows:

- Funding: each Academy within the Trust places considerable reliance on continued Government funding through the ESFA and there is no assurance that Government policy or practice will remain consistent or that public funding will continue at the same or improved levels or on the same terms. This potential risk is exacerbated through the manipulation by the Local Authority of the funding that eventually reaches schools.
- Recent Government announced increases in teachers' pay and significant increases in teacher pension scheme (TPS) contribution rates will add to the Trust's single largest cost group. Whilst short term funding has been implemented by the ESFA for teachers pay, the lack of surety over the longer term funding solution for this and the TPS are a huge cause for concern. In the opinion of the Trustees the current high standard of the Trust's education offering is in all probability unsustainable in the long term unless funding levels match inflationary increases.
- Governance: failures in governance and/or management - the risk in this area arises from potential failure to effectively manage the Trust's finances, internal controls, compliance with regulations and legislation, statutory returns, etc. The Trustees continue to review and ensure that appropriate measures are in place to mitigate these risks;
- Reputational: the continuing success of the individual Academies is dependent on continuing to attract student applications in sufficient numbers by maintaining the highest educational standards. To mitigate this risk Trustees ensure that student progress and outcomes are closely monitored and reviewed;
- Safeguarding and child protection: the Trustees continue to ensure that the highest standards are maintained in the areas of selection and monitoring of staff, the operation of child protection policies and procedures, health & safety and discipline. During the year significant capital funding was employed to upgrade the physical security of our sites and safety of students;
- Staffing: the success of the Academies is reliant on the quality of its staff and the Trustees monitor and review policies and procedures and recruitment to ensure continued development and training of staff as well as ensuring there is clear succession planning;
- Fraud and mismanagement of funds: At the request of the Audit Committee the Trust has appointed Price Bailey LLP to carry out independent and external checks on financial systems and processes as required by the Academy Financial Handbook. All finance staff receive training to keep up to date with financial practice requirements and develop their skills in this area;
- Investments: financial instruments – the Trust only deals with bank balances, cash and trade creditors, with limited trade (and other) debtors. The risk in this area is considered to be low; and
- Pensions: defined benefit pension liability – as the Government has agreed to meet the defined benefit pension liability of any Academy ceasing to exist the main risk to the Trust is an annual cash flow funding of part of the deficit. Trustees take these payments into account when setting the annual budget plan.

The Trust and each Academy continue to strengthen the risk management process throughout the year by improving those processes and ensuring staff awareness.

Fundraising

The Trust only held small fundraising events during the year organised at individual Schools including non-uniform days, Christmas shows, theatrical productions, film nights, cake sales and quiz nights. Additionally the SWCHS Music Academy benefitted from support given by an anonymous donor. The Trust does not work with professional fundraisers or companies who carry out fundraising on its behalf. During the year, no complaints or issues have arisen as a result of the fundraising events.

Plans for Future Periods

The Trust will continue striving to improve the levels of performance of its students at all levels, and will attempt to maintain its recent progress in ensuring the number of students on roll properly reflects the demand for places. The Trustees intend to enhance and expand facilities in pursuance of the Trusts' commitment to ensure that all students achieve their potential.

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It is recognised that students with differing abilities and aptitudes will have differing curriculum requirements and that a greater diversity of learning environments will be required to deliver these. The Trust continues to seek further opportunities to engage with local schools, primarily within North West Essex, with the ultimate aim of expanding its family of schools of exceptional quality and are therefore delighted to announce that The Honywood School in Coggeshall joined the Trust on 1st September 2019 to be followed by Beckers Green Primary school scheduled for Q2 2020. During the year the Trust received expressions of interest from a small MAT and a separate secondary school academy, discussions with the latter are continuing to progress.

Funds Held as Custodian Trustee on Behalf of Others

The Trust acts as an agent in distributing 16-19 Bursary Funds from the EFA. Payments received from the EFA and subsequent disbursements to students are excluded from the Statement of Financial Activities incorporating Income and Expenditure Account, as the Trust does not have control over the charitable application of the funds. For further details please refer to Note 26 to the financial statements.

Employees and disabled persons

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitude and abilities. In the event of employees becoming disabled, the Trust seeks advice and then every effort is made to retain them in either their current role or an alternative position within the Trust, in order that their employment within the Trust may continue.

Auditor

Insofar as the Trustees are aware:

- there is no relevant audit information of which the Charitable Company's Auditor is unaware, and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

The Trustees' Report, incorporating a Strategic Report, was approved by the Board of Trustees on 9 December 2019 and signed on the Board's behalf by:

Mr M Hayes
Chair of Trustees

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GOVERNANCE STATEMENT

Scope of responsibility

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

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

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees has formally met 3 times during the year. The Board met fewer than six times during the year. The Board is satisfied that through the use of sub-committees it maintains effective oversight of funds. Details of one such sub-committee are noted below.

Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
Mr S Bancroft	3	3
Mr D Barrs	1	3
Ms C Derbyshire, CEO of the Academy Trust & Headteacher	3	3
Ms S Dignasse	2	3
Mr M Hayes, Chair of the Academy Trust	3	3
Dr J Keeler	2	3
Mr J Kerr	2	3
Mrs J Marshall	3	3
Mr I Murphy	0	2
Mr P Sinnott	3	3
Mrs J Sweeting	3	3
Mrs L Vincent	2	3

During the year 1 Trustee stepped down on the 1st April 2019 and 2 were appointed on the 8th October 2018

The Audit Committee is comprised of 3 individuals, all of which are independent of the Trust, with appropriate finance experience. The Committee met formally once during the year. A review of Governance is on the list of internal audits to be commissioned by the Audit Committee.

Finance matters are addressed by the Resources Committee, a sub committee of the MGB, with delegated authority to act on its behalf.

Attendance during the year at meetings was as follows:

Trustee	Meetings attended	Out of a possible
Mr M Hayes	4	4
Ms C Derbyshire	4	4
Mr J Kerr	4	4
Mr P Sinnott - stepped down March 2019	0	2
Ms L Vincent	4	4
Mrs J Sweeting	4	4
Mr S Bancroft	4	4

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT (CONTINUED)

Review of value for money

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

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

- Ensuring that a DfE approved supplier was used to make a significant purchase of PCs the original budgeted purchase amount was allocated to acquire 130 machines but the eventual pricing allowed 160 machines to be purchased.
- Centralising IT support into Central Services generating a cost saving when a leaver was not replaced.
- Centralising HR support, striking a Trust wide arrangement that is cheaper than the pricing for separate schools.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Saffron Academy Trust for the year 1 September 2018 to 31 August 2019 and up to the date of approval of the Annual Report and financial statements.

Capacity to handle risk

The Board of Trustees has reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Trust's significant risks that has been in place for the year 1 September 2018 to 31 August 2019 and up to the date of approval of the Annual Report and financial statements. This process is regularly reviewed by the Board of Trustees.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT (CONTINUED)

The risk and control framework

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

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

The Board of Trustees has considered the need for a specific internal audit function and has decided to appoint Price Bailey LLP as Internal Auditor.

The Internal Auditor's role includes giving advice on financial matters and performing a range of checks on the Trust's financial systems. In particular the checks carried out in the current period included a review of the procurement process and controls.

On an annual basis, the internal auditor reports to the Board of Trustees through the audit committee on the operation of the systems of control and on the discharge of the Trustees' financial responsibilities.

The Internal Auditors submitted their report on Procurement in May 2019 which was presented to the Trust's Resources Committee in June 2019. The report contained one low priority recommendation and two minor advisory observations.

Review of effectiveness

As Accounting Officer, the Chief Executive Officer has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

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

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

Approved by the Board of Trustees on 9 December 2019 and signed on their behalf by:

M Hayes
Chair of Trustees

Ms C Derbyshire
Accounting Officer

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Saffron Academy Trust I have considered my responsibility to notify the Board of Trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the Trust, under the funding agreement in place between the 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 2018.

I confirm that I and the Board of Trustees are able to identify any material irregular or improper use of all funds by the Trust, or material non-compliance with the terms and conditions of funding under the Trust's funding agreement and the Academies Financial Handbook 2018.

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

Ms C Derbyshire
Accounting Officer
Date: 9 December 2019

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2019

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business.

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

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

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

Approved by the Board of Trustees on 9 December 2019 and signed on its behalf by:

Mr M Hayes
Chair of Trustees

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

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

Opinion

We have audited the financial statements of Saffron Academy Trust (the 'Trust') for the year ended 31 August 2019 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 August 2019 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our Report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
SAFFRON ACADEMY TRUST (CONTINUED)**

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Other information includes the Trustees' Report including the Strategic Report, the Governance Statement and the Accounting Officer's Statement. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our Report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
SAFFRON ACADEMY TRUST (CONTINUED)**

Responsibilities of Trustees

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

In preparing the financial statements, the Trustees are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our Report

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

Mr Gary Miller (Senior Statutory Auditor)
for and on behalf of
Price Bailey LLP
Chartered Accountants
Causeway House
1 Dane Street
Bishop's Stortford
Hertfordshire
CM23 3BT

9 December 2019

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO SAFFRON
ACADEMY TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 1 November 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Saffron Academy Trust during the year 1 September 2018 to 31 August 2019 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 Saffron Academy Trust and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Saffron Academy Trust and ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Saffron Academy Trust and ESFA, for our work, for this Report, or for the conclusion we have formed.

Respective responsibilities of Saffron Academy Trust's Accounting Officer and the Reporting Accountant

The Accounting Officer is responsible, under the requirements of Saffron Academy Trust's funding agreement with the Secretary of State for Education dated 28 April 2011 and the Academies Financial Handbook, extant from 1 September 2018, 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 2018 to 2019. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2018 to 31 August 2019 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 2018 to 2019 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO SAFFRON
ACADEMY TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY (CONTINUED)**

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity, impropriety and non-compliance
- Consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and how the Trust complies with the framework of authorities.
- Evaluation of the general control environment of the Trust, extending the procedures required for financial statements to include regularity, propriety and compliance
- Discussions with and representations from the Accounting Officer and other key management personnel.
- An extension of substantive testing from our audit of the financial statements to cover matters pertaining to regularity, in order to support the regularity conclusion, including governance, internal controls, procurement and the application of income.

Conclusion

In the course of our work, nothing has come to our attention which suggest in all material respects the expenditure disbursed and income received during the year 1 September 2018 to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Reporting Accountant

Price Bailey LLP

Date: 9 December 2019

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 AUGUST 2019**

	Note	Unrestricted funds 2019 £	Restricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £	Total funds 2018 £
Income from:						
Donations and capital grants	2	9,795	1,171,433	1,174,756	2,355,984	10,670,348
Charitable activities	3	1,100,786	18,591,233	-	19,692,019	19,549,844
Teaching schools	27	-	75,000	-	75,000	83,000
Other trading activities	4	989,908	-	-	989,908	953,469
Investments	5	18,367	-	-	18,367	15,912
Total income		<u>2,118,856</u>	<u>19,837,666</u>	<u>1,174,756</u>	<u>23,131,278</u>	<u>31,272,573</u>
Expenditure on:						
Charitable activities	6	2,490,114	20,831,116	2,291,267	25,612,497	24,959,876
Teaching schools	27	-	75,000	-	75,000	83,000
Total expenditure		<u>2,490,114</u>	<u>20,906,116</u>	<u>2,291,267</u>	<u>25,687,497</u>	<u>25,042,876</u>
Net expenditure		<u>(371,258)</u>	<u>(1,068,450)</u>	<u>(1,116,511)</u>	<u>(2,556,219)</u>	<u>6,229,697</u>
Transfers between funds	17	-	(2,631)	2,631	-	-
Net movement in funds before other recognised gains/(losses)		<u>(371,258)</u>	<u>(1,071,081)</u>	<u>(1,113,880)</u>	<u>(2,556,219)</u>	<u>6,229,697</u>
Other recognised gains/(losses):						
Actuarial losses on defined benefit pension schemes	22	-	(1,607,000)	-	(1,607,000)	2,221,000
Net movement in funds		<u>(371,258)</u>	<u>(2,678,081)</u>	<u>(1,113,880)</u>	<u>(4,163,219)</u>	<u>8,450,697</u>
Reconciliation of funds:						
Total funds brought forward		1,843,627	(9,399,919)	29,859,580	22,303,288	13,852,591
Net movement in funds		(371,258)	(2,678,081)	(1,113,880)	(4,163,219)	8,450,697
Total funds carried forward		<u>1,472,369</u>	<u>(12,078,000)</u>	<u>28,745,700</u>	<u>18,140,069</u>	<u>22,303,288</u>

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 26 to 52 form part of these financial statements.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)
REGISTERED NUMBER: 07618351

BALANCE SHEET
AS AT 31 AUGUST 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	13	28,393,272	29,046,633
Current assets			
Debtors	14	605,016	1,489,490
Cash at bank and in hand	21	3,220,063	3,749,414
		3,825,079	5,238,904
Creditors: amounts falling due within one year	15	(1,912,740)	(2,483,295)
Net current assets		1,912,339	2,755,609
Total assets less current liabilities		30,305,611	31,802,242
Creditors: amounts falling due after more than one year	16	(87,542)	(76,954)
Net assets excluding pension liability		30,218,069	31,725,288
Defined benefit pension scheme liability	22	(12,078,000)	(9,422,000)
Total net assets		18,140,069	22,303,288
 Funds of the Trust			
Restricted funds:			
Fixed asset funds	17	28,745,700	29,859,580
Restricted income funds	17	-	22,081
Restricted funds excluding pension liability		28,745,700	29,881,661
Pension reserve	17	(12,078,000)	(9,422,000)
Total restricted funds		16,667,700	20,459,661
Unrestricted income funds	17	1,472,369	1,843,627
Total funds		18,140,069	22,303,288

The financial statements on pages 23 to 52 were approved by the Trustees, and authorised for issue on 09 December 2019 and are signed on their behalf, by:

Mr M Hayes
Chair of Trustees

The notes on pages 26 to 52 form part of these financial statements.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Net cash used in operating activities	19	(1,399,842)	(1,342,388)
Cash flows from investing activities	20	870,491	1,735,915
Change in cash and cash equivalents in the year		(529,351)	393,527
Cash and cash equivalents at the beginning of the year		3,749,414	3,355,887
Cash and cash equivalents at the end of the year	21	<u>3,220,063</u>	<u>3,749,414</u>

The notes on pages 26 to 52 form part of these financial statements

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies

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

The Trust is a company limited by guarantee. The Members are noted on page 1. In the event of the Trust being wound up in respect of the guarantee is limited to £10 per Member. The registered office is Audley End Road, Saffron Walden, Essex, CB11 4UH.

1.1 Basis of preparation of financial statements

The financial statements of the Trust, which is a public benefit entity under FRS 102, have been prepared under the historic 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 2018 to 2019 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Saffron Academy Trust meets the definition of a public benefit entity under FRS 102.

The Trust's functional and presentational currency is Pounds Sterling.

1.2 Going concern

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

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies (continued)

1.3 Income

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

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 year is deducted from income and recognised as a liability.

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

Donations 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, including the hire of facilities, is recognised in the year it is receivable and to the extent the Trust has provided the goods or services.

1.4 Expenditure

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

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

All resources expended are inclusive of irrecoverable VAT.

1.5 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the Trust; this is normally upon notification of the interest paid or payable by the institution with whom the funds are deposited.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies (continued)

1.6 Taxation

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

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

1.7 Tangible fixed assets

Assets costing £5,000 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 and assets under construction, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Depreciation is provided on the following bases:

Freehold property	- 21 years straight line
Leasehold land	- 125 years straight line / 50 years straight line to residual value of £10,000,000.
Long term leasehold property and premises improvements	- 15/30 years straight line
Plant and machinery	- 10 years straight line
Computer equipment	- 3-10 years straight line
Assets under construction	- Not depreciated

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.

1.8 Debtors

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

1.9 Cash at bank and in hand

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies (continued)

1.10 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 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.

1.11 Financial instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 14. Prepayments are not financial instruments. Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 15 and 16. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

1.12 Operating leases

Rentals paid under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

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1. Accounting policies (continued)

1.13 Pensions

The Trust operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Trust to the fund in respect of the year.

Retirement benefits to employees of the 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 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. TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is 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 multi-employer scheme and the assets are held separately from those of the Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities 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.

1.14 Agency arrangements

The Trust acts as an agent in distributing 16-19 bursary funds from the ESFA. Payments received from the ESFA and subsequent disbursements are excluded from the Statement of Financial Activities incorporating Income and Expenditure Account as the Trust does not have control over the charitable application of the funds. The funds received and paid and any any balances held are disclosed in note 26.

1.15 Fund accounting

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

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

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

Investment income, gains and losses are allocated to the appropriate fund.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies (continued)

1.16 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 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 2016 has been used by the Actuary in valuing the pensions liability at 31 August 2019. 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. Income from donations and capital grants

	Unrestricted funds 2019 £	Restricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £	Total funds 2018 £
Amounts received on transfer	-	-	-	-	8,050,722
Donations	9,795	1,171,433	82,469	1,263,697	773,673
Government grants	-	-	1,092,287	1,092,287	1,845,953
Total 2019	<u>9,795</u>	<u>1,171,433</u>	<u>1,174,756</u>	<u>2,355,984</u>	<u>10,670,348</u>
Total 2018	<u>248,846</u>	<u>10,421,502</u>	<u>-</u>	<u>10,670,348</u>	

In 2018, income from transfer of academies was £8,050,722, of which £241,323 was unrestricted, £(1,461,847) was restricted and £9,271,226 was restricted fixed assets.

In 2018, income from donations was £883,673, of which £7,503 was unrestricted, £755,669 was restricted and £10,501 was restricted fixed assets.

In 2018 income from Government grants income was £1,845,953, of which £1,493 was restricted and £1,844,460 was restricted fixed assets.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

3. Funding for the Trust's provision of education

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
DfE/ESFA grants				
General Annual Grant (GAG)	-	16,911,829	16,911,829	16,946,141
Other DfE / EFA grants	-	989,885	989,885	850,382
	<u>-</u>	<u>17,901,714</u>	<u>17,901,714</u>	<u>17,796,523</u>
Other Government grants				
Local Authority grants	-	567,769	567,769	467,778
Other Government grants	-	121,750	121,750	175,935
	<u>-</u>	<u>689,519</u>	<u>689,519</u>	<u>643,713</u>
Other funding				
Catering income	1,100,786	-	1,100,786	1,109,608
	<u>1,100,786</u>	<u>-</u>	<u>1,100,786</u>	<u>1,109,608</u>
Total 2019	<u><u>1,100,786</u></u>	<u><u>18,591,233</u></u>	<u><u>19,692,019</u></u>	<u><u>19,549,844</u></u>
Total 2018	<u><u>1,109,608</u></u>	<u><u>18,440,236</u></u>	<u><u>19,549,844</u></u>	

In 2018, income from DfE/ESFA grants was £17,796,523, all of which was restricted.

In 2018, income from other Government grants was £643,713, all of which was restricted.

In 2018, income from other funding was £1,109,608, all of which was unrestricted.

4. Income from other trading activities

	Unrestricted funds 2019 £	Total funds 2019 £	As reclassified Total funds 2018 £
Hire of facilities	191,398	191,398	183,204
Other activities	798,510	798,510	770,265
	<u>989,908</u>	<u>989,908</u>	<u>953,469</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

4. Income from other trading activities (continued)

The 2018 figure for other activities has been reclassified to include income of £224,116 previously classified separately on the face of the Statement of Financial Activities Incorporating Income and Expenditure Account.

In 2018, income from other trading activities was £953,469, all of which was unrestricted.

5. Investment income

	Unrestricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Bank interest	18,367	18,367	15,912
	18,367	18,367	15,912

In 2018, investment income was £15,912, all of which was unrestricted.

6. Expenditure

	Staff Costs 2019 £	Premises 2019 £	Other 2019 £	Total 2019 £	Total 2018 £
Provision of education:					
Direct costs	14,559,867	-	2,433,361	16,993,228	16,740,552
Allocated support costs	3,718,993	3,401,185	1,499,091	8,619,269	8,219,324
Teaching school	32,000	-	43,000	75,000	83,000
Total 2019	18,310,860	3,401,185	3,975,452	25,687,497	25,042,876
Total 2018	17,714,953	1,918,705	5,409,218	25,042,876	

In 2018, of total expenditure, £2,496,938 was to unrestricted funds, £20,354,084 was to restricted funds and £2,191,854 was to restricted fixed asset funds.

In 2018, direct costs consisted of £14,067,923 staff costs and £2,672,629 other costs

In 2018, allocated support costs consisted of £3,610,030 staff costs, £1,918,705 premises costs and £2,690,589 other costs.

In 2018, teaching school expenditure consisted of £37,00 staff costs and £46,000 other costs.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

7. Charitable activities

	2019 £	2018 £
Direct costs	16,993,228	16,740,552
Support costs	8,619,269	8,219,324
Teaching	75,000	83,000
	25,687,497	25,042,876

	2019 £	2018 £
Analysis of support costs		
Support staff costs	3,718,993	3,610,030
Depreciation	893,524	687,394
Technology costs	159,720	161,850
Premises costs (excluding depreciation)	1,195,142	1,231,311
Government-funded capital expenditure	1,312,519	1,492,239
Other support costs	1,305,491	1,018,330
Governance costs	33,880	18,170
	8,619,269	8,219,324

8. Net expenditure

Net expenditure for the year includes:

	2019 £	2018 £
Operating lease rentals	113,681	161,978
Depreciation of tangible fixed assets	893,524	687,394
Fees paid to Auditors for:		
- audit	13,380	13,000
- other services	17,759	6,900
	152,744	269,272

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

9. Staff costs

a. Staff costs

Staff costs during the year were as follows:

	2019 £	2018 £
Wages and salaries	13,750,919	13,366,062
Social security costs	1,245,814	1,206,304
Pension costs	3,188,523	3,059,891
	<u>18,185,256</u>	<u>17,632,257</u>
Agency staff costs	107,498	82,696
Staff restructuring costs	18,106	-
	<u><u>18,310,860</u></u>	<u><u>17,714,953</u></u>

Staff restructuring costs comprise:

	2019 £	2018 £
Redundancy payments	11,603	-
Severance payments	6,503	-
	<u>18,106</u>	<u>-</u>

b. Non-statutory/non-contractual staff severance payments

Included in staff restructuring costs is an individual non-contractual severance payment totalling £6,503 (2018 - £NIL).

c. Staff numbers

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

	2019 No.	2018 No.
Teachers	259	243
Administration and support	304	321
Management	5	25
	<u>568</u>	<u>589</u>

d. Higher paid staff

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

9. Staff costs (continued)

d. Higher paid staff (continued)

	2019 No.	2018 No.
In the band £60,001 - £70,000	6	6
In the band £70,001 - £80,000	5	5
In the band £80,001 - £90,000	1	-
In the band £90,001 - £100,000	1	1
In the band £120,001 - £130,000	1	1
	<u>1</u>	<u>1</u>

e. Key management personnel

The key management personnel of the Trust comprise the Trustees and 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 Trust was £589,464 (2018 - £575,462).

Employer national insurance contributions included within key management personnel remuneration was £56,733 (2018 - £55,581).

Employer pension contributions included within key management personnel remuneration was £79,078 (2018 - £75,771)

10. Central services

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

- Insurance
- Financial co-ordination (including Management Information and Regulatory Reporting)
- Payroll
- IT network co-ordination
- Facilities and health & safety co-ordination
- Co-ordination of SCA funding

The Trust charges for these services on a flat percentage of income being 3% of GAG and a contribution to Trust capital expenditure.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

10. Central services (continued)

The actual amounts charged during the year were as follows:

	2019 £	2018 £
Saffron Walden County High School	416,674	276,115
Alec Hunter Academy	116,320	124,269
Katherine Semar Junior Academy	58,884	26,080
Katherine Semar Infants School	20,586	20,301
R A Butler Junior Academy	77,981	34,340
R A Butler Infants Academy	66,959	27,280
Total	757,404	508,385

11. Trustees' remuneration and expenses

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

		2019 £	2018 £
Ms C Derbyshire	Remuneration	125,000 - 130,000	120,000 - 125,000
	Pension contributions paid	20,000 - 25,000	20,000 - 25,000

During the year ended 31 August 2019, expenses relating to travel costs totalling £1,495 were reimbursed or paid directly to 1 Trustee (2018 - £1,898 to 1 Trustee).

12. Trustees' and Officers' insurance

In accordance with normal commercial practice, the Trust has purchased insurance to protect Trustees and Officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The insurance provides cover up to £5,000,000 on any one claim. The cost of this insurance is included in the total insurance cost.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

13. Tangible fixed assets

	Freehold property £	Long-term leasehold property £	Furniture and equipment £	Computer equipment £	Motor vehicles £	Total £
Cost or valuation						
At 1 September 2018	9,225,783	21,443,009	1,064,100	885,653	66,661	32,685,206
Additions	-	-	141,668	98,495	-	240,163
At 31 August 2019	<u>9,225,783</u>	<u>21,443,009</u>	<u>1,205,768</u>	<u>984,148</u>	<u>66,661</u>	<u>32,925,369</u>
Depreciation						
At 1 September 2018	89,488	2,105,034	572,103	820,924	51,024	3,638,573
Charge for the year	334,095	421,763	83,549	47,514	6,603	893,524
At 31 August 2019	<u>423,583</u>	<u>2,526,797</u>	<u>655,652</u>	<u>868,438</u>	<u>57,627</u>	<u>4,532,097</u>
Net book value						
At 31 August 2019	<u><u>8,802,200</u></u>	<u><u>18,916,212</u></u>	<u><u>550,116</u></u>	<u><u>115,710</u></u>	<u><u>9,034</u></u>	<u><u>28,393,272</u></u>
At 31 August 2018	<u><u>9,136,295</u></u>	<u><u>19,337,975</u></u>	<u><u>491,997</u></u>	<u><u>64,729</u></u>	<u><u>15,637</u></u>	<u><u>29,046,633</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

14. Debtors

	2019 £	2018 £
Due within one year		
Trade debtors	74,148	70,447
Other debtors	3,719	1,966
Prepayments and accrued income	455,717	1,349,913
VAT recoverable	71,432	67,164
	<u>605,016</u>	<u>1,489,490</u>

15. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	395,278	441,499
Other taxation and social security	310,718	297,166
Other creditors	339,913	326,016
Accruals and deferred income	866,831	1,418,614
	<u>1,912,740</u>	<u>2,483,295</u>

	2019 £	2018 £
Deferred income at 1 September 2018	591,607	218,263
Resources deferred during the year	573,236	591,607
Amounts released from previous periods	(591,607)	(218,263)
	<u>573,236</u>	<u>591,607</u>

Resources deferred in the year relate to contributions towards future educational visits, and ESFA funding received in advance for the 2019/20 academic year.

16. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Other creditors	87,542	76,954
	<u>87,542</u>	<u>76,954</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

17. Statement of funds

	Balance at 1 September 2018 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2019 £
Unrestricted funds						
Unrestricted funds	1,843,627	2,118,856	(2,490,114)	-	-	1,472,369
Restricted general funds						
General Annual Grant (GAG)	-	16,911,829	(16,909,198)	(2,631)	-	-
Other DfE / ESFA grants	22,081	989,885	(1,011,966)	-	-	-
Other Government grants	-	689,519	(689,519)	-	-	-
Other restricted funds	-	1,171,433	(1,171,433)	-	-	-
Teaching schools	-	75,000	(75,000)	-	-	-
Pension reserve	(9,422,000)	-	(1,049,000)	-	(1,607,000)	(12,078,000)
	<u>(9,399,919)</u>	<u>19,837,666</u>	<u>(20,906,116)</u>	<u>(2,631)</u>	<u>(1,607,000)</u>	<u>(12,078,000)</u>
Restricted fixed asset funds						
Restricted fixed assets	29,046,633	82,469	(893,524)	157,694	-	28,393,272
Capital grants	812,947	1,092,287	(1,397,743)	(155,063)	-	352,428
	<u>29,859,580</u>	<u>1,174,756</u>	<u>(2,291,267)</u>	<u>2,631</u>	<u>-</u>	<u>28,745,700</u>
Total Restricted funds	<u>20,459,661</u>	<u>21,012,422</u>	<u>(23,197,383)</u>	<u>-</u>	<u>(1,607,000)</u>	<u>16,667,700</u>
Total funds	<u><u>22,303,288</u></u>	<u><u>23,131,278</u></u>	<u><u>(25,687,497)</u></u>	<u><u>-</u></u>	<u><u>(1,607,000)</u></u>	<u><u>18,140,069</u></u>

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17. Statement of funds (continued)

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

Other DfE/ESFA grants

This represents various grants from the DfE and ESFA for the provision of specific services to pupils of the Schools.

Other restricted funds

This represents income for trips/events for the pupils of the Schools.

Pension reserve

This reserve represents the Trust's share of the deficit on the Local Government Pension Scheme (LGPS) transferred to the Trust on conversion from state controlled schools.

Other Government grants

This represents various grants from local and national government bodies for the provision of specific services to pupils of the Schools.

Fixed asset fund

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the DfE where the asset acquired or created is held for a specific purpose. The transfer between funds represents additions purchased through capital funding.

Capital grants

This represents funding from the DfE, ESFA and Local Authority for capital projects.

General Annual Grant (GAG)

This represents funding from the ESFA to be used for the normal running costs of the Trust, including education and support costs.

Teaching schools

This represents funding received from the Department for Education and other teacher funding (see note 27).

Under the funding agreement with the Secretary of State, the Trust was not subject to a limit on the amount of GAG it could carry forward at 31 August 2019.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

17. Statement of funds (continued)

Total funds analysis by Academy

Fund balances at 31 August 2019 were allocated as follows:

	2019 £	2018 £
Saffron Walden County High School	842,036	974,838
Alec Hunter Academy	(152,214)	152,937
Katherine Semar Junior School	227,683	230,445
Katherine Semar Infant School	200,338	191,076
R A Butler Infant School	129,548	157,884
R A Butler Junior School	109,580	145,193
Central services	115,398	13,335
	1,472,369	1,865,708
Total before fixed asset funds and pension reserve		
Restricted fixed asset fund	28,745,700	29,859,580
Pension reserve	(12,078,000)	(9,422,000)
	18,140,069	22,303,288
Total	18,140,069	22,303,288

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

	Deficit £
Alec Hunter Academy	152,214
	152,214

The Academy has run at a deficit this year due to GAG funding lagging behind rising pupil numbers.

A recovery plan has been put into place which aims to put the Academy back into a surplus position in the 2021-2022 financial year.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

17. Statement of funds (continued)

Total cost analysis by academy

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

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total 2019 £	Total 2018 £
Saffron Walden County High School	7,838,944	1,557,650	1,587,713	1,382,408	12,366,715	12,117,319
Alec Hunter Academy	3,280,138	749,168	449,587	1,612,637	6,091,530	6,007,696
Katherine Semar Junior School	808,179	69,857	132,060	104,153	1,114,249	1,134,249
Katherine Semar Infant School	594,047	363,353	63,865	199,813	1,221,078	1,272,917
R A Butler Infant School	872,316	207,948	40,143	175,543	1,295,950	1,255,569
R A Butler Junior School	1,136,071	193,427	139,629	135,894	1,605,021	1,633,438
Central services	62,172	577,590	20,281	439,387	1,099,430	934,294
Total	<u>14,591,867</u>	<u>3,718,993</u>	<u>2,433,278</u>	<u>4,049,835</u>	<u>24,793,973</u>	<u>24,355,482</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

17. Statement of funds (continued)

Comparative information in respect of the preceding year is as follows:

	Balance at 1 September 2017 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2018 £
Unrestricted funds						
Unrestricted funds	2,012,730	2,327,835	(2,496,938)	-	-	1,843,627
Restricted general funds						
General Annual Grant (GAG)	-	16,946,141	(16,916,674)	(29,467)	-	-
Other DfE/ESFA grants	22,081	840,622	(840,622)	-	-	22,081
Other Government grants	-	653,473	(653,473)	-	-	-
Other restricted funds	-	798,315	(798,315)	-	-	-
Teaching schools	-	83,000	(83,000)	-	-	-
Pension reserve	(9,078,000)	(1,503,000)	(1,062,000)	-	2,221,000	(9,422,000)
	<u>(9,055,919)</u>	<u>17,818,551</u>	<u>(20,354,084)</u>	<u>(29,467)</u>	<u>2,221,000</u>	<u>(9,399,919)</u>
Restricted fixed asset funds						
Fixed asset fund	20,352,229	9,277,343	(687,395)	104,456	-	29,046,633
Capital grants	543,551	1,848,844	(1,504,459)	(74,989)	-	812,947
	<u>20,895,780</u>	<u>11,126,187</u>	<u>(2,191,854)</u>	<u>29,467</u>	<u>-</u>	<u>29,859,580</u>
Total Restricted funds	<u>11,839,861</u>	<u>28,944,738</u>	<u>(22,545,938)</u>	<u>-</u>	<u>2,221,000</u>	<u>20,459,661</u>
Total funds	<u><u>13,852,591</u></u>	<u><u>31,272,573</u></u>	<u><u>(25,042,876)</u></u>	<u><u>-</u></u>	<u><u>2,221,000</u></u>	<u><u>22,303,288</u></u>

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18. Analysis of net assets between funds

Analysis of net assets between funds - current year

	Unrestricted funds 2019 £	Restricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £
Tangible fixed assets	-	-	28,393,272	28,393,272
Current assets	1,472,369	1,750,649	602,061	3,825,079
Creditors due within one year	-	(1,750,649)	(162,091)	(1,912,740)
Creditors due in more than one year	-	-	(87,542)	(87,542)
Provisions for liabilities and charges	-	(12,078,000)	-	(12,078,000)
Total	<u>1,472,369</u>	<u>(12,078,000)</u>	<u>28,745,700</u>	<u>18,140,069</u>

Analysis of net assets between funds - prior year

	Unrestricted funds 2018 £	Restricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £
Tangible fixed assets	-	-	29,046,633	29,046,633
Current assets	1,843,627	1,776,624	1,618,653	5,238,904
Creditors due within one year	-	(1,754,543)	(728,752)	(2,483,295)
Creditors due in more than one year	-	-	(76,954)	(76,954)
Provisions for liabilities and charges	-	(9,422,000)	-	(9,422,000)
Total	<u>1,843,627</u>	<u>(9,399,919)</u>	<u>29,859,580</u>	<u>22,303,288</u>

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

	2019 £	2018 £
Net (expenditure)/income for the year (as per Statement of Financial Activities)	(2,556,219)	6,229,697
Adjustments for:		
Depreciation	893,524	687,394
Capital grants from DfE and other capital income	(1,092,287)	(1,854,961)
Interest receivable	(18,367)	(15,912)
Transfers from capital to revenue expenditure	-	20,000
Defined benefit pension scheme cost less contributions payable	1,049,000	1,062,000
Decrease/(increase) in debtors	884,474	(605,911)
(Decrease)/increase in creditors	(559,967)	899,147
Pension liability on transfer	-	1,503,000
Net gain on assets and liabilities from academy on transfer	-	(9,266,842)
Net cash used in operating activities	(1,399,842)	(1,342,388)

20. Cash flows from investing activities

	2019 £	2018 £
Interest	18,367	15,912
Purchase of tangible fixed assets	(240,163)	(134,958)
Capital grants from DfE/ESFA and other capital income	1,092,287	1,854,961
Net cash provided by investing activities	870,491	1,735,915

21. Analysis of cash and cash equivalents

	2019 £	2018 £
Cash in hand	3,220,063	3,749,414

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22. Pension commitments

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

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

Contributions amounting to £289,345 were payable to the schemes at 31 August 2019 (2018 - £278,704) and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS or scheme) is a statutory, unfunded, defined benefit occupational scheme, governed by the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pension Scheme Regulations 2014 (as amended). These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities.

In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%). The timing of the implementation is to align its introduction with employers' budget planning cycles. Until then, employers will pay the current rate of 16.48%.

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22. Pension commitments (continued)

The employer's pension costs paid to TPS in the year amounted to £1,483,323 (2018 - £1,452,248).

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

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

Scheme Changes

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of a Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015.

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, have rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2019 was £1,096,000 (2018 - £1,028,000), of which employer's contributions totalled £864,000 (2018 - £803,000) and employees' contributions totalled £232,000 (2018 - £225,000). The agreed contribution rates for future years are 21.7 - 24.2 per cent for employers and 5.5 - 12.5 per cent for employees.

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

	2019	2018
	%	%
Rate of increase in salaries	3.70	3.80
Rate of increase for pensions in payment/inflation	2.20	2.30
Discount rate for scheme liabilities	1.90	2.65
Inflation assumption (CPI)	3.70	2.30
Inflation assumption (RPI)	4.70	3.30

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22. Pension commitments (continued)

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

	2019 Years	2018 Years
<i>Retiring today</i>		
Males	21.3	22.3
Females	23.6	24.8
<i>Retiring in 20 years</i>		
Males	23.0	24.5
Females	25.4	27.1

As at 31 August 2019 the Trust had a pension liability of £12,078,000 (2018 - £9,422,000). The sensitivity analysis detailed below would increase/(decrease) the closing defined benefit obligation in the following way;

Sensitivity analysis

	2019 £000	2018 £000
Discount rate +0.1%	(504,000)	(403,000)
Discount rate -0.1%	517,000	411,000
Mortality assumption - 1 year increase	855,000	324,000
Mortality assumption - 1 year decrease	(824,000)	(314,000)
CPI rate +0.1%	460,000	369,000
CPI rate -0.1%	(449,000)	(360,000)

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

	At 31 August 2019 £	At 31 August 2018 £
Equities	6,269,000	5,280,000
Gilts	546,000	444,000
Other bonds	559,000	485,000
Property	796,000	739,000
Cash and other liquid assets	290,000	283,000
Alternative assets	973,000	743,000
Other managed funds	511,000	319,000
Total market value of assets	9,944,000	8,293,000

The actual return on scheme assets was £730,000 (2018 - £462,000)

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22. Pension commitments (continued)

The amounts recognised in the Statement of Financial Activities are as follows:

	2019 £	2018 £
Current service cost	(1,452,000)	(1,599,000)
Past service cost	(219,000)	-
Interest income	232,000	193,000
Interest cost	(471,000)	(457,000)
Administrative expenses	(3,000)	(2,000)
Total amount recognised in the Statement of Financial Activities	(1,913,000)	(1,865,000)

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

	2019 £	2018 £
At 1 September	17,715,000	15,016,000
Conversion of academy trusts	-	2,527,000
Current service cost	1,452,000	1,599,000
Past service cost	219,000	-
Interest cost	471,000	457,000
Employee contributions	232,000	225,000
Actuarial losses/(gains)	2,105,000	(1,952,000)
Benefits paid	(172,000)	(157,000)
At 31 August	22,022,000	17,715,000

Changes in the fair value of the Trust's share of scheme assets were as follows:

	2019 £	2018 £
At 1 September	8,293,000	5,938,000
Conversion of academy trusts	-	1,024,000
Interest income	232,000	193,000
Actuarial gains	498,000	269,000
Employer contributions	864,000	803,000
Employee contributions	232,000	225,000
Benefits paid	(172,000)	(157,000)
Admin costs	(3,000)	(2,000)
At 31 August	9,944,000	8,293,000

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NOTES TO THE FINANCIAL STATEMENTS
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23. Operating lease commitments

At 31 August 2019 the Trust had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	85,145	96,841
Later than 1 year and not later than 5 years	67,731	102,356
	<u>152,876</u>	<u>199,197</u>

24. Members' liability

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

25. Related party transactions

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

Any transactions where the Trustee has a pecuniary interest is only undertaken in accordance with the 'at cost' principle stated in the Academies Financial Handbook. The following related party transactions took place in the period of account:

Saffron Educational Trust (SET) - a company with common Directors;

- SET owns the freehold of the SWCHS site and is effectively the Academy's landlord. No rent is payable on the use of the land.

The wife of S Bancroft is employed by the Trust as a staff member on a contract approved by the Trustees. Her remuneration package is in line with the standard pay scales for the role undertaken and her employment contract is subject to normal terms and conditions.

26. Agency arrangements

The Trust distributes 16-19 bursary funds to students as an agent for ESFA. In the accounting period ending 31 August 2019 the Trust received £32,441 (2018 - £31,830) and disbursed £46,888 (2018 - £47,431) from the fund. An amount of £2,437 (2018 - £16,884) is included in other creditors relating to undistributed funds that is repayable to ESFA.

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27. Teaching school trading account

	2019 £	2019 £	2018 £	2018 £
Income				
Direct income				
Course income	12,000		17,000	
Grant	46,000		46,000	
Total direct income	<u>58,000</u>		<u>63,000</u>	
Other income				
Other income	17,000		20,000	
Total income		75,000		83,000
Expenditure				
Direct expenditure				
Resources	39,000		44,000	
Other expenditure				
Other staff costs	32,000		37,000	
Other costs	4,000		2,000	
Total other expenditure	<u>36,000</u>		<u>39,000</u>	
Total expenditure		75,000		83,000
Surplus from all sources				