

SAFFRON ACADEMY TRUST

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2017

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS MEMBERS, TRUSTEES AND
ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2017**

Members	Mr M. Hayes, Chair of the Academy Trust Dr J Keeler Mr G Berney
Trustees	Mr M Hayes, Chair of the Academy Trust Ms C Derbyshire, CEO of the Academy Trust & Headteacher Saffron Educational Trust Mrs L Vincent Dr J Keeler Ms S Brindley Ms R Callaghan Mr D Barrs Mr P Whent Ms B Calland Mr I Murphy Mr N Osborne Mrs J Puxley
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 Academy & Headteacher of Saffron Walden County High School Mr T Lawn, Headteacher of Alec Hunter Academy Ms R Callaghan, Headteacher of Katherine Semar Junior School Mrs J Puxley, Headteacher of Katherine Semar Infant School Mr P Wilson, Finance Director
Independent Auditors	Price Bailey LLP Chartered Accountants Causeway House 1 Dane Street Bishop's Stortford Hertfordshire CM23 3BT

SAFFRON ACADEMY TRUST
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2017

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 2017. 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 four academy schools, two secondary and two primary academies (the Schools or the Academies) serving a catchment area in North West Essex. The Academies have a combined capacity of 3,582 and had a roll of 3,302 in the October 2017 census with the exception of Alec Hunter Academy all Schools in the Trust are operating at or above capacity.

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

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.

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 of SAT 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 of Trustees.

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.

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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 they undertake 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 as do its two sub committees Resources (including finance) and Standards.

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 capital expenditure projects for their Academy and monitoring performance against that budget and authorised capital limits.

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. The Trust's CEO is 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.

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. 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.

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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.

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:

- improving teaching, assessment and leadership at all levels at AHA;
- driving up attainment at AHA and moving it forward on the journey to become an outstanding School;
- upgrading IT network connectivity across the Trust with fibre optic cable and upgrading or replacing network switches;
- setting a balanced budget at SWCHS for 2017-18 by running the School in a more cost effective manner;
- continuing to change the culture of Schools so that they focus on the progress of all children and not just on attainment outcomes;
- putting greater emphasis on student progress in targets set, intervention and monitoring; and
- the Trust expended considerable effort on expansion related activities. Specifically, engaging with two local Primary Schools and trying to acquire the facilities of a local private secondary school that was in difficulties, for the purposes of state education.

Our success in fulfilling our aims can be measured by:

- AHA was recently judged to be a Good School by a recent Ofsted inspection including a "Good Judgement" for teaching;
- Network capacity and speed have both been improved, enhancing the delivery of education;
- Improved Progress 8 scores at AHA for all, including disadvantaged groups;
- Positive Progress 8 score at SWCHS;
- RA Butler Infant and Primary Schools both joined the Trust on 1st September 2017.

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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.

Specific achievements were as follows:

- SWCHS enjoyed strong results at every level in 2016. At A level, 100% of students achieved A*-E grades, 93% achieved grade A*-C (a 'best ever') and 40% of all grades were A*/A. Overall, the School scored ALPS 2 for progress. At GCSE, attainment was strong and progress was good. The average Attainment 8 score per pupil for the School was 54.91 and the Progress 8 was +0.22. Both were well above the local and national averages.
- 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. Results in 2017 at GCSE also improved. The average Attainment 8 score per pupil was 44.66, while Progress 8 is recorded at -0.21 (-0.31 in 2016) which is just below national average, but in line with other 'Good' schools in Essex.
- At Katherine Semar Infants, the percentage of children reaching expected levels at the end of key stage 1 was 72.6%, with the national figure standing at 60%. At 'greater depth', the percentage was 21%, with the national figure standing at just 9%. Key stage 2 results at Katherine Semar Juniors reveal that 84.4% of children met age-related expectations which is a big improvement on the previous year. At 'greater depth', 21.9% achieved the standard. Both results exceeded national percentages by some margin.
- In September 2017, R A Butler Infant and Junior Schools joined SAT. Both schools are rated 'Good' at Ofsted, with the Junior School confirmed in this rating in 2017. At key stage 1, the percentage of children meeting age related expectations was 70% and at 'greater depth' 18%. At key stage 2 the percentage meeting age related expectations was 77% and at 'greater depth' 20%. All of the key stage 1 and 2 results exceed national percentages and are reflective of a 'Good' school which has elements of outstanding practice.

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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 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 2017-18 and 2018-19 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
	Student #	Student #	Student #	Student #	Student #	Student #
Key Stage 1 & 2	392	422	435	433	432	431
Key Stage 3	1,525	1,473	1,413	1,386	1,358	1,343
Key Stage 4	1,031	998	987	996	960	891
Key Stage 5	562	597	557	557	625	637
Total	3,510	3,490	3,392	3,372	3,375	3,302

Trustees continue to closely monitor the fall in student numbers at key stage 3 / key stage 4 and are aware that this relates to Alec Hunter Academy however, they are confident that the improved Ofsted grading (Good) will reverse this trend.

Another key financial performance indicator is staffing costs as a percentage of total income. For 2016/17 this differed between locations in the range 78% - 82% (excluding central costs) but averaged out at 80.6% for the Trust as a whole. The Trustees are confident that staffing levels are closely monitored to agreed Full Time Equivalents and staffing structures that have been approved by the MGB during the annual budget process.

The Resources Committee also monitor premises costs to General Annual Grant (GAG) income, capitation spend for curriculum departments to GAG income, total income less grants and cash flow on a regular basis to ensure that the budget is set and managed appropriately. All of the above KPI's were within the parameters set by the MGB.

Going Concern

After making appropriate enquiries and despite authorising a £0.3m deficit budget for 2017-18 (£0.6m 2016-17), the Trustees have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. The Trust has made significant savings in staff costs in previous years and reviewed non-staff related costs during 2016-17 enabling all Schools except Alec Hunter Academy to set surplus budgets for 2017-18. The Board are closely monitoring developments and have been encouraged by the recent Ofsted report for Alec Hunter Academy where it was graded Good in all categories.

For this reason The Board 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.

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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 2017 the Trust received £19,579,559 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 £20,654,334 on general running costs and transferred £88,619 to support capital new build and improvement projects on the various Academy sites. The Trust brought forward from 2015-16, £NIL restricted funds and £2,580,584 unrestricted funding. The carry forward for 2016-17 is £22,081 restricted funding and £2,012,730 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 £9,078,000 (2016: £9,727,000). 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.

	Restricted General Funds	Unrestricted Funds	Fixed Asset Fund	Pension Reserve	Total
Incoming Resources	17,016,451	1,913,619	649,489		19,579,559
Resources Expended	(15,604,365)	(2,479,859)	(1,267,110)	(1,303,000)	(20,654,334)
LGPS Charge	(1,303,000)				(1,303,000)
Depreciation			(590,879)		(590,879)
Employer contributions paid				625,000	625,000
Total Resources Expended	(16,907,365)	(2,479,859)	(1,857,989)	(678,000)	(21,923,213)
Assets Purchased from GAG	(87,005)	(1,614)	88,619		-
Actuarial Gain				1,327,000	1,327,000
Surplus / (Deficit) for the year	22,081	(567,854)	(1,119,881)	649,000	(1,016,654)
Balance at 1 September 2016	-	2,580,584	22,015,661	(9,727,000)	14,869,245
Balance at 31 August 2017	22,081	2,012,730	20,895,780	(9,078,000)	13,852,591

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 £3,355,887. 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 £2,012,730. This has been built up from a mixture of locally raised income and balances transferred from the predecessor Schools.

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The Trustees monitor cash flow as part of the monthly finance reports and in line with the Reserves Policy they attempt to hold a minimum of £500,000 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.

Uncertainty over the impact of the new National Funding Formula and in recognition of the continuing fall in the real value of grants, rising staff costs and reducing student rolls at Alec Hunter Academy; the Trustees acknowledge that the finances of the Trust will inevitably continue to tighten 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. In light of these anticipated on-going costs and reducing 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, during the year, the Audit Committee appointed Price Bailey LLP to carry out a rolling program of reviews on governance controls, processes and procedures. The first review focused upon the Trusts conformity with the ESFA Governance and Financial Management list of "musts", a list of 80 requirements that all Academy Trusts must operate. The Trustees are pleased to report that they are wholly satisfied with the level of compliance assurance that they received from this report.

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.

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 levels or on the same terms. Indeed the new National Funding Formula introduces a level of change and uncertainty post the 2017-18 year. 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;

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- **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;
- **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 have continued to strengthen its risk management process throughout the year by improving the process and ensuring staff awareness.

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. 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 Trustees are pleased to confirm that as of 1st September 2017 R A Butler Schools joined the Trust bringing the total number of schools in the Trust to 6 and bringing an additional 609 students. The Trust continues to seek further opportunities to engage with local schools, primarily within North West Essex, with the ultimate aim of building a family of schools of exceptional quality; work continues on the Free School implementation in Saffron Walden which scheduled to open in 2020-21.

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 25 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, 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 11 December 2017 and signed on the Board's behalf by:

Mr M. Hayes
Chairman

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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 MGB 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 MGB 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 MGB has formally met 5 times during the year. Attendance during the year at meetings was as follows:

Trustee	Meetings attended	Out of a possible
Mr M Hayes	5	5
Ms C Derbyshire	5	5
Mrs L Vincent	4	5
Dr J Keeler	4	5
Ms S Brindley	0	5
Ms R Callaghan	5	5
Mr D Barrs	3	5
Mr P Whent	3	5
Ms B Calland	3	5
Mr I Murphy	2	5
Mr N Osborne	5	5
Mrs J Puxley	5	5

There have been no changes in the composition of the MGB in the 2016-17 financial year, however the Articles of Association have changed which will impact the appointment of future Trustees.

During the year the Trustees carried out a self-evaluation review in conjunction with external advisors, Michemores, resulting in a changes to the Articles of Association. The changes to the Articles brought them into line with the latest ESFA/DfE thinking, driven by the RA Butler Schools joining the Trust.

A Governance review is on the list of annual internal audit reviews that has been agreed between the Audit Committee and our Internal Auditors – given the recent focus it is likely that this will not be revisited until after the 2017-18 financial year.

The Finance Committee is a sub-committee of the MGB. Its purpose is to address financial matters.

The Finance Committee faced no significant challenges during the year other than that of funding constraints.

Attendance at meetings in the year was as follows:

Trustee		
Mr M Hayes	3	3
Ms C Derbyshire	3	3
Ms L Vincent	2	3
Mr P Whent	2	3

In addition to the Trustees there are a further three associate members of the Finance Committee.

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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 MGB where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer for the Trust has delivered improved value for money during the year by:

- undertaking a comprehensive review of non-staffing costs at SWCHS. This review targeted cost reductions resulting in a balanced budget for the 2017-18 year;
- sending the cleaning contract at AHA out for tender. A number of Governors brought their expertise to bear and a consultant was engaged. The contract was eventually signed for three years and will realise cost savings over that period;
- reviewing the lease of gym equipment at SWCHS as it came up for renewal. After some negotiation by the Director of Finance a lease for new equipment was signed saving 25% on the annual cost.

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 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 2016 to 31 August 2017 and up to the date of approval of the Annual Report and financial statements.

CAPACITY TO HANDLE RISK

The MGB 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 MGB 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 2016 to 31 August 2017 and up to the date of approval of the Annual Report and financial statements. This process is regularly reviewed by the MGB.

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 MGB;
- regular reviews by the MGB 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 MGB 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 Financial Handbook "musts".

On an annual basis, the Internal Auditor reports to the MGB through the Finance Committee on the operation of the systems of control and on the discharge of the MGB's financial responsibilities.

Price Bailey LLP have delivered their schedule of work as planned. There were no material control issues arising as a result of their work.

SAFFRON ACADEMY TRUST

(A Company Limited by Guarantee)

GOVERNANCE STATEMENT (continued)

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;
- 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 Finance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by the Board of Trustees on 11 December 2017 and signed on their behalf, by:

Mr 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 and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2016.

I confirm that I and the Board of Trustees are able to identify any material irregular or improper use of funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's funding agreement and the Academies Financial Handbook 2016.

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: 11 December 2017

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

TRUSTEES' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2017

The Trustees (are also the Directors of the Charitable Company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Requirements issued by the EFA, United Kingdom Accounting Standards (UKGAAP) 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 2016 to 2017;
- 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;
- 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 11 December 2017 and signed on its behalf by:

Mr M Hayes
Chairman

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 "Academy Trust") for the year ended 31 August 2017 which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, 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' and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

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

In our opinion the financial statements:

- give a true and fair view of the state of the Academy Trust's affairs as at 31 August 2017 and of its incoming resources and application of resources 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 2016 to 2017 issued by the Education and Skills Funding Agency.

BASIS OF 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 Auditor's responsibilities for the audit of the financial statements section of our Report. We are independent of the Academy Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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 Academy 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.

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 Auditor's Report thereon. Our opinion on the financial statements does not cover the 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.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

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

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Trustees' Report (incorporating the Strategic Report and the Director's Report) for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' 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 Academy Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' 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 not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees (who are also the Directors of the Charitable Company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 Academy 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 Academy Trust or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S 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 Auditor's 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 Auditor's Report.

Gary Miller (Senior Statutory Auditor)
for and on behalf of
Price Bailey LLP
Chartered Accountants and Statutory Auditors
Causeway House
1 Dane Street
Bishop's Stortford
CM23 3BT
11 December 2017

SAFFRON ACADEMY TRUST

(A Company Limited by Guarantee)

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

In accordance with the terms of our engagement letter dated 7 November 2017 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, 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 2016 to 31 August 2017 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 the 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 the 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 2016, 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 2016 to 2017. 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 2016 to 31 August 2017 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 2016 to 2017 issued by the 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 Academy Trust's income and expenditure.

The work undertaken to draw to our conclusions includes:

- Consideration and corroboration of the evidence supporting the Accounting Officers statement on regularity, propriety and compliance.
- Evaluation of the general control environment of the Academy Trust, extending the procedures required for financial statements to include regularity.
- 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, propriety and compliance in particular checking that selected items were appropriately authorised, and appropriate.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' 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 year 1 September 2016 to 31 August 2017 have 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

Chartered Accountants

11 December 2017

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2017**

	Note	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £	Total funds 2016 £
INCOME FROM:						
Donations and capital grants	2	9,716	854,120	649,489	1,513,325	2,104,404
Charitable activities	5	943,929	16,162,331	-	17,106,260	17,211,188
Other trading activities	3	790,772	-	-	790,772	680,613
Investments	4	16,516	-	-	16,516	25,509
Other income		152,686	-	-	152,686	188,995
TOTAL INCOME		1,913,619	17,016,451	649,489	19,579,559	20,210,709
EXPENDITURE ON:						
Charitable activities	7	2,479,859	17,585,365	1,857,989	21,923,213	22,969,101
TOTAL EXPENDITURE	6	2,479,859	17,585,365	1,857,989	21,923,213	22,969,101
NET EXPENDITURE BEFORE TRANSFERS						
Transfers between funds	17	(566,240) (1,614)	(568,914) (87,005)	(1,208,500) 88,619	(2,343,654) -	(2,758,392) -
NET EXPENDITURE BEFORE OTHER RECOGNISED GAINS AND LOSSES						
		(567,854)	(655,919)	(1,119,881)	(2,343,654)	(2,758,392)
Actuarial gains/(losses) on defined benefit pension schemes	21	-	1,327,000	-	1,327,000	(3,595,000)
NET MOVEMENT IN FUNDS		(567,854)	671,081	(1,119,881)	(1,016,654)	(6,353,392)
RECONCILIATION OF FUNDS:						
Total funds brought forward		2,580,584	(9,727,000)	22,015,661	14,869,245	21,222,637
TOTAL FUNDS CARRIED FORWARD		2,012,730	(9,055,919)	20,895,780	13,852,591	14,869,245

SAFFRON ACADEMY TRUST

**(A Company Limited by Guarantee)
REGISTERED NUMBER: 07618351**

**BALANCE SHEET
AS AT 31 AUGUST 2017**

	Note	£	2017 £	£	2016 £
FIXED ASSETS					
Tangible assets	13		20,352,227		20,856,103
CURRENT ASSETS					
Debtors	14	883,579		1,249,104	
Cash at bank and in hand		3,355,887		4,539,858	
		<u>4,239,466</u>		<u>5,788,962</u>	
CREDITORS: amounts falling due within one year	15	(1,633,041)		(2,042,898)	
NET CURRENT ASSETS			<u>2,606,425</u>		<u>3,746,064</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>22,958,652</u>		<u>24,602,167</u>
CREDITORS: amounts falling due after more than one year	16		(28,061)		(5,922)
NET ASSETS EXCLUDING PENSION SCHEME LIABILITIES			<u>22,930,591</u>		<u>24,596,245</u>
Defined benefit pension scheme liability	21		(9,078,000)		(9,727,000)
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u><u>13,852,591</u></u>		<u><u>14,869,245</u></u>
FUNDS OF THE ACADEMY					
Restricted income funds:					
Restricted income funds	17	22,081		-	
Restricted fixed asset funds	17	20,895,780		22,015,661	
		<u>20,917,861</u>		<u>22,015,661</u>	
Restricted income funds excluding pension liability		20,917,861		22,015,661	
Pension reserve		(9,078,000)		(9,727,000)	
		<u>11,839,861</u>		<u>12,288,661</u>	
Total restricted income funds			11,839,861		12,288,661
Unrestricted income funds	17		2,012,730		2,580,584
TOTAL FUNDS			<u><u>13,852,591</u></u>		<u><u>14,869,245</u></u>

The financial statements on pages 19 to 39 were approved by the Trustees, and authorised for issue, on 11 December 2017 and are signed on their behalf, by:

Mr M. Hayes
Chairman of The Trust

The notes on pages 22 to 39 form part of these financial statements.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Net cash used in operating activities	19	(1,762,973)	(3,254,114)
Returns on investments and servicing of finance and interest			
Dividends, interest and rents from investments		16,516	25,509
Purchase of tangible fixed assets		(87,003)	(277,079)
Capital grants from DfE/ESFA and other capital income		649,489	1,244,066
Net cash provided by investing activities		<u>579,002</u>	<u>992,496</u>
Change in cash and cash equivalents in the year		(1,183,971)	(2,261,618)
Cash and cash equivalents brought forward		4,539,858	6,801,476
Cash and cash equivalents carried forward	20	<u><u>3,355,887</u></u>	<u><u>4,539,858</u></u>

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

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.

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 historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2016 to 2017 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Saffron Academy Trust constitutes a public benefit entity as defined by FRS 102.

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

1.2 Company status

The Trust is a company registered in England and Wales and limited by guarantee. The Members of the Company are named on page 1. In the event of the Trust being wound up, the liability in respect of the guarantee is limited to £10 per Member of the Trust. The Trust's registered office is Audley End Road, Saffron Walden.

1.3 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 Department for Education 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 and include grants from the DfE.

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

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.4 Income

All income is recognised once the Trust has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

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

General Annual Grant is recognised in full in the Statement of Financial Activities incorporating Income and Expenditure Account in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

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

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

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

1.5 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 those costs relating to the governance of the Academy Trust apportioned to charitable activities.

All expenditure is inclusive of irrecoverable VAT.

1.6 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 2017

1. ACCOUNTING POLICIES (continued)

1.7 Tangible fixed assets and depreciation

All assets costing more than £5,000 are capitalised 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 incorporating Income and Expenditure Account 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 incorporating Income and Expenditure Account. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of these assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold land	-	125 years straight line / 50 years straight line to residual value of £10,000,000.
Long term leasehold property	-	30 years straight line
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
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 incorporating Income and Expenditure Account.

1.8 Operating leases

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

1.9 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 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 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.

1.11 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.

SAFFRON ACADEMY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.12 Liabilities and provisions

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

1.13 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 basis 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 costs 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 instruments.

1.14 Pensions

Retirement benefits to employees of the Trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Governments 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. As stated in note 21, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the 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 incorporating Income and Expenditure Account 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.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

1. ACCOUNTING POLICIES (continued)

1.15 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 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. The Trust can use up to 5% of the allocation towards its own administration costs and this is recognised in the Statement of Financial Activities incorporating Income and Expenditure Account. Where the funds have not been fully applied in the accounting period then an amount will be included as amounts due to the ESFA.

1.16 Critical accounting estimates and areas of judgment

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 (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, 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 2017. 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 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £	Total funds 2016 £
Donations	9,716	852,832	9,682	872,230	942,965
Government grants	-	1,288	639,807	641,095	1,161,439
	<u>9,716</u>	<u>854,120</u>	<u>649,489</u>	<u>1,513,325</u>	<u>2,104,404</u>
<i>Total 2016</i>	<u>30,659</u>	<u>829,679</u>	<u>1,244,066</u>	<u>2,104,404</u>	

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3. OTHER TRADING ACTIVITIES

	Unrestricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Hire of facilities	150,809	150,809	147,204
Other activities	639,963	639,963	533,409
	<u>790,772</u>	<u>790,772</u>	<u>680,613</u>
<i>Total 2016</i>	<u>680,613</u>	<u>680,613</u>	

4. INVESTMENT INCOME

	Unrestricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Bank interest	16,516	16,516	25,509
	<u>25,509</u>	<u>25,509</u>	
<i>Total 2016</i>	<u>25,509</u>	<u>25,509</u>	

5. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
DfE/ESFA grants				
General Annual Grant (GAG)	-	15,039,792	15,039,792	15,399,944
Other DfE / ESFA grants	-	704,275	704,275	563,840
	<u>-</u>	<u>15,744,067</u>	<u>15,744,067</u>	<u>15,963,784</u>
Other government grants				
Local Authority grants	-	337,669	337,669	271,183
Other Government grants	-	80,595	80,595	90,883
	<u>-</u>	<u>418,264</u>	<u>418,264</u>	<u>362,066</u>
Other funding				
Catering Income	943,929	-	943,929	885,338
	<u>943,929</u>	<u>-</u>	<u>943,929</u>	<u>885,338</u>
	<u>943,929</u>	<u>16,162,331</u>	<u>17,106,260</u>	<u>17,211,188</u>
<i>Total 2016</i>	<u>885,338</u>	<u>16,325,850</u>	<u>17,211,188</u>	

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

6. EXPENDITURE

	Staff costs 2017 £	Premises 2017 £	Other costs 2017 £	Total 2017 £	Total 2016 £
Provision of education:					
Direct costs	12,126,614	-	2,224,878	14,351,492	14,299,696
Support costs	3,185,625	2,980,479	1,405,617	7,571,721	8,669,405
	<u>15,312,239</u>	<u>2,980,479</u>	<u>3,630,495</u>	<u>21,923,213</u>	<u>22,969,101</u>
<i>Total 2016</i>	<u>14,910,047</u>	<u>4,500,970</u>	<u>3,558,084</u>	<u>22,969,101</u>	

7. CHARITABLE ACTIVITIES

	2017 £	2016 £
Direct costs	14,351,492	14,299,696
Support costs	7,571,721	8,669,405
	<u>21,923,213</u>	<u>22,969,101</u>
Total	<u>21,923,213</u>	<u>22,969,101</u>

Analysis of support costs	2017 £	2016 £
Support staff costs	3,185,625	2,839,163
Depreciation	590,879	689,363
Technology costs	180,735	176,638
Premises costs (excluding depreciation)	1,193,220	1,182,374
Condition Improvement Project Cost	1,196,380	2,629,233
Other support costs	1,194,932	1,132,884
Governance costs	29,950	19,750
	<u>7,571,721</u>	<u>8,669,405</u>
Total	<u>7,571,721</u>	<u>8,669,405</u>

8. NET INCOME/(EXPENDITURE)

This is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets: - owned or leased by the Trust	590,879	689,363
Auditors' remuneration - audit	13,000	13,000
Auditors' remuneration - non - audit	7,150	6,750
Operating lease rentals	134,282	145,543
	<u>765,311</u>	<u>954,656</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

9. STAFF COSTS

Staff costs were as follows:

	2017 £	2016 £
Wages and salaries	11,571,474	11,658,622
Social security costs	1,073,933	925,397
Operating costs of defined benefit pension schemes	2,394,287	2,036,790
	<u>15,039,694</u>	<u>14,620,809</u>
Apprenticeship levy	17,837	-
Supply teacher costs	254,708	289,238
	<u>15,312,239</u>	<u>14,910,047</u>

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

	2017 No.	2016 No.
Teachers	208	209
Administration and support	251	255
Management	18	18
	<u>477</u>	<u>482</u>

Average headcount expressed as a full time equivalent:

	2017 No.	2016 No.
Teachers	184	197
Administration and support	176	179
Management	18	18
	<u>378</u>	<u>394</u>

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

	2017 No.	2016 No.
In the band £ 60,001 - £ 70,000	5	5
In the band £ 70,001 - £ 80,000	2	3
In the band £ 80,001 - £ 90,000	0	2
In the band £ 90,001 - £100,000	1	0
In the band £110,001 - £120,000	1	0

The Trust made contributions of £112,884 (2016: £106,806) for these members of staff during the period. Nine of the above employees participated in the Teachers' Pension Scheme.

The key management personnel of the Trust comprise the Trustees and the Senior Management Team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Trust was £521,130 (2016: £554,857).

Included in the above are employer pension contributions of £65,758 (2016: £66,430).

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

10. 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 other staff members under their contracts of employment, and not in respect of their role as Trustees. The value of Trustees' remuneration and other benefits was as follows:

		2017 £'000	2016 £'000
Ms C Derbyshire, CEO & Headteacher	Remuneration	115-120	70-75
	Pension contributions paid	15-20	10-15
Mrs J Puxley	Remuneration	65-70	85-90
	Pension contributions paid	10-15	10-15
Ms R Callaghan	Remuneration	50-55	70-75
	Pension contributions paid	5-10	10-15
J Hartley resigned 31 December 2015	Remuneration		30-35
	Pension contributions paid		5-10

During the year ended 31 August 2017, Trustees expenses totalling £2,327 (2016: £1,822) were reimbursed to 3 Trustees (2016: 3). These related to reimbursements for activities undertaken in respect of their services to the Trust as staff members.

11. CENTRAL SERVICES

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

- Insurance
- Financial coordination
- Payroll
- IT Network Co-ordination (2017 onwards)
- Facilities, Health and Safety Co-ordination (2017 onwards)

The Trust charges for these services on a flat percentage of income being three percent of GAG.

The actual amounts charged during the year were as follows:

Note, 2016 was recharged on a cost recovery basis.

	2017 £	2016 £
Saffron Walden County High School	270,420	135,805
Alec Hunter Academy	133,920	69,228
Katherine Semar Junior Academy	25,716	11,913
Katherine Semar Infants School	20,004	9,657
	<u>450,060</u>	<u>226,603</u>
Total	<u><u>450,060</u></u>	<u><u>226,603</u></u>

12. TRUSTEES' AND OFFICERS' INSURANCE

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 the cost for the year ended 31 August 2017 was included in the total insurance cost.

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FOR THE YEAR ENDED 31 AUGUST 2017**

13. TANGIBLE FIXED ASSETS

	Long term leasehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Assets under construction £	Total £
Cost						
At 1 September 2016	21,443,009	66,661	929,976	774,112	2,645	23,216,403
Additions	-	-	45,802	17,396	23,805	87,003
At 31 August 2017	21,443,009	66,661	975,778	791,508	26,450	23,303,406
Depreciation						
At 1 September 2016	1,261,507	37,814	400,344	660,635	-	2,360,300
Charge for the year	421,763	6,605	83,504	79,007	-	590,879
At 31 August 2017	1,683,270	44,419	483,848	739,642	-	2,951,179
Net book value						
At 31 August 2017	19,759,739	22,242	491,930	51,866	26,450	20,352,227
At 31 August 2016	20,181,502	28,847	529,632	113,477	2,645	20,856,103

14. DEBTORS

	2017 £	2016 £
Trade debtors	35,977	20,148
VAT recoverable	51,699	124,070
Other debtors	139	52,390
Prepayments and accrued income	795,764	1,052,496
	883,579	1,249,104

15. CREDITORS: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	330,898	419,600
Other taxation and social security	274,217	267,684
Other creditors	310,591	267,733
Accruals and deferred income	684,850	1,064,612
Bursaries awaiting disbursement	32,485	23,269
	1,633,041	2,042,898
Deferred income		
Deferred income at 1 September 2016	157,557	96,635
Resources deferred during the year	218,263	157,557
Amounts released from previous years	(157,557)	(96,635)
Deferred income at 31 August 2017	218,263	157,557

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15. CREDITORS: Amounts falling due within one year (continued)

Resources deferred at the period end relate to contributions towards future educational visits and ESFA funding received in advance for academic year 2017/18.

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

	2017 £	2016 £
Other creditors	28,061	5,922

17. STATEMENT OF FUNDS

	Brought forward £	Incoming resources £	Resources expensed £	Transfers in/out £	Gains-(losses) £	Balance at 31 August 2017 £
Unrestricted funds						
Unrestricted funds	2,580,584	1,913,619	(2,479,859)	(1,614)	-	2,012,730
Restricted funds						
	Brought forward £	Incoming resources £	Resources expensed £	Transfers in/out £	Gains-(losses) £	Balance at 31 August 2017 £
General Annual Grant (GAG)	-	15,039,792	(14,952,787)	(87,005)	-	-
Other DfE/ESFA grants	-	734,275	(712,194)	-	-	22,081
Other Government grants	-	388,264	(388,264)	-	-	-
Other restricted funds	-	854,120	(854,120)	-	-	-
Pension reserve	(9,727,000)	-	(678,000)	-	1,327,000	(9,078,000)
	(9,727,000)	17,016,451	(17,585,365)	(87,005)	1,327,000	(9,055,919)
Restricted fixed asset funds						
Fixed asset fund	20,856,103	9,682	(600,561)	87,005	-	20,352,229
DfE/ESFA capital grants	1,159,558	639,807	(1,257,428)	1,614	-	543,551
	22,015,661	649,489	(1,857,989)	88,619	-	20,895,780
Total restricted funds	12,288,661	17,665,940	(19,443,354)	1,614	1,327,000	11,839,861
Total of funds	14,869,245	19,579,559	(21,923,213)	-	1,327,000	13,852,591

STATEMENT OF FUNDS - PRIOR YEAR

	Brought forward £	Incoming resources £	Resources expensed £	Transfers in/out £	Gains-(losses) £	Balance at 31 August 2016 £
Unrestricted funds						
Unrestricted funds	3,367,963	1,811,114	(786,530)	(1,811,963)	-	2,580,584
	3,367,963	1,811,114	(786,530)	(1,811,963)	-	2,580,584

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NOTES TO THE FINANCIAL STATEMENTS
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17. STATEMENT OF FUNDS (continued)

Restricted funds

	Balance at 1 September 2015 £	Incoming resources £	Resources expensed £	Transfers in/out £	Gains- (losses) £	Balance at 31 August 2016 £
General Annual Grant (GAG)	-	15,399,944	(16,783,710)	1,383,766	-	-
Other DfE/ESFA grants	-	563,840	(563,840)	-	-	-
Other Government grants	-	363,228	(363,228)	-	-	-
Other restricted funds	-	828,517	(828,517)	-	-	-
Pension reserve	(5,801,000)	-	(331,000)	-	(3,595,000)	(9,727,000)
	<u>(5,801,000)</u>	<u>17,155,529</u>	<u>(18,870,295)</u>	<u>1,383,766</u>	<u>(3,595,000)</u>	<u>(9,727,000)</u>
Restricted fixed asset funds						
Fixed asset fund	21,903,971	83,789	(689,363)	(442,294)	-	20,856,103
DfE/ESFA capital grants	1,751,703	1,160,277	(2,622,913)	870,491	-	1,159,558
	<u>23,655,674</u>	<u>1,244,066</u>	<u>(3,312,276)</u>	<u>428,197</u>	<u>-</u>	<u>22,015,661</u>
Total restricted funds	<u>17,854,674</u>	<u>18,399,595</u>	<u>(22,182,571)</u>	<u>1,811,963</u>	<u>(3,595,000)</u>	<u>12,288,661</u>
Total of funds	<u>21,222,637</u>	<u>20,210,709</u>	<u>(22,969,101)</u>	<u>-</u>	<u>(3,595,000)</u>	<u>14,869,245</u>

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

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.

DfE/ESFA capital grants

This represents funding from the DfE or ESFA for a specific capital projects.

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17. STATEMENT OF FUNDS (continued)

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.

Under the funding agreement with the Secretary of State, the Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2017.

ANALYSIS OF ACADEMIES BY FUND BALANCE

Fund balances at 31 August 2017 were allocated as follows:

	Total 2017 £	Total 2016 £
Saffron Walden County High School	1,127,753	1,504,101
Alec Hunter Academy	440,062	593,624
Katherine Semar Junior Academy	193,593	182,061
Katherine Semar Infants School	210,559	255,370
Central services	62,844	45,428
	<u>2,034,811</u>	<u>2,580,584</u>
Total before fixed asset fund and pension reserve		
Restricted fixed asset fund	20,895,780	22,015,661
Pension reserve	(9,078,000)	(9,727,000)
	<u>13,852,591</u>	<u>14,869,245</u>
Total		

ANALYSIS OF ACADEMIES BY COST

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 2017 £	Total 2016 £
Saffron Walden						
County High School	7,411,176	1,541,914	1,536,720	1,976,523	12,466,333	14,069,080
Alec Hunter Academy	3,350,040	794,415	551,371	1,554,978	6,250,804	5,650,340
Katherine Semar Infants School	584,060	317,702	71,454	371,218	1,344,434	1,411,047
Katherine Semar Junior Academy	768,786	110,423	171,029	173,415	1,223,653	1,144,783
Central services	-	421,171	21,427	(395,488)	47,110	4,488
	<u>12,114,062</u>	<u>3,185,625</u>	<u>2,352,001</u>	<u>3,680,646</u>	<u>21,332,334</u>	<u>22,279,738</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £
Tangible fixed assets	-	-	20,352,227	20,352,227
Current assets	3,673,832	22,081	543,553	4,239,466
Creditors due within one year	(1,633,041)	-	-	(1,633,041)
Creditors due in more than one year	(28,061)	-	-	(28,061)
Provisions for liabilities and charges	-	(9,078,000)	-	(9,078,000)
	<u>2,012,730</u>	<u>(9,055,919)</u>	<u>20,895,780</u>	<u>13,852,591</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £
Tangible fixed assets	-	-	20,856,103	20,856,103
Current assets	4,125,332	-	1,663,630	5,788,962
Creditors due within one year	(1,538,826)	-	(504,072)	(2,042,898)
Creditors due in more than one year	(5,922)	-	-	(5,922)
Provisions for liabilities and charges	-	(9,727,000)	-	(9,727,000)
	<u>2,580,584</u>	<u>(9,727,000)</u>	<u>22,015,661</u>	<u>14,869,245</u>

19. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2017 £	2016 £
Net expenditure for the year (as per Statement of Financial Activities)	(2,343,654)	(2,758,392)
Adjustment for:		
Depreciation charges	590,879	689,363
Interest received	(16,516)	(25,509)
Transfers from capital to revenue expenditure	-	127,837
Decrease/(increase) in debtors	365,525	(312,070)
Decrease in creditors	(387,718)	(62,277)
Capital grants from DfE and other capital income	(649,489)	(1,244,066)
Defined benefit pension scheme cost less contributions payable	678,000	331,000
Net cash used in operating activities	<u>(1,762,973)</u>	<u>(3,254,114)</u>

20. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash in hand	3,355,887	4,539,858
Total	<u>3,355,887</u>	<u>4,539,858</u>

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NOTES TO THE FINANCIAL STATEMENTS
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21. PENSION COMMITMENTS

The Trust'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 Multi-Employer Defined Benefit Pension 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 £235,878 were payable to the schemes at 31 August 2017 (2016 - 236,759) and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay, including a 0.08% employer administration charge (currently 14.1%);
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations; and
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

The employer's pension costs paid to TPS in the period amounted to £1,289,706 (2016 - £1,330,707).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx).

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

21. PENSION COMMITMENTS (continued)

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 year ended 31 August 2017 was £811,000 (2016 - £758,000), of which employer's contributions totalled £625,000 (2016 - £584,000) and employees' contributions totalled £186,000 (2016 - £174,000). The agreed contribution rates for future years are 12.3% for employers and 5.5 and 12.5% 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:

	2017	2016
Discount rate for scheme liabilities	2.60 %	2.20 %
Rate of increase in salaries	4.20 %	4.10 %
Rate of increase for pensions in payment / inflation	2.70 %	2.30 %

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

	2017	2016
Retiring today		
Males	22.2	22.9
Females	24.7	25.3
Retiring in 20 years		
Males	24.3	25.2
Females	27.0	27.7

Sensitivity analysis	At 31 August 2017 £	At 31 August 2016 £
Discount rate +0.1%	14,674,000	13,490,000
Discount rate -0.1%	15,365,000	14,088,000
Mortality assumption - 1 year increase	15,531,000	14,165,000
Mortality assumption - 1 year decrease	14,518,000	13,416,000
CPI rate +0.1%	15,311,000	14,011,000
CPI rate -0.1%	14,727,000	13,564,000

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

21. PENSION COMMITMENTS (continued)

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

	Fair value at 31 August 2017 £	Fair value at 31 August 2016 £
Equities	3,874,000	2,697,000
Gilts	370,000	155,000
Other bonds	231,000	-
Property	575,000	430,000
Cash and other liquid assets	183,000	118,000
Alternative assets	453,000	155,000
Other managed funds	252,000	349,000
	<u>5,938,000</u>	<u>3,904,000</u>

The actual return on scheme assets was £616,000 (2016 - £469,000).

The amounts recognised in the Statement of Financial Activities incorporating Income and Expenditure Account are as follows:

	2017 £	2016 £
Current service cost	(1,095,000)	(694,000)
Interest income	92,000	125,000
Interest cost	(300,000)	(345,000)
Admin expenses	-	(1,000)
	<u>(1,303,000)</u>	<u>(915,000)</u>

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

	2017 £	2016 £
Opening defined benefit obligation	13,631,000	8,612,000
Current service cost	1,095,000	694,000
Interest cost	300,000	345,000
Employee contributions	186,000	174,000
Actuarial (gains)/losses	(15,000)	3,939,000
Benefits paid	(181,000)	(133,000)
	<u>15,016,000</u>	<u>13,631,000</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

21. PENSION COMMITMENTS (continued)

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

	2017 £	2016 £
Opening fair value of scheme assets	3,904,000	2,811,000
Interest income	92,000	125,000
Actuarial losses	1,312,000	344,000
Employer contributions	625,000	584,000
Employee contributions	186,000	174,000
Benefits paid	(181,000)	(133,000)
Admin costs	-	(1,000)
	<hr/>	<hr/>
Closing fair value of scheme assets	5,938,000	3,904,000
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22. OPERATING LEASE COMMITMENTS

At 31 August 2017 the total of the Trust's future minimum lease payments under non-cancellable operating leases was:

	2017 £	2016 £
Amounts payable:		
Within 1 year	109,969	124,321
Between 1 and 5 years	115,934	97,751
	<hr/>	<hr/>
Total	225,903	222,072
	<hr/> <hr/>	<hr/> <hr/>

23. 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 may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Trust's financial regulations and normal procurement procedures.

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.

Saffron Hall Trust - a trust in which C Derbyshire, D Barrs and M Hayes are Directors and Trustees;

- Income of £34,129 (2016 - £57,654) which included concerts costs and minibus hire.

Saffron Walden Cricket Club - a trust in which D Barrs is a Trustee;

- Income of £1,076 (2016 - £Nil) which included income from the letting of cricket facilities.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

24. MEMBERS' LIABILITIES

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. AGENCY ARRANGEMENTS

The Trust distributes 16-19 bursary funds to students as an agent for EFA. In the accounting period ending 31 August 2016 the trust received £34,230 (2016 - £30,767) and disbursed £25,014 (2016 - £26,767) from the fund. An amount of £32,485 (2016 - £23,269) is included in other creditors relating to undistributed funds that is repayable to ESFA.