

SAFFRON ACADEMY TRUST

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 AUGUST 2012

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

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SAFFRON ACADEMY TRUST
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS GOVERNORS AND ADVISERS
FOR THE PERIOD ENDED 31 AUGUST 2012**

Directors

Mr M. Hayes, Chair of the Academy Trust (appointed 28 April 2011)¹
Dr A. Grieg, Parent Governor (appointed 4 July 2011)
Dr P. Eddershaw, Parent Governor (appointed 4 July 2011)
Ms L. Vincent, Parent Governor (appointed 4 July 2011)
Mr J. Luke, Parent Governor (appointed 23 May 2011)
Mr J. Hartley, Headteacher (appointed 28 April 2011)¹
Mr N. Lee, Staff Governor (appointed 17 June 2011)
Mr M. Hansard, Staff Governor (appointed 23 May 2011)
Ms S. Brindley (appointed 23 May 2011)
Ms R. Callaghan (appointed 23 May 2011)
Mr J. Keeler (appointed 23 May 2011)
Mr D. Barrs (appointed 23 May 2011)

Mrs H. Goldsmith, Secretary of Academy

Governors

Mr M. Hayes, Chair of Governors
Mrs K. Pryke, Vice Chair of Governors
Mr J. Hartley, Headteacher
Mr G. Walker, Community Governor
Mr J. Holford, Community Governor
Mr J. Luke, Community Governor
Dr J. Keeler, Trust Governor
Mrs S. Sylvester-Bradley, Sponsor
Mr M. Hulme, Sponsor
Dr I. Dunham, Parent Governor
Dr P. Eddershaw, Parent Governor
Dr A. Greig, Parent Governor
Mr M. Snelling, Parent Governor
Mr A. Burns, Parent Governor
Mrs L. Vincent, Parent Governor
Mr D. Murtagh, Parent Governor
Mr N. Lee, Staff Governor
Mr M. Hansard, Staff Governor
Mr M. Vaughan-Shaw, Staff Governor

¹ Member of the Academy

**Company registered
number**

07618351

Registered office

Audley End Road
Saffron Walden
Essex
CB11 4UH

Company secretary

Mrs H Goldsmith

Chief executive officer

Mr J Hartley

Auditors

Price Bailey LLP
Chartered Accountants
Causeway House
1 Dane Street
Bishop's Stortford
Hertfordshire
CM23 3BT

SAFFRON ACADEMY TRUST
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DIRECTORS REPORT
FOR THE PERIOD ENDED 31 AUGUST 2012

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Academy is a Charitable Company limited by guarantee and was set up by a Memorandum of Association on 28 April 2011. The Academy converted on 1 June 2011.

Governance at Saffron Walden County High School

The operation of the school and employment of staff are the responsibility of the Directors of Saffron Academy Trust (SAT). The Academy Trust retains control of the school budget and finances, and monitors these through its Finance Committee. Throughout this report the Board of Directors is referred to as the Main Governing Body.

SAT has appointed a Local Governing Body and delegated responsibility for running the school, within the agreed budget, to this Body.

The school site and premises are owned by the Saffron Educational Trust (SET).

Member's 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 £1, for the debts and liabilities contracted before they ceased to be a member.

Governors Indemnities

Academy insurers encompass all relevant insurance including Director and Governor third party indemnity provision.

Methods, policies and procedures for recruitment, appointment, induction and training of new governors

Governors are appointed for a fixed term. The Headteacher is an ex officio member of the Governing Body. Parent Governors and the staff Governors are elected to office or appointed if there are insufficient candidates offering themselves for election. New Governors are required to attend a training programme. The induction programme would involve a tour of the school, meetings with students and staff and provision of policy and procedures documents that are appropriate to the role they undertake as governors with particular emphasis on the committee work that they will undertake.

Organisational Structure

The Directors are responsible for setting general policy, adopting an annual plan and budget, monitoring the Academy by the use of budgets and making major decisions about the direction of the Academy, capital expenditure and senior staff appointments. The leadership team consisted of the following:

John Hartley	Headteacher
Ian Clarke	Deputy Headteacher
Jen Sims	Deputy Headteacher
Graham Oxborrow	Senior Assistant Headteacher
Helen Cox	Director of 6th Form
Helen Dale	Assistant Headteacher
Christina Turner	Assistant Headteacher
Polly Lankester	Assistant Headteacher
Hilary Goldsmith	Business Manager

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DIRECTORS REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2012

The team control the Academy at an executive level implementing policies and reporting to the Governing Body. The Leadership Team is responsible for the day to day operation of the Academy, in particular organising staff, resources and children. They are responsible for the authorisation of spending within agreed budgets and for the appointment of staff following vetting and safeguarding recruitment process. The Headteacher is the Accounting Officer.

Statement confirming major risks have been reviewed and systems or procedures have been established to manage those risks

The Academy maintains a risk register identifying the major risks to which the Academy is exposed, and identifying actions and procedures to mitigate those risks. This register is approved and monitored by the Governing Body and the Finance Committee. The principal risks facing the Academy at a contextual level are outlined below in the principal risks and uncertainties section; those facing the Academy at an operational level are addressed by its systems and by internal financial and other controls.

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

Related Parties

Owing to the nature of the Academy's operations and the composition of the boards of directors and governors 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 members of the boards may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy's financial regulations and normal procedures.

OBJECTIVES AND ACTIVITIES

Objects and aims

"Saffron Walden County High School seeks to be a local school of exceptional quality".

The following aims arise from the 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.
- To promote outstanding personal development opportunities for all pupils through a rich and varied programme of extra-curricular activities.

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DIRECTORS REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2012

ACHIEVEMENTS AND PERFORMANCE

Achievements and performance

The Academy 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 the school.

In 2012, 81% of students achieved 5 or more GCSEs grades A* to C, including Maths and English, this was very close to the school's challenging target of 82%, and was significantly above the national average of 58%. 90% of students achieving 5 or more grades A* to C (irrespective of subject) was also significantly above the national average. For all five of the English Baccalaureate subjects: English, Maths, Science, Languages and Humanities, the progress of students was significantly above the national average.

A level results in 2012 maintained the outstanding performance of recent years. 40% of all A level grades were either A* or A, with 75% in the range A* - B. The value added performance of our sixth form students was again excellent and, overall, we are confident that the sixth form maintained its position as one of the top performing comprehensive school sixth forms in England.

Going concern

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

FINANCIAL REVIEW

Financial Review

The principal source of funding for the Academy is the General Annual Grant (GAG) funding that it receives from the EFA. For the period ended 31 August 2012 the Academy received £12,251,341 in GAG funding. A high percentage of this funding is spent on wages and salaries and support costs to deliver the academies primary objective of the provision of education.

Principal risks and uncertainty

The trustees assess the principal risks and uncertainties facing the Academy as follows:

- **Staff retention and recruitment:** The quality of staff (both teaching and support) is crucial in sustaining the high achievements of the school. The recruitment of potentially good and outstanding teachers in shortage subjects remains a challenge. An important factor in addressing this risk is the school's emphasis on high quality, personalised professional development for all staff
- **Falling rolls:** Highly unlikely. Initial response to the conversion to Academy status has showed no diminution in student and parental enthusiasm. The school/Academy has been oversubscribed for many years and there is every sign of this continuing. In fact the Academy's increased control over its admissions is leading to efficiencies and optimization of its roll.
- **Budget constraints:** We are now in a period of constrained public spending on education. It will be important to carefully balance the breadth of curriculum provision with average class size. In this regard, the Academy is at an advantage compared to most schools on account of its large roll. This will be especially helpful in maintaining a personalised KS4 curriculum and very wide-ranging post-16 provision.

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DIRECTORS REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2012

Financial review (continued)

Principal risks and uncertainty (financial)

- Material decrease in income affecting provision: highly unlikely. The budget for 2012-13 is sound, with significant planned-for carry-forward from 11/12 as a further contingency. The longer-term financial plan considers this and utilises existing and future planned savings to counter any unwelcome future developments.
- Bank balances & investments: there is no significant risk other than an institution ceasing to trade. The Academy is now beginning to spread its investments over a number of solid and government-backed institutions.
- Debtors: there are no material debtors.
- The Academy's credit rating is not in jeopardy, though it has no need for credit facilities.
- The Academy's cash flow is healthy and long-term financial planning predicts it will remain so.

Reserves policy

The Directors review the cash reserve levels of the Academy termly. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. Directors consider 'reserve' to be funds that are held over and above the annual cashflow predictions plus a £500k contingency. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

The Academy's current level of free reserves (total funds less the amount held in fixed assets and restricted funds) is £342,526, which is considered to be adequate.

Due to the accounting rules for the Local Government Pension Scheme under FRS17, the Academy is recognising a significant pension fund deficit of £2,804,000. This does not mean that an immediate liability for this amount crystallises and that such a deficit generally results in a cash flow effect in the form of increased employer contributions over a number of years. The Academy is currently making payments of £97,189 per annum towards the deficit and it is envisaged that should this amount be increased it will be met from its budgeted annual income. The recognition of this deficit has no direct impact on the free reserves of the Academy trust.

Investment policy

The Academy has a policy of investing its cash balances with a view to maximising returns, but where greater weight is assigned to the safety of the investment. The policy aims to invest cash such that its cash balances and liquid investments at least equal the figure outlined in the reserves policy.

Key financial performance indicators

- Current Reserve & Contingencies – movement in-year
- Total payroll as a % of GAG income
- % payroll split Teaching : Non-Teaching
- Pupil : Teacher ratio

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DIRECTORS REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2012

PLANS FOR FUTURE PERIODS

Plans for the future

The Academy 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 Directors intend to enhance and expand facilities in pursuance of the school's commitment to ensure that all students achieve their potential. 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.

Funds held as custodian on behalf of others

The Academy is in the third year of a federated school-improvement programme with the Mountfitchet Maths & Computing College (MMCC). During this three year period the school receives funding from Essex County Council to fund the deployment of teaching staff to MMCC to support their school improvement plans. John Hartley is Executive Headteacher at MMCC during this 3 year federation.

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, based at the Academy, works with PE staff at local primary schools in increase participation in physical education and sports programmes outside the curriculum.

The Local Delivery Group is a cluster of primary and secondary school in the North Essex area who receive external funding to support Narrowing the Gap and Extended Schools services for primary and secondary phase students.

During the period the Academy managed the Auditorium project on behalf of the Saffron Educational Trust (SET).

The balances held by the Academy at 31 August 2012 are:

Mountfitchet Federation	£ 28,498
14-19 Development Group	£ 96,331
School Games Organiser	£ 68,308
Local Delivery Group	£118,651
SET Auditorium Project	£468,074

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DIRECTORS REPORT (continued)
FOR THE PERIOD ENDED 31 AUGUST 2012

Provision of information to auditors

Each of the persons who are governor at the time when this Directors' Report is approved has confirmed that;

- so far as that director is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a governor in order to be aware of any information needed by the charitable company's auditors in connection with preparing their report and to establish the charitable company's auditors are aware of that information.

This report was approved by order of the members of the Main Governing Body on 18 December 2012 and signed on its behalf by:

Mr M Hayes
Chairman of the Academy Trust

Mr J Hartley
Headteacher

SAFFRON ACADEMY TRUST
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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As Directors, 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 Main Governing Body has delegated the day-to-day responsibility to the Headteacher, 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 Main Governing Body any material weaknesses or breakdowns in internal control.

GOVERNANCE

The information on governance included here supplements that described in the Directors' Report and in the Governors' Responsibilities Statement. The Main Governing Body has formally met 5 times during the year. Attendance during the year at meetings of the Main Governing Body was as follows:

Director	Meetings attended	Out of a possible
Mr M. Hayes	5	5
Dr A. Grieg	4	5
Dr P. Eddershaw	4	4
Mrs L. Vincent	4	4
Mr J. Luke	4	5
Mr J. Hartley	5	5
Mr N. Lee	5	5
Mr M. Hansard	4	5
Ms S. Brindley	2	5
Ms R. Callaghan	3	5
Mr J. Keeler	4	5
Mr D. Barrs	3	5

The **Finance Committee** is a sub-committee of the main Main Governing Body. Its purpose is to address financial matters.

Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
Mr M. Hayes, Chair of Governors	5	6
Mrs K. Pryke, Vice Chair of Governors	1	6
Mr J. Hartley, Headteacher	6	6
Mr D Murtagh	3	6
Ms L. Vincent	6	6
Mr J Holford	5	6
Mr J Keeler	3	6
Mr J Luke	5	6
Ms S Sylvester-Bradley	3	6
Mr G Walker	6	6
Mr J Hooper	0	6

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GOVERNANCE STATEMENT (continued)

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Saffron Academy Trust for the period ended 31 August 2012 and up to the date of approval of the annual report and financial statements.

CAPACITY TO HANDLE RISK

The Main Governing Body has reviewed the key risks to which the Academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Main Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy's significant risks that has been in place for the period ending 31 August 2012 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Main Governing Body.

THE RISK AND CONTROL FRAMEWORK

The Academy'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 Main Governing Body;
- regular reviews by the Finance Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines.
- delegation of authority and segregation of duties;
- identification and management of risks.

The Main Governing Body has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Directors have appointed Mrs K Pryke as Responsible Officer ('RO'). The RO's role includes giving advice on financial matters and performing a range of checks on the Academy's financial systems. On a termly basis, the RO reports to the Main Governing Body on the operation of the systems of control and on the discharge of the Main Governing Body's financial responsibilities.

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GOVERNANCE STATEMENT (continued)

REVIEW OF EFFECTIVENESS

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

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

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

Approved by order of the members of the Main Governing Body on 18 December 2012. and signed on their behalf, by:

Mr M Hayes
Chairman of the Academy Trust

Mr J Hartley
Headteacher

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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Saffron Academy Trust I have considered my responsibility to notify the Academy Main Governing Body and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Academy and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the Academy Main Governing Body are able to identify any material irregular or improper use of funds by the Academy trust, or material non compliance with the terms and conditions of funding under the Academy's funding agreement and the Academies Financial Handbook.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date.

Mr J Hartley
Accounting Officer

Date: 18 December 2012

SAFFRON ACADEMY TRUST
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DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE PERIOD ENDED 31 AUGUST 2012

The Directors (who act as trustees for charitable activities of Saffron Academy Trust and are also the Directors of the Charitable Company for the purposes of company law) are responsible for preparing the Directors' Report and the financial statements in accordance with the Annual Accounts Requirements issued by the EFA, United Kingdom Accounting Standards (UKGAAP) and applicable law and regulations.

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

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

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

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

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

Approved by order of the members of the Main Governing Body on 18 December 2012 and signed on its behalf by:

Mr M Hayes
Chairman of the Academy Trust

SAFFRON ACADEMY TRUST
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAFFRON ACADEMY TRUST

We have audited the financial statements of Saffron Academy Trust for the period ended 31 August 2012 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Annual Accounts Direction 2011/12 issued by the Education Funding Agency.

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

RESPECTIVE RESPONSIBILITIES OF GOVERNORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Academy's affairs as at 31 August 2012 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Annual Accounts Direction 2011/12 issued by the Education Funding Agency.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

SAFFRON ACADEMY TRUST
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAFFRON ACADEMY TRUST

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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
19 December 2012

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

In accordance with the terms of our engagement letter dated 17 October 2012 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies: Accounts Direction 2011/12, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Saffron Academy Trust during the period 1 June 2011 to 31 August 2012 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 EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Saffron Academy Trust and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Saffron Academy Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

**RESPECTIVE RESPONSIBILITIES OF SAFFRON ACADEMY TRUST'S ACCOUNTING OFFICER AND THE
INDEPENDENT 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 as published by the EFA in 2012, 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 2011/12. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 June 2011 to 31 August 2012 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 2011/12 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

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

CONCLUSION

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 June 2011 to 31 August 2012 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Price Bailey LLP

Chartered Accountants

Causeway House
1 Dane Street
Bishop's Stortford
Hertfordshire
CM23 3BT

19 December 2012

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

STATEMENT OF FINANCIAL ACTIVITIES
(Incorporating Income and Expenditure Account and Statement of Recognised Gains and Losses)
FOR THE PERIOD ENDED 31 AUGUST 2012

	Note	Unrestricted funds 2012 £	Restricted funds 2012 £	Restricted fixed asset funds 2012 £	Total funds 2012 £
INCOMING RESOURCES					
Incoming resources from generated funds:					
Assets received on conversion	3,24	384,549	(1,926,919)	281,128	(1,261,242)
Other voluntary income	3	65,942	866,578	-	932,520
Activities for generating funds	4	779,774	-	-	779,774
Investment income	5	7,539	-	-	7,539
Incoming resources from charitable activities	6	-	14,241,536	439,950	14,681,486
Other incoming resources	7	18,139	-	-	18,139
TOTAL INCOMING RESOURCES		1,255,943	13,181,195	721,078	15,158,216
RESOURCES EXPENDED					
Charitable activities	9,10	937,417	13,741,161	183,307	14,861,885
Governance costs	8	-	37,433	-	37,433
TOTAL RESOURCES EXPENDED	11	937,417	13,778,594	183,307	14,899,318
NET INCOMING RESOURCES / (RESOURCES EXPENDED) BEFORE TRANSFERS					
		318,526	(597,399)	537,771	258,898
Transfers between funds	19	(4,961)	4,961	-	-
NET INCOME FOR THE YEAR		313,565	(592,438)	537,771	258,898
Actuarial gains and losses on defined benefit pension schemes		-	(609,000)	-	(609,000)
NET MOVEMENT IN FUNDS FOR THE YEAR		313,565	(1,201,438)	537,771	(350,102)
Total funds at 28 April 2011		-	-	-	-
TOTAL FUNDS AT 31 AUGUST 2012		313,565	(1,201,438)	537,771	(350,102)

All activities relate to continuing operations.

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

The notes on pages 20 to 39 form part of these financial statements.

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

BALANCE SHEET
AS AT 31 AUGUST 2012

	Note	£	2012 £
FIXED ASSETS			
Tangible assets	16		588,949
CURRENT ASSETS			
Debtors	17	513,511	
Cash at bank and in hand		2,470,957	
		<u>2,984,468</u>	
CREDITORS: amounts falling due within one year	18	<u>(1,119,519)</u>	
NET CURRENT ASSETS			<u>1,864,949</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,453,898</u>
Defined benefit pension scheme liability	25		<u>(2,804,000)</u>
NET LIABILITIES INCLUDING PENSION SCHEME LIABILITIES			<u><u>(350,102)</u></u>
FUNDS OF THE ACADEMY			
Restricted funds:			
Restricted funds	19	(1,201,438)	
Restricted fixed asset funds	19	537,771	
Total restricted funds			<u>(663,667)</u>
Unrestricted funds	19		<u>313,565</u>
TOTAL DEFICIT			<u><u>(350,102)</u></u>

The financial statements were approved by the Governors, and authorised for issue, on 18 December 2012 and are signed on their behalf, by:

Mr Hayes
Chairman of the Academy Trust

Mr J Hartley
Headteacher

The notes on pages 20 to 39 form part of these financial statements.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 AUGUST 2012

	Note	2012 £
Net cash flow from operating activities	21	2,898,121
Returns on investments and servicing of finance	22	2,415
Capital expenditure and financial investment	22	(429,579)
INCREASE IN CASH IN THE PERIOD		<u>2,470,957</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE PERIOD ENDED 31 AUGUST 2012

Increase in cash in the period	2,470,957
MOVEMENT IN NET FUNDS IN THE PERIOD	<u>2,470,957</u>
NET FUNDS AT 31 AUGUST 2012	<u>2,470,957</u>

The notes on pages 20 to 39 form part of these financial statements.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005, the Academies Accounts Direction issued by the EFA, applicable accounting standards and the Companies Act 2006.

1.2 Company status

The Academy is a company limited by guarantee. Those members who are Governors are noted on page 1. In the event of the Academy being wound up, the liability in respect of the guarantee is limited to £10 per member of the Academy.

1.3 Fund accounting

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

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.

Restricted general funds comprise all other restricted funds received and include grants from the DfE.

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

1.4 Incoming resources

All incoming resources are included in the Statement of Financial Activities when the Academy is legally entitled to the income and the amount can be quantified with reasonable accuracy.

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

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

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

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

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

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

1. ACCOUNTING POLICIES (continued)

1.5 Resources expended

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

Charitable activities are costs incurred in the furtherance of the Academy's primary objectives.

Governance costs include the costs attributable to the Academy's compliance with constitutional and statutory requirements, including audit, strategic management and Governors' meetings and reimbursed expenses.

Where an expense is deemed to be for business purposes i.e. not in relation to the Academy's charitable purpose, the expenditure this relates to will include irrecoverable VAT.

1.6 Going concern

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

1.7 Tangible fixed assets and depreciation

All assets costing more than £1,000 are capitalised.

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

A review of impairment of a fixed asset is carried out if events or changes in circumstances indicate the value of the asset may not be recoverable.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Premises improvement	-	30 years straight line
Motor vehicles	-	10 years straight line
Fixtures and fittings	-	3-10 years straight line
Computer equipment	-	3 years straight line

1.8 Operating leases

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

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

1. ACCOUNTING POLICIES (continued)

1.9 Taxation

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

1.10 Pensions

Retirement benefits to employees of the Academy are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ("SERPS"), and the assets are held separately from those of the Academy.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in note 25, the TPS is a multi-employer scheme and the Academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the Academy in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on the settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

1.11 Conversion to an academy trust

The conversion from a state maintained school to an Academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for £Nil consideration and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion from Saffron Walden County High School to an Academy trust have been valued at their fair value, being a reasonable estimate of the current market value that the Governors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for Academy. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

Further details of the transaction are set out in note 24.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

2. GENERAL ANNUAL GRANT (GAG)

	2012 £
Result and carry forward for the year	
GAG allocation for current period	12,251,341
Total GAG available to spend	12,251,341
Recurrent expenditure from GAG	(10,951,102)
GAG Carried forward to next year	1,300,239
Maximum permitted GAG carried forward at end of current year (12% allocation for current year)	(1,470,161)
GAG to surrender to DfE	(169,922)
(12% rule breached if result is positive)	No breach

3. OTHER VOLUNTARY INCOME

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
Assets received on conversion	384,549	(1,645,791)	(1,261,242)
Donations	65,942	833,538	899,480
Grants	-	33,040	33,040
Subtotal	65,942	866,578	932,520
Voluntary income	450,491	(779,213)	(328,722)

4. ACTIVITIES FOR GENERATING FUNDS

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
Hire of facilities	34,732	-	34,732
Catering	505,824	-	505,824
Other activities	239,218	-	239,218
	779,774	-	779,774

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

5. INVESTMENT INCOME

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
Bank interest	7,539	-	7,539
	<u>7,539</u>	<u>-</u>	<u>7,539</u>

6. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
Funding for academy's charitable activities	-	14,681,486	14,681,486
	<u>-</u>	<u>14,681,486</u>	<u>14,681,486</u>
	<u>-</u>	<u>14,681,486</u>	<u>14,681,486</u>

FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
DfE/EFA revenue grant			
General Annual Grant (GAG)	-	12,251,341	12,251,341
Other DfE / EFA grants	-	535,017	535,017
Startup grants	-	25,000	25,000
	<u>-</u>	<u>12,811,358</u>	<u>12,811,358</u>
Other government grants			
Local authority grants	-	1,870,128	1,870,128
	<u>-</u>	<u>1,870,128</u>	<u>1,870,128</u>
	<u>-</u>	<u>14,681,486</u>	<u>14,681,486</u>

7. OTHER INCOMING RESOURCES

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
Other income	18,139	-	18,139
	<u>18,139</u>	<u>-</u>	<u>18,139</u>

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

8. GOVERNANCE COSTS

	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £
Internal audit costs	-	1,825	1,825
Governance statutory Auditors' remuneration	-	6,000	6,000
Governance Auditors' non audit costs	-	4,500	4,500
Academy costs	-	24,063	24,063
Governors' training	-	1,045	1,045
	<u>-</u>	<u>37,433</u>	<u>37,433</u>

9. DIRECT COSTS

	Total 2012 £
Educational supplies	1,551,105
Examination fees	224,979
Staff development	41,769
Technology costs	41,811
Educational consultancy	628
Transport	18,634
Supply teaching	51,299
Teaching and educational support services	7,110,923
National insurance	521,892
Pension cost	1,001,072
	<u>10,564,112</u>

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

10. SUPPORT COSTS

	Total 2012 £
Pension interest adjustment (FRS17)	130,000
Technology costs	210,037
Travel and subsistence	25,220
Other costs	275,470
Recruitment and support	50,354
Maintenance of premises and equipment	841,058
Cleaning	28,394
Rates	46,241
Energy	166,535
Insurance	148,625
Security	23,513
Catering	384,125
Occupancy costs	51,190
Bank interest and charges	5,323
Other expenses	14,861
Printing, postage and stationary	179,375
Wages and salaries	1,380,959
National insurance	51,815
Pension cost	162,920
Depreciation	121,758
	4,297,773
	4,297,773

11. ANALYSIS OF RESOURCES EXPENDED BY EXPENDITURE TYPE

	Staff costs 2012 £	Depreciation 2012 £	Other costs 2012 £	Total 2012 £
Provision of education	10,229,581	121,758	4,510,546	14,861,885
Governance	-	-	37,433	37,433
	10,229,581	121,758	4,547,979	14,899,318
	10,229,581	121,758	4,547,979	14,899,318

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

12. NET INCOMING RESOURCES / (RESOURCES EXPENDED)

This is stated after charging:

	2012 £
Depreciation of tangible fixed assets:	
- owned by the charity	121,758
Auditors' remuneration	6,000
Auditors' remuneration - non-audit	4,500
	<u> </u>

During the period, no Governors received any benefits in kind.

4 Governors received reimbursement of expenses amounting to £2,652 in the current period.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

13. STAFF COSTS

Staff costs were as follows:

	2012 £
Wages and salaries	8,491,882
Social security costs	573,707
Other pension costs (Note 25)	1,163,992
	10,229,581
Supply teacher costs	51,299
	10,280,880

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

	2012 No.
Teachers	131
Administration and support	133
Management	9
	273

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

	2012 No.
In the band £60,001 - £70,000	2
In the band £110,001 - £120,000	1
	3

Each of the above employees participated in the Teachers' Pension Scheme. During the period ended 31 August 2012, pension contributions for these staff amounted to £49,652.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

14. GOVERNORS' REMUNERATION

The Academy is following the guidance in the EFA's note 'Disclosure in Academy Trusts 2011/12 Financial Statements of remuneration of Trustees who are Staff Governors – October 2012', where disclosure of the remuneration paid to staff Governors who are not trustees is not required.

The Headteachers annual salary is £113,337.

The amount charged in the annual accounts for the 15 months ended 31 August 2012 was;

	2012
	£
Salary	160,557
Pension	22,636
	183,193
	183,193

15. GOVERNORS' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the Academy has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £250,000.

The cost of this insurance is included in the total insurance cost.

16. TANGIBLE FIXED ASSETS

	Premises improvement £	Motor vehicles £	Computer equipment £	Other fixed assets £	Total £
Cost					
Additions	378,400	-	33,708	17,471	429,579
Transferred on conversion	-	44,536	48,513	188,079	281,128
	378,400	44,536	82,221	205,550	710,707
Depreciation					
Charge for the period	12,613	6,742	32,145	70,258	121,758
	12,613	6,742	32,145	70,258	121,758
Net book value					
At 31 August 2012	365,787	37,794	50,076	135,292	588,949

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

17. DEBTORS

	2012 £
Trade debtors	7,314
Other debtors	151,639
Prepayments and accrued income	354,558
	513,511
	513,511

**18. CREDITORS:
Amounts falling due within one year**

	2012 £
Trade creditors	357,688
Funds held on behalf of Saffron Educational Trust	468,074
Other creditors	266,765
Accruals	26,992
	1,119,519
	1,119,519

There is no deferred income balance at the 31 August 2012.

19. STATEMENT OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expensed £	Transfers in/out £	Gains- (Losses) £	Carried Forward £
Unrestricted funds						
Unrestricted funds	-	1,255,943	(937,417)	(4,961)	-	313,565
	-	1,255,943	(937,417)	(4,961)	-	313,565

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

19. STATEMENT OF FUNDS (continued)

Restricted funds

	Brought Forward £	Incoming resources £	Resources Expensed £	Transfers in/out £	Gains-(Losses) £	Carried Forward £
General Annual Grant (GAG)	-	12,251,341	(10,951,102)	-	-	1,300,239
Start up grant	-	25,000	(25,000)	-	-	-
Other Dfe grants	-	276,246	(268,452)	-	-	7,794
SEN Funding	-	333,311	(333,311)	-	-	-
Educational visits	-	978,619	(920,221)	-	-	58,398
16-18 Bursary	-	48,643	(13,550)	-	-	35,093
121 Tuition	-	98,484	(98,484)	-	-	-
School Games Organiser	-	153,056	(76,055)	-	-	77,001
U'ford 14-19 Plan Group	-	138,771	(100,672)	-	-	38,099
MMCC	-	100,000	(104,961)	4,961	-	-
Local Delivery Group	-	224,935	(158,247)	-	-	66,688
RPA	-	25,000	(5,750)	-	-	19,250
Pension reserve S106	-	(2,072,000)	(123,000)	-	(609,000)	(2,804,000)
	-	599,789	(599,789)	-	-	-
	-	13,181,195	(13,778,594)	4,961	(609,000)	(1,201,438)

Restricted fixed asset funds

	Brought Forward £	Incoming resources £	Resources Expensed £	Transfers in/out £	Gains-(Losses) £	Carried Forward £
Fixed asset fund Capital	-	281,128	(121,757)	378,400	-	537,771
Maintenance Fund	-	399,400	(21,000)	(378,400)	-	-
Devolved Formula Capital	-	40,550	(40,550)	-	-	-
	-	721,078	(183,307)	-	-	537,771
Total restricted funds	-	13,902,273	(13,961,901)	4,961	(609,000)	(663,667)
Total of funds	-	15,158,216	(14,899,318)	-	(609,000)	(350,102)

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

SUMMARY OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expensed £	Transfers in/out £	Gains-(Losses) £	Carried Forward £
General funds	-	1,255,943	(937,417)	(4,961)	-	313,565
Restricted funds	-	13,181,195	(13,778,594)	4,961	(609,000)	(1,201,438)
Restricted fixed asset funds	-	721,078	(183,307)	-	-	537,771
	-	15,158,216	(14,899,318)	-	(609,000)	(350,102)
	-	15,158,216	(14,899,318)	-	(609,000)	(350,102)

General Annual Grant (GAG)

This represents funding from the EFA to cover the costs of recurrent expenditure.

Start up grant

This represents the grant to aid with start up costs for the Academy on conversion

Other DfE grants

This represents income received from the DfE which are to be used for a specific purpose.

SEN Funding

This represents funding from the Essex County Council and it is used towards the education of pupils with special education needs.

School visits

This represents contributions made by parents to the running of educational visits for the pupils of the Academy and the associated costs of running the visits.

16-18 bursary

This represents funding from the EFA and it is used to help vulnerable young people to continue in full time education.

One-to-one tuition

This represents funding from the Essex County Council and it is used to support the needs of pupils who are falling behind.

School games organiser

This represents funding from 3rd party organisations for which the Academy has made a bid. The programme is run in collaboration with other schools.

Uttlesford 14-19 plan group

This represents funding from the Essex County Council and it is used towards providing skills courses for the local community.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

19. STATEMENT OF FUNDS (continued)

MMCC

This represents funding from the Essex County Council and it used towards organising skills course at other schools.

Local delivery group

This represents funding from Essex County Council and it is used to provide assistance to other local schools and their pupils who are in financial difficulties.

Raising the Participation Age (RPA)

This funding is used to encourage young people to stay in school or training until they are aged 18.

Pension reserve

This represents the Adademy's share of the deficit on the Local Government Pension Scheme (LGPS) transferred to the Academy on conversion from the state controlled school.

S.106

Funding received from Essex County Council to be used to increase the school capacity as a result of new housing developments were approved in the Saffron Walden area.

Capital maintenance fund

The capital maintenance fund relates to capital grants for specific projects.

Devolved formula capital fund (DFC)

The Academy is to use the DFC allocation to maintain and improve its buidings and facilities.

20. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2012 £	Restricted funds 2012 £	Restricted fixed asset funds 2012 £	Total funds 2012 £
Tangible fixed assets	51,178	-	537,771	588,949
Current assets	318,525	2,665,943	-	2,984,468
Creditors due within one year	(56,138)	(1,063,381)	-	(1,119,519)
Provisions for liabilities and charges	-	(2,804,000)	-	(2,804,000)
	<u>313,565</u>	<u>(1,201,438)</u>	<u>537,771</u>	<u>(350,102)</u>

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012

21. NET CASH FLOW FROM OPERATING ACTIVITIES

	2012
	£
Net incoming resources before revaluations	258,898
Returns on investments and servicing of finance	(2,415)
Assets transferred on conversion	1,790,872
Depreciation of tangible fixed assets	121,758
Increase in debtors	(513,511)
Increase in creditors	1,119,519
FRS 17 pension interest adjustment	130,000
FRS 17 adjustments	(7,000)
	2,898,121
Net cash inflow from operations	2,898,121

22. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2012
	£
Returns on investments and servicing of finance	
Interest received	2,415
	2,415
	2012
	£
Capital expenditure and financial investment	
Purchase of tangible fixed assets	(429,579)
	(429,579)

23. ANALYSIS OF CHANGES IN NET DEBT

	28 April 2011	Cash flow	Other non-cash changes	31 August 2012
	£	£	£	£
Cash at bank and in hand:	-	2,470,957	-	2,470,957
	-	2,470,957	-	2,470,957
Net funds	-	2,470,957	-	2,470,957

24. CONVERSION TO AN ACADEMY TRUST

On 1 June 2011 Saffron Walden County High School converted to Academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Saffron Academy Trust from Essex County Council for £Nil consideration.

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the Balance Sheet under the appropriate headings with a corresponding net amount recognised in the Statement of Financial Activities as voluntary income.

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2012**

	Unrestricted funds £	Restricted funds £	Restricted fixed asset funds £	Total funds £
Other tangible fixed assets	-	-	281,128	281,128
Budget surplus on Local Authority funds	384,549	-	-	384,549
Budget surplus on other school funds	-	145,081	-	145,081
LGPS pension deficit	-	(2,072,000)	-	(2,072,000)
Net assets/(liabilities)	<u>384,549</u>	<u>(1,926,919)</u>	<u>281,128</u>	<u>(1,261,242)</u>

The above net liabilities include £529,630 that was transferred as cash.

25. PENSION COMMITMENTS

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2010.

For accounting purposes the TPS is treated as a defined contribution scheme. Contributions amounting to £90,994 were payable to the scheme at 31 August 2012 and are included in creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010.

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay as you go' basis, and employers' contributions are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

The Government Actuary ('GA'), using normal actuarial principles, conducts formal actuarial reviews of the TPS. The aim of the reviews is to specify the level of future contributions.

The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate ('SCR') is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR

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25. PENSION COMMITMENTS (continued)

and the supplementary contribution rate.

The last valuation of the TPS related to the period 1 April 2001 - 31 March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240 millions. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1 January 2007, and as part of the cost sharing agreement between employers' and teachers' representatives, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement also introduced - effective for the first time for the 2008 valuation - a 14% cap on employer contributions payable.

From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design for a reformed TPS and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

Under the definitions set out in Financial Reporting Standard (FRS17) Retirement Benefits, the TPS is a multi-employer pension scheme. The Academy is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the Academy has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Academy has set out above the information available on the scheme and the implications for the Academy in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the period ended 31 August 2012 was £409,000, of which employer's contributions totalled £315,000. The agreed contribution rate for future years are 18.6% for employers and between 5.5% and 7.5% for employees.

As described in note 24 the LGPS obligation relates to the employees of the Academy, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the Academy at the balance sheet date.

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25. PENSION COMMITMENTS (continued)

The amounts recognised in the Balance Sheet are as follows:

	2012 £
Present value of funded obligations	(3,539,000)
Fair value of scheme assets	735,000
	(2,804,000)
Net liability	(2,804,000)

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

	2012 £
Current service cost	(308,000)
Interest on obligation	(172,000)
Expected return on scheme assets	42,000
	(438,000)
Total	(438,000)
Actual return on scheme assets	48,000

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

	2012 £
Current service cost	308,000
Interest cost	172,000
Contributions by scheme participants	94,000
Actuarial Losses	614,000
Benefits paid	(68,000)
Present value of defined benefit obligation on conversion	2,419,000
	3,539,000
Closing defined benefit obligation	3,539,000

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

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

	2012 £
Expected return on assets	42,000
Actuarial gains and (losses)	5,000
Contributions by employer	315,000
Contributions by employees	94,000
Benefits paid	(68,000)
Fair value of scheme assets on conversion	347,000
	735,000
	735,000

The cumulative amount of actuarial gains and losses recognised in the Statement of Financial Activities was a £609,000 loss.

The Academy expects to contribute £296,000 to its defined benefit pension scheme in 2013.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2012
Equities	68.00 %
Gilts	6.00 %
Other Bonds	9.00 %
Property	13.00 %
Cash	4.00 %

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2012
Discount rate for scheme liabilities	3.90 %
Expected return on scheme assets at 31 August	5.20 %
Rate of increase in salaries	3.70 %
Rate of increase for pensions in payment / inflation	1.90 %
Inflation assumption (CPI)	1.90 %
Inflation assumption (RPI)	2.70 %

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

	2012
Retiring today	
Males	22.7
Females	25.3
Retiring in 20 years	
Males	24.1
Females	26.8

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

Amounts for the current period are as follows:

Defined benefit pension schemes

	2012
	£
Defined benefit obligation	(3,539,000)
Scheme assets	735,000
	<hr/>
Deficit	(2,804,000)
	<hr/> <hr/>
Experience adjustments on scheme assets	5,000
	<hr/> <hr/>

26. OPERATING LEASE COMMITMENTS

At 31 August 2012 the Academy had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2012 £	Other 2012 £
Expiry date:		
Between 2 and 5 years	-	24,362
	<hr/> <hr/>	<hr/> <hr/>

27. RELATED PARTY TRANSACTIONS

The premises that the Academy uses to fulfil its charitable objectives is owned by Saffron Educational Trust, a member of the Academy. The Academy has not entered into a long term lease and does not pay rent for the use of the land and buildings. A gift in kind in relation to this agreement has not been recognised in the Statement of Financial Activities as the Governors do not consider that the benefit can be reasonably quantified or measured.

During the period under review, the Academy has received funding from the Essex County Council to fund the development of teaching staff to Mountfitchet Maths & Computing College (MMCC). The Headteacher, John Hartley is managing an improvement contract for MMCC on behalf of the local council during this 3 year federation.

At the end of the period the balance carried forward was of £28,498.

During the period under review, the Academy has managed the construction of an Auditorium on behalf of Saffron Educational Trust, a member of the Academy. Funds held on behalf of Saffron Educational Trust at 31 August 2012 totalled £468,074 and this is included in creditors.