

Registered number: 07964133 (England and Wales)

**KENTON SCHOOLS ACADEMY TRUST**  
(A company limited by guarantee)

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2016**



**KENTON SCHOOLS ACADEMY TRUST**  
**(A company limited by guarantee)**

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**KENTON SCHOOLS ACADEMY TRUST**  
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS MEMBERS, TRUSTEES AND  
ADVISERS  
FOR THE YEAR ENDED 31 AUGUST 2016**

**Members**

J McHanwell  
D Pearmain  
R Portsmouth

**Trustees**

J McHanwell, Chair  
R Portsmouth, Vice Chair  
A Hordon<sup>1</sup>  
K Mills  
E S O'Neil  
B Paton<sup>1</sup>  
D A Pearmain, Chief Executive<sup>1</sup>

<sup>1</sup> Members of the Finance, Procurement and Estates Committee

**Local Governing Body - Kenton School**

J McHanwell, Chair  
R Portsmouth, Vice Chair  
D Bowen  
D Everitt  
W Fleming  
D Gregor  
S Holmes-Carne, Principal  
A Horden  
J Jones  
E S O'Neil  
R Redshaw  
M Robson

**Local Governing Body - Studio West**

B Paton, Chair  
J Middleton, Vice Chair  
S Huntley  
K Mills  
Revd Prof P Pearson  
V Wigham, Principal  
A Woodcock  
S Hanson

**Headship team - Kenton School**

S Holmes-Carne, Principal  
R Devlin, Senior Vice Principal  
A Clark, Vice Principal

**Headship team - Studio West**

V Wigham, Principal  
S Huntley, Vice Principal

**Accounting Officer**

D A Pearmain

**KENTON SCHOOLS ACADEMY TRUST**  
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**Company name**

Kenton Schools Academy Trust

**Principal and registered office**

Drayton Road  
Newcastle upon Tyne  
Tyne and Wear  
NE3 3RU

**Company registered number**

07964133

**Independent auditors**

Clive Owen LLP  
Chartered Accountants  
Statutory Auditors  
Kepier House  
Belmont Business Park  
Durham  
DH1 1TW

**Bankers**

NatWest Bank plc  
Northumberland Street  
Newcastle upon Tyne  
Tyne and Wear  
NE1 7EL

Barclays Bank plc  
High Street  
Gosforth  
Newcastle upon Tyne  
Tyne and Wear  
NE3 1HA

**Solicitors**

Muckle LLP  
Time Central  
32 Gallowgate  
Newcastle upon Tyne  
Tyne and Wear  
NE1 4BF

**KENTON SCHOOLS ACADEMY TRUST**  
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**TRUSTEES' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year 1 September 2015 to 31 August 2016. The Annual report serves the purposes of both a Trustees' report, and a Directors' report under company law.

The trust currently operates two academies. Kenton School is an academy for pupils aged 11 - 19 serving a catchment area in Newcastle upon Tyne. It has a pupil capacity of 2000 and had a roll of 1841 in the school census in October 2015. Studio West is a Studio School for pupils aged 13-19, which opened in September 2014 and had a roll of 150 in the school census in October 2015.

**OBJECTIVES AND ACTIVITIES**

**Objects and aims**

The principal object and activity of the charitable company is the operation of Kenton Schools Academy Trust to provide education for students of different abilities between the ages of 11 and 19 at Kenton School and 13-19 at Studio West, with an emphasis on providing an inclusive and supportive environment for all students regardless of their background. The aim of Kenton School is summed up in the school motto "all different all equal". This aim also applies to Studio West, but in addition Studio West has the specific aim of connecting students' learning to the world of work. This aim is summed up in the school motto: "Learning that Connects."

In accordance with the articles of association the charitable company has adopted a "Scheme of Government" approved by the Secretary of State for Education. The Scheme of Government specifies, amongst other things, the basis for admitting students to the academies, the catchment area from which the students are drawn, and that the curriculum should comply with the substance of the national curriculum.

The main objectives of the academies during the year ended 31 August 2016 are summarised below:

- To ensure that every child enjoys the same high quality education in terms of resourcing, tuition and care;
- To raise the standard of educational achievement of all students;
- To improve the effectiveness of the academies by keeping the curriculum and organisational structure under continual review;
- To provide value for money for the funds expended;
- To comply with all appropriate statutory and curriculum requirements;
- To maintain close links with business, especially at Studio West;
- To conduct the academies' business in accordance with the highest standards of integrity, probity and openness; and
- At Studio West to ensure that students leave the academy ready for work.

**KENTON SCHOOLS ACADEMY TRUST**  
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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**Objectives, strategies and activities**

The academies' main objectives are encompassed in the motto "all different all equal". In addition at Studio West the academy's objectives are expressed in the motto "learning that connects". To this end the objectives and the strategies used to achieve them include the Trust's mission statement, which is as follows:

"Kenton School Academy Trust's mission is to change the current and future lives of our students for the better by providing each of them with the highest possible quality of education tailored to their differing needs. Therefore we will work tirelessly to ensure that all our students, from all backgrounds and starting points, are enthusiastic learners, attend and behave well, are safe and healthy, make excellent progress and achieve highly, then progress to the most challenging and rewarding higher education and careers. Then they will be capable, creative, caring, committed, flexible, thriving adults, who change their world, their country their family and themselves for the better."

The tailoring of provision to meet these objectives is expressed both within the individually differentiated providing within each academy and by the differentiation of provision between the two academies, with Studio West specialising in engagement with business and the world of work.

In furtherance of the Trust's motto and mission we made a successful bid to open a third school in 2017 or 2018, in partnership with the Newcastle United Foundation. The school will be an Alternative Provision Free School called the United West Academy with 90 places for students who have been unsuccessful in other schools. This will now proceed to the Pre-Opening Phase.

**Disabled persons**

Lifts, ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to all the main areas of the academy. The policy of the academy is to support recruitment and retention of students and employees with disabilities. The academy does this by making reasonable adjustments to the physical environment, by making support resources available and through training and career development.

**Public benefit**

The academy's aims and achievements are set out within this report and have been undertaken to further its charitable purposes for the public benefit. The trustees have complied with the duty under Section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission for England and Wales and the trustees have considered this guidance in deciding what activities the academy should undertake.

**KENTON SCHOOLS ACADEMY TRUST**  
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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**ACHIEVEMENTS AND PERFORMANCE**

**Financial report**

Most of the academy trust's income is obtained from the Department for Education (DfE) via the Education Funding Agency (EFA), in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE/EFA during the year to 31 August 2016 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

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

During the year to 31 August 2016, total expenditure of £16,949,000 was greater than recurrent grant funding from the DfE/EFA together with other incoming resources. The excess of expenditure over income for the period (before transfers and actuarial gains, and excluding restricted fixed asset funds) was £379,000.

All of the expenditure shown in the Statement of Financial Activities is in furtherance of the academy's objectives.

At 31 August 2016 the net book value of fixed assets was £33,434,000 and movements in tangible fixed assets are shown in note 14 to the Financial Statements. The assets were used exclusively for providing education and the associated support services to the students of the academy.

The provisions of Financial Reporting Standard (FRS) 102 in respect of the Local Government Pension Scheme, have been applied in full, resulting in a deficit of £5,380,000 recognised on the balance sheet.

The academy held fund balances at 31 August 2016 of £28,459,000 comprising £28,055,000 of restricted funds and £404,000 of unrestricted funds..

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**Review of activities**

At Kenton School the 2015/16 academic year saw slightly improved outcomes at Key Stage 4 in the core subjects of Maths and English. The headline 5A\*-C with English and Maths improved further, from 48% to 51%, but the combined English & Maths GCSE score stayed at 59%. Meanwhile, the separate Maths results were disappointing, at 62% A\*-C, with 59% making expected progress. However, the English results were excellent, with further improvement, to 81% gaining A\*-C and 85% making expected progress. The school's uncompromising high expectations and ambition for its students were perhaps best demonstrated by the increase in the percentage of students attaining the academic Ebacc, now 18%, and the high percentage of students taking three separate science GCSEs (28%), although the comparative difficulty of these subjects perhaps partly explains the relatively low Progress 8 score, at -0.38. Meanwhile the recent dramatic improvement in attendance was sustained at 95%.

Studio West opened in September 2014, so that 2016 saw its first public examination results. These were good, with 57% attaining 5+ A\*-C with English and Maths, while an excellent 87% achieved A\*-C in English and 60% in Maths. Considering that over 70% of the year group were from disadvantaged backgrounds, this was a result to be proud of. Equally important however was the exceptional success current students had in their work placements, which are critical to the school's ethos and that leavers had in finding suitable employment and educational pathways. Meanwhile, the 5th term DfE monitoring visit reported that:

- The ethos and identity of the school is very strong.
- Leaders lead by modelling and are uncompromising.
- The delivery in school of courses is very well integrated.
- There is a culture where all can excel.
- "There are no obvious weaknesses to report"

**Key financial performance indicators**

| <u>Key Performance indicator</u>               | <u>Y/E 31/08/2016</u> | <u>Y/E 31/08/2015</u> |
|--|-----------------------|-----------------------|
| Year end reserves as a % of GAG income         | 3.4%                  | 2.9%                  |
| Teacher pay as a % of GAG income               | 56.3%                 | 55.8%                 |
| Total staff pay as a % of GAG income           | 88.5%                 | 88.0%                 |
| Teachers pay as a % of total revenue income    | 48.4%                 | 47.3%                 |
| Total staff pay as a % of total revenue income | 77.4%                 | 74.7%                 |
| Total GAG income per pupil                     | £5,907                | £6,068                |
| A*-C (including Maths and English)             | 49%                   | 48%                   |

**FINANCIAL REVIEW**

**Going concern**

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



**KENTON SCHOOLS ACADEMY TRUST**  
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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties are centred around changes in the level of funding from the DfE/EFA. In addition the academy trust is a member of the Local Government Pension Scheme (LGPS), which results in the recognition of a significant deficit on the trust balance sheet.

The Trustees have assessed the major risks to which the academy trust is exposed, in particular those relating specifically to teaching, provision of facilities and other operational areas of the academy trust, and its finances. The Trustees have implemented a number of systems to assess risks that the school faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school visits) and in relation to the control of finance. Where significant financial risk still remains they have ensured they have adequate insurance cover. The academy trust has an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

The academy trust has fully implemented the requirements of the Safer Recruitment procedures and all staff have received training in this area in addition to training on Child Protection.

The academy trust is subject to a number of risks and uncertainties in common with other academies. The academy trust has in place procedures to identify and mitigate financial risks.

**Reserves policy**

The academy trust holds restricted and unrestricted funds (the attached financial statements detail these funds).

Unrestricted funds are held:

- to provide funds which can be designated to specific areas such as promoting and enhancing educational experiences for pupils through additional study support, Easter and Summer School revision classes and promoting Sports and Social Science.
- to cover ongoing costs in relation to the running of the academy trust including catering provisions, school trips, and uniform costs.

The level of reserves is reviewed by the Trustees regularly throughout the year. The minimum level of reserves for the ongoing needs of the academy trust is reviewed by the Trustees on an annual basis. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The Trustees therefore consider it prudent to hold unrestricted reserves in the general fund in the form of free reserves (total funds less the amount held in fixed assets and restricted funds) of £500,000.

This is considered sufficient to:

- a) cover delays between spending and receipt of grants
- b) provide a cushion to deal with unexpected emergencies such as urgent maintenance

The academy trust's current level of free reserves are in surplus by £404,000 and therefore are considered to be below the level of reserves required for the ongoing needs of the academy by £96,000. The Trustees are planning to manage the deficit by reducing in-year expenditure and expanding Studio West when it is opened to year 7 pupils in 2017.

**Investments policy**

The academy invests surplus funds through money market accounts. Interest rates are reviewed prior to each investment. This policy maximises investment return whilst minimising risks to the principal sum.

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**STRUCTURE, GOVERNANCE AND MANAGEMENT**

**Constitution**

The academy trust is a charitable company limited by guarantee and an exempt charity.

The charitable company's Memorandum of Association is the primary governing document of the academy trust.

The Trustees of Kenton Schools Academy Trust are also the directors of the charitable company for the purpose of company law. Each of the schools in the Trust has its own Local Governing Body. The functions of Trustees, committees, LGB and sub-committees are as follows:

1. The Trustees will be responsible for setting Trust strategy, analysing and mitigating risk and for overseeing the operation and performance of all schools, including: learning standards and quality, behaviour and attendance standards, finance, staffing, policy development and compliance, statutory and regulatory compliance and reputation.
2. They will normally delegate decisions on finance, procurement and staffing to their relevant committees, which they will appoint as they see fit, but at least two members of each committee must be Trustees.
3. The Trust will normally delegate to each Local Governing Body governance responsibility for all other aspects of school performance, including curriculum and other improvements and innovations within their school and any outcomes identified in the School Scoreboard (Data Dashboard) and other performance information, within overall Trust parameters.
4. However, The Trust may take back delegated powers, intervene or direct the LGB on any matter as it sees fit, especially on issues which they have identified as high risk. In such cases, the trustees associated with the school under scrutiny will invite challenge from the other trustees.
5. It is also expected that each non-staff LGB member (4-8) will carry a portfolio, taking specific responsibility for monitoring and challenge performance in one aspect of the school's performance (Achievement & Progress, Teaching, Behaviour & Safety, Leadership & Management).
6. The Principals of Studio West and Kenton School will be accountable to the LGB for all aspects of the schools' performance and improvement, including student and school performance and standards and improvement planning. The Chief Executive will normally attend LGB meetings, as an adviser and observer. The Principal will be accountable to him as well as to the LGB and to the Chief Executive and Trust for financial and staffing issues.
7. It is anticipated that the Principal of each school will account regularly to the Performance and Innovation Committee for outcomes identified in the School Scoreboard (Data Dashboard) and other performance information and for the School Improvement Plan.
8. The LGB may set up any sub-committee(s) it deems necessary, but its sub-committee(s) can only be advisory, not decision-making.
9. The Chief Executive will be the chief accounting officer and will account to the Trustees for all aspects of the performance of Studio West and Kenton School and their Principals and will present a Risk Analysis and escalate risk and performance concerns to them.
10. The Chief Executive will also carry specific responsibility for the finance and human resources of the Trust and report to the appropriate Trust committees on these areas.

The charitable company is known as Kenton Schools Academy Trust.

Details of the Trustees who served during the year are included in the Reference and administrative details on page 1.

**KENTON SCHOOLS ACADEMY TRUST**  
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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**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.

**Method of recruitment and appointment or election of Trustees**

The term of office for any Trustee shall be four years save that this time limit shall not apply to the Chief Executive or any post held ex officio. Subject to remaining eligible to be a particular type of Trustee, any Trustee may be re-appointed or re-elected.

The arrangements for the election of parent and staff governors are delegated to the Principals. The Trustees or members appoint Co-opted Trustees. Associate committee members may be appointed by the governors or trustees to bring additional expertise and experience to the Trust and Governing Body committees. The Chair of each of the local governing bodies is an ex officio Trustee, as is the Chief Executive; two Kenton School parent governors and one Studio West parent governor are Trustees. There are also between one and four co-opted or member-appointed Trustees.

**Policies and procedures adopted for the induction and training of Trustees**

The training and induction provided for new Trustees depends on their existing experience. Where necessary induction and training is provided on charity, educational, legal and financial matters. All new Trustees are given a tour of the academy and the chance to meet with staff and students. All Trustees are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Trustees. As there are normally only one or two new Trustees a year, induction tends to be done informally and is tailored specifically to the individual.

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**Organisational structure**

During the year the multi-academy trust operated a unified management structure. The structure consists of four levels: the Trust Board, the two trust committees and the two local Governing Bodies, the Chief Executive and the Headship Teams. Below this level the management structure of the two academies was different, with Kenton School having two more levels: the Senior Leadership Team and the Middle Leadership Team. Studio West had a flat structure below the Headship Team. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

The Trustees are responsible for setting general policy, including financial and human resources policy, as well as analysing and mitigating risk. The local Governing Bodies adopt annual development plans including curriculum plans, and monitor and challenge the academy's performance.

The Chief Executive is the chief Accounting Officer; is accountable for finance and human resources; and reports to the Trust on the performance of both academies, including the performance of the Principals and supports their work. The Headship Teams consist of the Principals and the Vice Principals. Details of these are included in the Reference and Administrative Details on page 2. The Headship Teams control the academies at an executive level implementing the policies laid down by the Trust and Governors and reporting back to Governors and to the Chief Executive and trustees as appropriate. As a group the Headship Team are responsible for the authorisation of spending within agreed budgets and the appointment of staff for posts, through appointment boards which sometimes contain a Governor.

Some spending control is devolved to members of the Kenton School Senior Leadership Team, with limits above which a member of the Headship Team must countersign.

The Kenton School Senior Leadership Team includes the Headship Team and eight Assistant Principals. Each Assistant Principal is responsible for a specific area of school performance.

The Middle Leadership of Kenton School is centred around the Group of Heads of Department and Year Leaders. These managers are responsible for the day to day operation of the academy, in particular organising the teaching staff, facilities and students.

**Connected organisations, including related party relationships**

The academy is not part of wider network, nor does it have links with any other charitable organisations. Therefore, there are no connected organisations, including related party relationships

**Trustees' indemnities**

The academy has purchased insurance to protect Trustees from claims arising against negligent acts, errors or omissions occurring whilst on academy business. Further details are provided in note 13.

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**PLANS FOR FUTURE PERIODS**

**Future developments**

At Kenton School there are strong plans for further improvement in: the Quality of Teaching and Learning, Attendance, Behaviour for Learning, Sixth Form quality and Leadership at all levels and therefore a further rise in student progress and achievement at all levels. All this will be supported by excellent Professional Learning which drives forward the key school priorities while responding to individual needs. Underpinned by a curriculum that supports and stretches all our learners with a sharp and renewed focus on Information Advice and Guidance. The KS4 curriculum will revert to two years (Y10 & Y11) for educational and financial reasons.

The Trust plans to admit students to Studio West in Y7 from 2017, to ensure a sound recruitment basis for the future and to help the LA in local school place planning. The Trust has also made a successful application to open an Alternative Provision Free School on the Kenton site in 2017 or 2018.

**Employee involvement and employment of the disabled**

Employees have been consulted on issues of concern to them by means of regular consultative committee and staff meetings and have been kept informed on specific matters directly by management. The academy trust has adopted a procedure of upward feedback for senior management and the Trustees.

The academy trust has implemented a number of detailed policies in relation to all aspects of personnel matters including:

- Equal opportunities policy
- Volunteers' policy
- Health & safety policy

In accordance with the academy trust's Equal opportunities policy, the academy trust has long established fair employment practices in the recruitment, selection, retention and training of disabled staff.

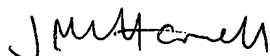
Full details of these policies are available from the academy trust's offices.

**Disclosure of information to auditor**

Insofar as the Governors are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware, and
- the Trustees have taken all the 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.

This report was approved by order of the Board of Trustees as the company directors, on 15 December 2016 and signed on its behalf by:



**J McHanwell**  
**Chair**

**KENTON SCHOOLS ACADEMY TRUST**  
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**GOVERNANCE STATEMENT**

**Scope of Responsibility**

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

The Board of Trustees has delegated the day-to-day responsibility to the Chief Executive, 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 Kenton Schools Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

**Governance**

The information on governance included here supplements that described in the Trustees' report and in the Statement of Trustees' responsibilities. The Board of Trustees has formally met 3 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

| Trustee                     | Meetings attended | Out of a possible |
|-----------------------------|-------------------|-------------------|
| J McHanwell, Chair          | 3                 | 3                 |
| R Portsmouth, Vice Chair    | 1                 | 3                 |
| A Hordon                    | 2                 | 3                 |
| K Mills                     | 3                 | 3                 |
| E S O'Neil                  | 3                 | 3                 |
| B Paton                     | 3                 | 3                 |
| D Pearmain, Chief Executive | 3                 | 3                 |

There were no changes in the composition of the Board of Trustees during 2015/16.

As soon as Studio West opened in September 2014 the multi-academy trust governance structure (described above) was activated. Before that, transition the Governing Body had been based on the previous governance structure of Kenton School.

The Finance, Procurement and Estates Committee is a sub-committee of the main Board of Trustees. Its purpose is budget preparation, budget monitoring and control, procurements, contracts/procurement, audit reports, lettings and charges, insurances and other general finance issues to ensure financial probity, ensuring that the academy operates within the guidelines and adheres to financial procedures.

Attendance at meetings in the year was as follows:

| Trustee      | Meetings attended | Out of a possible |
|--------------|-------------------|-------------------|
| A Hordon     | 3                 | 3                 |
| D A Pearmain | 3                 | 3                 |
| B Paton      | 1                 | 3                 |
| D Everitt    | 3                 | 3                 |
| D Gregor     | 2                 | 3                 |

**KENTON SCHOOLS ACADEMY TRUST**  
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**GOVERNANCE STATEMENT (continued)**

The Staffing Committee is also a sub committee of the main board of trustees. Its purpose is to develop human resources and performance management policies and ensure adherence to them, as well as making pay determinations and other staffing decisions as appropriate.

Attendance at meetings in the year was as follows:

| Trustee      | Meetings attended | Out of a possible |
|--------------|-------------------|-------------------|
| J McHanwell  | 7                 | 7                 |
| A Hordon     | 2                 | 7                 |
| D A Pearmain | 7                 | 7                 |
| R Portsmouth | 5                 | 7                 |
| S O'Neil     | 5                 | 7                 |

**Review of Value for money**

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

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

- Maintaining a staffing structure that has deployed staff efficiently and effectively. The Chief Executive has engaged with other educational providers and experts to share best practice and drive up standards.
- The financial governance and oversight by the Trustees and Accounting Officer has ensured that cost and effectiveness of spending proposals have been challenged in order to achieve value for money for the trust, for example, in the tendering of services for both Kenton School and Studio West School and the ongoing improvement of the IT infrastructure. The trust has also improved income generation through the Sport and Leisure facility under challenging circumstances to provide the facilities to clubs and the local community.
- The trust regularly review and assess budget against actual expenditure and investigate variances when they occur. The investment portfolio is regularly reviewed to ensure that income generation is maximised so that more resources can be provided to further enhance the pupils' educational experience.

**The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Kenton Schools Academy Trust for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

**Capacity to Handle Risk**

The Board of Trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy trust's significant risks, that has been in place for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

**KENTON SCHOOLS ACADEMY TRUST**  
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**GOVERNANCE STATEMENT (continued)**

**The Risk and Control Framework**

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

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

The Board of Trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Trustees have appointed Clive Owen LLP, the external auditor, to perform additional checks.

The auditors' role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. On a quarterly basis, the auditors report to the Board of Trustees on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.

The external auditors have delivered their schedule of work as planned and no material control issues have arisen as a result of their work.


**Review of Effectiveness**

As Accounting Officer, the Chief Executive 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 external auditor;
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the Board of Trustees on 15 December 2016 and signed on their behalf, by:



**J McHanwell**  
**Chair**



**D A Pearmain, Chief Executive**  
**Accounting Officer**



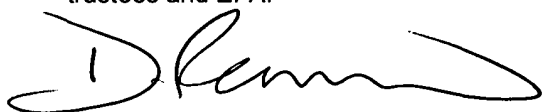
**KENTON SCHOOLS ACADEMY TRUST**  
**(A company limited by guarantee)**

**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE**

As Accounting Officer of Kenton Schools Academy Trust I have considered my responsibility to notify the academy trust board of trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

I confirm that I and the academy trust board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2015.

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



**D Pearmain**  
**Accounting Officer**

Date: 15 December 2016

**KENTON SCHOOLS ACADEMY TRUST**  
**(A company limited by guarantee)**

**STATEMENT OF TRUSTEES' RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

The Trustees (who act as governors of Kenton Schools Academy Trust and 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 Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies' Accounts Direction 2015 to 2016;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the EFA/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 order of the members of the Board of Trustees on 15 December 2016 and signed on its behalf by:



**J McHanwell**  
**Chair**

**KENTON SCHOOLS ACADEMY TRUST**  
**(A company limited by guarantee)**

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

We have audited the financial statements of Kenton Schools Academy Trust for the year ended 31 August 2016 which comprise the Statement of financial activities incorporating income and expenditure account, the Balance sheet, the Statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

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

**Respective responsibilities of Trustees and auditors**

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

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

**Scope of the audit of the financial statements**

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

**Opinion on financial statements**

In our opinion the financial statements:

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

**Opinion on other matter 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.

**KENTON SCHOOLS ACADEMY TRUST**  
**(A company limited by guarantee)**

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

**Matters on which we are required to report by exception**

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

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



Gary Ellis FCA (Senior statutory auditor)

for and on behalf of

**Clive Owen LLP**

Chartered Accountants  
Statutory Auditors

Kepier House  
Belmont Business Park  
Durham  
DH1 1TW  
15 December 2016

**KENTON SCHOOLS ACADEMY TRUST**  
**(A company limited by guarantee)**

**INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO KENTON  
SCHOOLS ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 14 September 2015 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Kenton Schools Academy Trust during the year 1 September 2015 to 31 August 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Kenton Schools Academy Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Kenton Schools Academy Trust and the EFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Kenton Schools Academy Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

**Respective responsibilities of Kenton Schools Academy Trust's accounting officer and the reporting auditors**

The accounting officer is responsible, under the requirements of Kenton Schools Academy Trust's funding agreement with the Secretary of State for Education dated 1 May 2012, and the Academies Financial Handbook extant from 1 September 2015, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2015 to 2016. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**Approach**

We conducted our engagement in accordance with the Academies Accounts Direction 2015 to 2016 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

**KENTON SCHOOLS ACADEMY TRUST**  
**(A company limited by guarantee)**

**INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO KENTON  
SCHOOLS ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY (continued)**

**Approach (continued)**

The work undertaken to draw to our conclusion includes:

- Review of governing body and committee minutes;
- Review of termly Internal Assurance reports;
- Completion of self assessment questionnaire by Accounting Officer;
- Discussions with the Accounting Officer and finance team;
- Review documentation provided to Trustees and Accounting Officer setting out responsibilities;
- Obtained formal letter of representation detailing the responsibilities of Trustees;
- Review of payroll, purchases and expenses claims on a sample basis;
- Confirmation that the lines of delegation and limits set have been adhered to;
- Evaluation of internal control procedures and reporting lines;
- Review cash payments for unusual transactions;
- Review of credit card transactions;
- Review of register of interests;
- Review related party transactions;
- Review of borrowing agreements;
- Review of land and building transactions;
- Review of potential and actual bad debts; and
- Review an instance of gifts/hospitality to ensure in line with policy.

**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 2015 to 31 August 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



**Clive Owen LLP**

Reporting Accountants

Kepier House  
Belmont Business Park  
Durham  
DH1 1TW

15 December 2016

**KENTON SCHOOLS ACADEMY TRUST**  
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 AUGUST 2016**


|   | Note | Unrestricted<br>funds<br>2016<br>£000 | Restricted<br>funds<br>2016<br>£000 | Restricted<br>fixed asset<br>funds<br>2016<br>£000 | Total<br>funds<br>2016<br>£000 | Total<br>funds<br>2015<br>£000 |
|---|------|---------------------------------------|-------------------------------------|--|--------------------------------|--------------------------------|
| <b>INCOME FROM:</b>   |      |                                       |                                     |  |                                |                                |
| Donations and capital grants                                    | 3    | -                                     | -                                   | 75   | 75                             | 6,032                          |
| Charitable activities   | 6    | -                                     | 13,039                              | -  | 13,039                         | 13,674                         |
| Other trading activities  | 4    | 633                                   | -                                   | -  | 633                            | 662                            |
| Investments   | 5    | 6                                     | -                                   | -  | 6                              | 10                             |
| <b>TOTAL INCOME</b>   |      | <b>639</b>                            | <b>13,039</b>                       | <b>75</b>  | <b>13,753</b>                  | <b>20,378</b>                  |
| <b>EXPENDITURE ON:</b>  |      |                                       |                                     |  |                                |                                |
| Charitable activities   |      | 939                                   | 13,118                              | 2,892  | 16,949                         | 16,494                         |
| <b>TOTAL EXPENDITURE</b>  | 7    | <b>939</b>                            | <b>13,118</b>                       | <b>2,892</b>                                       | <b>16,949</b>                  | <b>16,494</b>                  |
| <b>NET INCOME / (EXPENDITURE) BEFORE TRANSFERS</b>              |      |                                       |                                     |  |                                |                                |
| Transfers between Funds   | 17   | (300)                                 | (79)                                | (2,817)  | (3,196)                        | 3,884                          |
|   |      | -                                     | (61)                                | 61   | -                              | -                              |
| <b>NET INCOME / (EXPENDITURE) BEFORE OTHER GAINS AND LOSSES</b> |      |                                       |                                     |  |                                |                                |
|   |      | (300)                                 | (140)                               | (2,756)  | (3,196)                        | 3,884                          |
| Actuarial gains/(losses) on defined benefit pension schemes     | 22   | -                                     | (3,510)                             | -  | (3,510)                        | 170                            |
| <b>NET MOVEMENT IN FUNDS</b>                                    |      | <b>(300)</b>                          | <b>(3,650)</b>                      | <b>(2,756)</b>                                     | <b>(6,706)</b>                 | <b>4,054</b>                   |
| <b>RECONCILIATION OF FUNDS:</b>                                 |      |                                       |                                     |  |                                |                                |
| Total funds brought forward                                     |      | 704                                   | (1,730)                             | 36,191   | 35,165                         | 31,111                         |
| <b>TOTAL FUNDS CARRIED FORWARD</b>                              |      | <b>404</b>                            | <b>(5,380)</b>                      | <b>33,435</b>                                      | <b>28,459</b>                  | <b>35,165</b>                  |

**KENTON SCHOOLS ACADEMY TRUST**  
**(A company limited by guarantee)**  
**REGISTERED NUMBER: 07964133**

**BALANCE SHEET**  
**AS AT 31 AUGUST 2016**

|  | Note | £000           | 2016<br>£000  | 2015<br>£000   |
|--|------|----------------|---------------|----------------|
| <b>FIXED ASSETS</b>                                    |      |                |               |                |
| Tangible assets  | 14   |                | 33,434        | 36,190         |
| <b>CURRENT ASSETS</b>                                  |      |                |               |                |
| Debtors  | 15   | 400            |               | 689            |
| Cash at bank and in hand                               |      | 820            |               | 350            |
|  |      | <u>1,220</u>   |               | <u>1,039</u>   |
| <b>CREDITORS:</b> amounts falling due within one year  | 16   | (815)          |               | (334)          |
| <b>NET CURRENT ASSETS</b>                              |      |                | 405           | 705            |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>           |      |                | <u>33,839</u> | <u>36,895</u>  |
| Defined benefit pension scheme liability               | 22   |                | (5,380)       | (1,730)        |
| <b>NET ASSETS INCLUDING PENSION SCHEME LIABILITIES</b> |      |                | <u>28,459</u> | <u>35,165</u>  |
| <b>FUNDS OF THE ACADEMY</b>                            |      |                |               |                |
| Restricted funds:                                      |      |                |               |                |
| Restricted funds excluding pension liability           |      | 33,435         |               | 36,191         |
| Pension reserve  |      | <u>(5,380)</u> |               | <u>(1,730)</u> |
| Total restricted funds                                 |      |                | 28,055        | 34,461         |
| Unrestricted funds                                     | 17   |                | <u>404</u>    | <u>704</u>     |
| <b>TOTAL FUNDS</b>                                     |      |                | <u>28,459</u> | <u>35,165</u>  |

The financial statements were approved by the Trustees, and authorised for issue, on 15 December 2016 and are signed on their behalf, by:



**J McHanwell**  
**Chair**

The notes on pages 24 to 46 form part of these financial statements.



**KENTON SCHOOLS ACADEMY TRUST**  
**(A company limited by guarantee)**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

|  | Note | 2016<br>£000 | 2015<br>£000 |
|--|------|--------------|--------------|
| <b>Cash flows from operating activities</b>            |      |              |              |
| Net cash provided by/(used in) operating activities    | 19   | 525          | (694)        |
| <b>Cash flows from investing activities:</b>           |      |              |              |
| Dividends, interest and rents from investments         |      | 6            | 10           |
| Purchase of tangible fixed assets                      |      | (136)        | (1,082)      |
| Capital grants from DfE/EFA                            |      | 75           | 964          |
| <b>Net cash used in investing activities</b>           |      | (55)         | (108)        |
| <b>Change in cash and cash equivalents in the year</b> |      | 470          | (802)        |
| Cash and cash equivalents brought forward              |      | 350          | 1,152        |
| <b>Cash and cash equivalents carried forward</b>       |      | 820          | 350          |

**KENTON SCHOOLS ACADEMY TRUST**  
**(A company limited by guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**1. ACCOUNTING POLICIES**

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

**1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

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

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

**First time adoption of FRS 102**

These financial statements are the first financial statements of Kenton Schools Academy Trust prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities SORP 2015 (SORP 2015). The financial statements of Kenton Schools Academy Trust for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the Trustees have amended certain accounting policies to comply with FRS 102 and SORP 2015.

Reconciliations to previous UK GAAP for the comparative figures are included in note 29.

**1.2 FUND ACCOUNTING**

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the academy at the discretion of the 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 Department for Education.

**KENTON SCHOOLS ACADEMY TRUST**  
**(A company limited by guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**1. ACCOUNTING POLICIES (continued)**

**1.3 INCOME**

All income is recognised once the academy 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 there is certainty of receipt 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.

**1.4 EXPENDITURE**

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

All resources expended are inclusive of irrecoverable VAT.

**1.5 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 academy 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 academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

**KENTON SCHOOLS ACADEMY TRUST**  
**(A company limited by guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**1. ACCOUNTING POLICIES (continued)**

**1.6 TANGIBLE FIXED ASSETS AND DEPRECIATION**

All assets costing more than £3,000 (machinery, equipment and vehicles) or £7,000 (land, buildings and improvements) are capitalised.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance sheet at cost and depreciated over their expected useful economic life. 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.

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.

Tangible fixed assets are carried at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

|                              |   |   |
|------------------------------|---|---|
| Long term leasehold property | - | straight line over the remaining useful life (15 - 125 years) |
| Plant and machinery          | - | straight line over 5 years                                    |
| Motor vehicles               | - | straight line over 5 years                                    |
| Fixtures and fittings        | - | straight line over 5 years                                    |
| Computer equipment           | - | straight line over 3 years                                    |

**1.7 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.

**1.8 INTEREST RECEIVABLE**

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the academy; this is normally upon notification of the interest paid or payable by the Bank.

**1.9 TAXATION**

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

**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.

**KENTON SCHOOLS ACADEMY TRUST**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2016**

**1. ACCOUNTING POLICIES (continued)**

**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.

**1.12 LIABILITIES AND PROVISIONS**

Liabilities are recognised when there is an obligation at the Balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy 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 academy trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

**1.14 PENSIONS**

Retirement benefits to employees of the academy are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes and the assets are held separately from those of the academy.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 22, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each Balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of 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**  
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**1. ACCOUNTING POLICIES (continued)**

**1.15 AGENCY ARRANGEMENTS**

The academy trust acts as an agent in distributing 16-19 bursary funds from EFA. Payments received from EFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The funds received and paid and any balances held are disclosed in note 27.

**1.16 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT**

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgement:

**Depreciation** - Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the economic life of that asset. An estimate of the useful life of assets is detailed in the depreciation accounting policy. The value of depreciation charge during the year was £1,777,000.

**Land and buildings** - Certain land and buildings are held under a 125 year lease from Newcastle City Council. These assets are included on the balance sheet of the academy due to the significant risks and rewards of ownership belonging to the academy, the lease term being the major part of the economic life of the assets and the assets being of such a specialised nature that only the academy could use them without major modification.

The PFI contract is an agreement to receive services and, as the academy trust is deemed to control the services that are provided under the PFI scheme, the academy trust has recognised the assets used under the contracts within tangible fixed assets. The Trustees consider the cost of obtaining an additional valuation would outweigh the benefit.

The non-PFI premises are held on a 125 year lease from Newcastle City Council. As the risks and rewards have transferred to the academy trust, the asset has been recognised within tangible fixed assets. The initial acquisition was recognised at insurance valuation. The Trustees consider the cost of obtaining an additional valuation would outweigh the benefit.

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**2. GENERAL ANNUAL GRANT (GAG)**

Under the funding agreement with the Secretary of State the academy was subject to limits at 31 August 2016 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes.

The academy has not exceeded these limits during the year ended 31 August 2016.

**3. INCOME FROM DONATIONS AND CAPITAL GRANTS**

|  | Unrestricted<br>funds<br>2016<br>£000 | Restricted<br>funds<br>2016<br>£000 | Restricted<br>fixed asset<br>funds<br>2016<br>£000 | Total<br>funds<br>2016<br>£000 | Total<br>funds<br>2015<br>£000 |
|--|---------------------------------------|-------------------------------------|--|--------------------------------|--------------------------------|
| Amounts transferred from Local<br>Authority upon conversion to<br>an academy | -                                     | -                                   | -  | -                              | 5,046                          |
| Capital grants   | -                                     | -                                   | 75   | 75                             | 986                            |
|  | <hr/>                                 | <hr/>                               | <hr/>  | <hr/>                          | <hr/>                          |
| Total donations and capital<br>grants  | -                                     | -                                   | 75   | 75                             | 6,032                          |
|  | <hr/>                                 | <hr/>                               | <hr/>  | <hr/>                          | <hr/>                          |

In 2015, of the total income from donations and capital grants, £ *NIL* was to unrestricted funds and £6,032,000 was to restricted funds

**4. OTHER TRADING ACTIVITIES**

|                          | Unrestricted<br>funds<br>2016<br>£000 | Restricted<br>funds<br>2016<br>£000 | Total<br>funds<br>2016<br>£000 | Total<br>funds<br>2015<br>£000 |
|--------------------------|---------------------------------------|-------------------------------------|--------------------------------|--------------------------------|
| Sundry income            | 206                                   | -                                   | 206                            | 130                            |
| Lettings income          | 68                                    | -                                   | 68                             | 160                            |
| Catering                 | 150                                   | -                                   | 150                            | 148                            |
| School fund              | 111                                   | -                                   | 111                            | 146                            |
| Sport and leisure income | 98                                    | -                                   | 98                             | 78                             |
|                          | <hr/>                                 | <hr/>                               | <hr/>                          | <hr/>                          |
|                          | 633                                   | -                                   | 633                            | 662                            |
|                          | <hr/>                                 | <hr/>                               | <hr/>                          | <hr/>                          |

In 2015, of the total income from other trading activities, £662,000 was to unrestricted funds and £ *NIL* was to restricted funds.

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**5. INVESTMENT INCOME**

|               | Unrestricted<br>funds<br>2016<br>£000 | Restricted<br>funds<br>2016<br>£000 | Total<br>funds<br>2016<br>£000 | Total<br>funds<br>2015<br>£000 |
|---------------|---------------------------------------|-------------------------------------|--------------------------------|--------------------------------|
| Bank interest | 6                                     | -                                   | 6                              | 10                             |
|               | <u>6</u>                              | <u>-</u>                            | <u>6</u>                       | <u>10</u>                      |

In 2015, of the total investment income, £10,000 was to unrestricted funds and £ NIL was to restricted funds.

**6. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS**

|                                | Unrestricted<br>funds<br>2016<br>£000 | Restricted<br>funds<br>2016<br>£000 | Total<br>funds<br>2016<br>£000 | Total<br>funds<br>2015<br>£000 |
|--------------------------------|---------------------------------------|-------------------------------------|--------------------------------|--------------------------------|
| <b>DfE/EFA grants</b>          |                                       |                                     |                                |                                |
| General Annual Grant (GAG)     | -                                     | 11,828                              | 11,828                         | 12,227                         |
| Pupil Premium                  | -                                     | 786                                 | 786                            | 878                            |
| Studio West Start Up Grants    | -                                     | 94                                  | 94                             | 163                            |
| Other DfE/EFA Grants           | -                                     | 171                                 | 171                            | 15                             |
|                                | <u>-</u>                              | <u>12,879</u>                       | <u>12,879</u>                  | <u>13,283</u>                  |
| <b>Other government grants</b> |                                       |                                     |                                |                                |
| Other Government Grants        | -                                     | 160                                 | 160                            | 391                            |
|                                | <u>-</u>                              | <u>160</u>                          | <u>160</u>                     | <u>391</u>                     |
|                                | <u>-</u>                              | <u>13,039</u>                       | <u>13,039</u>                  | <u>13,674</u>                  |

In 2015, of the total income from charitable activities, £ NIL was to unrestricted funds and £13,674,000 was to restricted funds.

**7. EXPENDITURE**

|                        | Staff costs<br>2016<br>£000 | Premises<br>2016<br>£000 | Other costs<br>2016<br>£000 | Total<br>2016<br>£000 | Total<br>2015<br>£000 |
|------------------------|-----------------------------|--------------------------|-----------------------------|-----------------------|-----------------------|
| Academy's educational: |                             |                          |                             |                       |                       |
| Direct costs           | 9,026                       | -                        | 905                         | 9,931                 | 10,318                |
| Support costs          | 1,739                       | 2,096                    | 3,183                       | 7,018                 | 6,176                 |
|                        | <u>10,765</u>               | <u>2,096</u>             | <u>4,088</u>                | <u>16,949</u>         | <u>16,494</u>         |

In 2016, of the total expenditure, £835,000 (2015 - £907,000) was to unrestricted funds and £14,899,000 (2015 - £15,507,000) was to restricted funds.



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There were no individual transactions exceeding £5,000 for:

- Compensation payments
- Gifts made by the trust
- Fixed asset losses
- Stock losses
- Unrecoverable assets
- Cash losses

There were no ex-gratia payments in the year.

**8. CHARITABLE ACTIVITIES**

|                                       | 2016<br>£000 | 2015<br>£000 |
|---------------------------------------|--------------|--------------|
| <b>DIRECT COSTS</b>                   |              |              |
| Wages and salaries                    | 7,342        | 7,405        |
| National insurance                    | 593          | 568          |
| Pension cost                          | 1,119        | 1,069        |
| Educational supplies                  | 507          | 835          |
| Examination fees                      | 226          | 239          |
| Staff development                     | 30           | 34           |
| Other direct costs                    | 5            | 13           |
| Educational consultancy               | 44           | 88           |
| Travel and subsistence                | 5            | 7            |
| Net interest cost on pension scheme   | 60           | 60           |
|                                       | <hr/> 9,931  | <hr/> 10,318 |
| <b>SUPPORT COSTS</b>                  |              |              |
| Wages and salaries                    | 1,429        | 1,460        |
| National insurance                    | 100          | 92           |
| Pension cost                          | 182          | 183          |
| Depreciation                          | 1,777        | 1,756        |
| Revaluation of land and buildings     | 1,115        | -            |
| Technology costs                      | 97           | 115          |
| Recruitment and support               | 9            | 20           |
| Maintenance of premises and equipment | 75           | 144          |
| Cleaning                              | 67           | 70           |
| Rent                                  | 1,066        | 1,127        |
| Rates                                 | 148          | 153          |
| Energy                                | 116          | 46           |
| Insurance                             | 64           | 55           |
| Security                              | 29           | 41           |
| Transport                             | 6            | 16           |
| Catering                              | 343          | 371          |
| Occupancy costs                       | 15           | 18           |
| Bank interest and charges             | 2            | 2            |
| Other support costs                   | 360          | 472          |
| Governance costs                      | 18           | 35           |
|                                       | <hr/> 7,020  | <hr/> 6,096  |
|                                       | <hr/>        | <hr/>        |
|                                       | <hr/> 16,949 | <hr/> 16,494 |
|                                       | <hr/>        | <hr/>        |

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**9. NET INCOMING RESOURCES/(RESOURCES EXPENDED)**

This is stated after charging:

|   | 2016<br>£000      | 2015<br>£000      |
|---|-------------------|-------------------|
| Depreciation of tangible fixed assets:  |                   |                   |
| - owned by the charity                  | 1,777             | 1,756             |
| Auditors' remuneration - audit          | 12                | 12                |
| Auditors' remuneration - other services | 3                 | 10                |
| Operating lease rentals                 | 48                | 51                |
|   | <u>          </u> | <u>          </u> |

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**10. STAFF COSTS**

Staff costs were as follows:

|  | 2016<br>£000 | 2015<br>£000 |
|--|--------------|--------------|
| Wages and salaries                                 | 8,473        | 8,622        |
| Social security costs                              | 693          | 660          |
| Operating costs of defined benefit pension schemes | 1,301        | 1,252        |
|  | <hr/> 10,467 | <hr/> 10,534 |
| Supply teacher costs                               | 220          | 233          |
| Staff restructuring costs                          | 78           | 10           |
|  | <hr/> 10,765 | <hr/> 10,777 |

Included in operating costs of defined benefit pension schemes is a debit of £80,000 (2015: £85,000) relating to the pension deficit actuarial adjustment.

Staff restructuring costs comprise £16,000 redundancy payments and £62,000 severance payments.

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

|                        | 2016<br>No. | 2015<br>No. |
|------------------------|-------------|-------------|
| Senior management      | 6           | 11          |
| Teaching staff         | 155         | 156         |
| Learning support staff | 94          | 86          |
| Support staff          | 85          | 84          |
|                        | <hr/> 340   | <hr/> 337   |

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

|                                 | 2016<br>No. | 2015<br>No. |
|---------------------------------|-------------|-------------|
| In the band £60,001 - £70,000   | 1           | 2           |
| In the band £70,001 - £80,000   | 2           | 0           |
| In the band £90,001 - £100,000  | 0           | 2           |
| In the band £100,001 - £110,000 | 2           | 0           |
| In the band £140,001 - £150,000 | 0           | 1           |

The above employees participated in the Teachers' Pension Scheme.

The key management personnel of the academy trust comprise the directors and the headteacher and the headship teams of both academies as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £501,000 (2015: £523,000).

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**11. TRUSTEES' REMUNERATION AND EXPENSES**

One or more Trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The Principal and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of principal 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:

|              |                            | 2016<br>£000 | 2015<br>£000 |
|--------------|----------------------------|--------------|--------------|
| D A Pearmain | Remuneration               | 30-35        | 140-145      |
|              | Pension contributions paid | Nil          | 15-20        |

During the year, no Trustees received any benefits in kind (2015 - £nil).

During the year, no Trustees received any reimbursement of expenses (2015 - £nil).

**12. CENTRAL SERVICES**

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

- finance
- human resources
- information technology
- PE contract

The academy charges for these services on the following basis:

costs split based on actual charges where this can be determined, or pupil numbers, being 94% Kenton School and 6% Studio West.

The actual amounts charged during the year were as follows:

|               | 2016<br>£000      | 2015<br>£000      |
|---------------|-------------------|-------------------|
| Kenton School | 287               | 310               |
| Studio West   | 18                | 29                |
|               | <u>305</u>        | <u>339</u>        |
| Total         | <u><u>305</u></u> | <u><u>339</u></u> |

**13. TRUSTEES' AND OFFICERS' INSURANCE**

In accordance with normal commercial practice the academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the year ended 31 August 2016 was £1,305 (2015 - £1,305).

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

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**14. TANGIBLE FIXED ASSETS**

|                              | Long term<br>leasehold<br>property<br>£000 | Plant and<br>machinery<br>£000 | Motor<br>vehicles<br>£000 | Fixtures<br>and fittings<br>£000 | Computer<br>equipment<br>£000 | Total<br>£000 |
|------------------------------|--|--------------------------------|---------------------------|----------------------------------|-------------------------------|---------------|
| <b>COST OR<br/>VALUATION</b> |  |                                |                           |                                  |                               |               |
| At 1 September 2015          | 40,649                                     | 24                             | 72                        | 187                              | 586                           | 41,518        |
| Additions                    | 15   | -                              | 7                         | 17                               | 97                            | 136           |
| Revaluation                  |  |                                |                           |                                  |                               |               |
| surplus/(deficit)            | (1,124)                                    | -                              | -                         | -                                | -                             | (1,124)       |
| At 31 August 2016            | 39,540                                     | 24                             | 79                        | 204                              | 683                           | 40,530        |
| <b>DEPRECIATION</b>          |  |                                |                           |                                  |                               |               |
| At 1 September 2015          | 4,986                                      | 12                             | 39                        | 40                               | 251                           | 5,328         |
| Charge for the year          | 1,526                                      | 4                              | 15                        | 41                               | 191                           | 1,777         |
| On revalued assets           | (9)  | -                              | -                         | -                                | -                             | (9)           |
| At 31 August 2016            | 6,503                                      | 16                             | 54                        | 81                               | 442                           | 7,096         |
| <b>NET BOOK VALUE</b>        |  |                                |                           |                                  |                               |               |
| At 31 August 2016            | 33,037                                     | 8                              | 25                        | 123                              | 241                           | 33,434        |
| At 31 August 2015            | 35,663                                     | 12                             | 33                        | 147                              | 335                           | 36,190        |

Studio West land and buildings have been revalued downwards as a result of the valuation carried out by the EFA on 8 July 2016.

**15. DEBTORS**

|                                | 2016<br>£000 | 2015<br>£000 |
|--------------------------------|--------------|--------------|
| Trade debtors                  | 20           | 40           |
| VAT recoverable                | 50           | 90           |
| Prepayments and accrued income | 330          | 559          |
|                                | <u>400</u>   | <u>689</u>   |

**16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|                                 | 2016<br>£000 | 2015<br>£000 |
|---------------------------------|--------------|--------------|
| Trade creditors                 | -            | 18           |
| EFA creditor - Abatement of GAG | 405          | -            |
| Accruals and deferred income    | 410          | 316          |
|                                 | <u>815</u>   | <u>334</u>   |

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**16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)**

|                                      | 2016<br>£000      | 2015<br>£000      |
|--------------------------------------|-------------------|-------------------|
| <b>DEFERRED INCOME</b>               |                   |                   |
| Deferred income at 1 September 2015  | -                 | 22                |
| Resources deferred during the year   | 85                | -                 |
| Amounts released from previous years | -                 | (22)              |
|                                      | <u>          </u> | <u>          </u> |

Deferred income in the year comprises £63,000 of rates income, relating to the financial year ended 31 March 2017 and £22,000 relating to Post 16 bursary.

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**17. STATEMENT OF FUNDS**

|  | Brought<br>Forward<br>£000 | Income<br>£000 | Expenditure<br>£000 | Transfers<br>in/out<br>£000 | Gains/<br>(Losses)<br>£000 | Carried<br>Forward<br>£000 |
|--|----------------------------|----------------|---------------------|-----------------------------|----------------------------|----------------------------|
| <b>UNRESTRICTED FUNDS</b>                    |                            |                |                     |                             |                            |                            |
| Unrestricted general funds                   | 632                        | 529            | (841)               | -                           | -                          | 320                        |
| School Funds                                 | 72                         | 110            | (98)                | -                           | -                          | 84                         |
|  | <u>704</u>                 | <u>639</u>     | <u>(939)</u>        | <u>-</u>                    | <u>-</u>                   | <u>404</u>                 |
| <b>RESTRICTED FUNDS</b>                      |                            |                |                     |                             |                            |                            |
| General Annual Grant (GAG)                   | -                          | 11,828         | (11,767)            | (61)                        | -                          | -                          |
| Pupil Premium                                | -                          | 786            | (786)               | -                           | -                          | -                          |
| Other DfE/EFA grants                         | -                          | 171            | (171)               | -                           | -                          | -                          |
| Other Government grants                      | -                          | 160            | (160)               | -                           | -                          | -                          |
| Studio West Start Up Grants                  | -                          | 94             | (94)                | -                           | -                          | -                          |
| Pension reserve                              | (1,730)                    | -              | (140)               | -                           | (3,510)                    | (5,380)                    |
|  | <u>(1,730)</u>             | <u>13,039</u>  | <u>(13,118)</u>     | <u>(61)</u>                 | <u>(3,510)</u>             | <u>(5,380)</u>             |
| <b>RESTRICTED FIXED ASSET FUNDS</b>          |                            |                |                     |                             |                            |                            |
| Transfers from Local Authority on conversion | 34,996                     | -              | (2,602)             | -                           | -                          | 32,394                     |
| Capital expenditure from GAG                 | 154                        | -              | (101)               | 61                          | -                          | 114                        |
| Devolved Formula Capital                     | 122                        | 44             | (23)                | -                           | -                          | 143                        |
| Studio West capital grant                    | 906                        | 31             | (159)               | -                           | -                          | 778                        |
| Other Government capital grant               | 13                         | -              | (7)                 | -                           | -                          | 6                          |
|  | <u>36,191</u>              | <u>75</u>      | <u>(2,892)</u>      | <u>61</u>                   | <u>-</u>                   | <u>33,435</u>              |
| Total restricted funds                       | <u>34,461</u>              | <u>13,114</u>  | <u>(16,010)</u>     | <u>-</u>                    | <u>(3,510)</u>             | <u>28,055</u>              |
| Total of funds                               | <u>35,165</u>              | <u>13,753</u>  | <u>(16,949)</u>     | <u>-</u>                    | <u>(3,510)</u>             | <u>28,459</u>              |

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**17. STATEMENT OF FUNDS (continued)**

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

General Annual Grant (GAG) must be used for the normal running costs of the academy, including salaries and related costs, overheads, repairs and maintenance and insurance. Under the funding agreement with the Secretary of State, the academy was subject to a limit on the amount of GAG that it could carry forward at 31 August 2016. Note 2 discloses whether the limit was exceeded.

Pupil Premium is additional funding to be spent as the academy sees fit to support disadvantaged pupils.

Other DfE/EFA grants include amounts for Year 7 Catch Up and Summer School spend.

Other Government grants includes SEN finding, which is income to support students with special educational needs, income from the Local Authority to support Syrian students and income from the Department for Work and Pensions for Access to Work. Amounts received in the year have been fully spent.

Start Up Grants cover the initial costs of Studio West's implementation and are to cover expenditure of acquiring basic stock of teaching and learning materials, transitional costs and recruitment and induction costs.

The pension reserve is the liability due to the deficit on the Local Government Pension Scheme. Further details are shown in note 22.

The restricted fixed asset funds represent monies received to purchase fixed assets. Depreciation is charged against each fund over the useful life of the associated asset.

Studio West capital funding is amounts received from the EFA to fund the capital refurbishment of Studio West. Amounts received in the year have been fully spent. The balance on the fund represents the net book value of fixed assets purchased and will be written down over the life of the related assets.

Transfers have been made out of GAG to cover capital expenditure.

**ANALYSIS OF ACADEMIES BY FUND BALANCE**

Fund balances at 31 August 2016 were allocated as follows:

|   | Total<br>2016<br>£000 | Total<br>2015<br>£000 |
|---|-----------------------|-----------------------|
| Kenton School                                     | 768                   | 804                   |
| Studio West                                       | (364)                 | (100)                 |
| Total before fixed asset fund and pension reserve | 404                   | 704                   |
| Restricted fixed asset fund                       | 33,435                | 36,191                |
| Pension reserve                                   | (5,380)               | (1,730)               |
| Total   | 28,459                | 35,165                |



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**17. STATEMENT OF FUNDS (continued)**

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

| Name of academy | Amount of deficit<br>£ |
|-----------------|------------------------|
| Studio West     | (364)                  |

The reason for the deficit is that this is the second year of operation for this academy and there have been additional, unplanned clawback of funds.

The academy trust is taking the following action to return the academies to surplus:

The Trustees are planning to manage the deficit by reducing in-year expenditure and by expanding the school when it is opened to year 7 pupils in 2017.

**ANALYSIS OF ACADEMIES BY COST**

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

|               | Teaching<br>and<br>educational<br>support staff<br>costs<br>£000 | Other<br>support staff<br>costs<br>£000 | Educational<br>supplies<br>£000 | Other costs<br>excluding<br>depreciation<br>£000 | Total<br>2016<br>£000 | Total<br>2015<br>£000 |
|---------------|--|---|---------------------------------|--|-----------------------|-----------------------|
| Kenton School | 8,443  | 1,400                                   | 418                             | 2,331  | 12,592                | 13,459                |
| Studio West   | 611  | 311                                     | 89                              | 374  | 1,385                 | 1,199                 |
|               | <u>9,054</u>   | <u>1,711</u>                            | <u>507</u>                      | <u>2,705</u>                                     | <u>13,977</u>         | <u>14,658</u>         |

**18. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

|  | Unrestricted<br>funds<br>2016<br>£000 | Restricted<br>funds<br>2016<br>£000 | Restricted<br>fixed asset<br>funds<br>2016<br>£000 | Total<br>funds<br>2016<br>£000 | Total<br>funds<br>2015<br>£000 |
|--|---------------------------------------|-------------------------------------|--|--------------------------------|--------------------------------|
| Tangible fixed assets                  | -                                     | -                                   | 33,434   | 33,434                         | 36,190                         |
| Current assets                         | 404                                   | 815                                 | 1  | 1,220                          | 1,039                          |
| Creditors due within one year          | -                                     | (815)                               | -  | (815)                          | (334)                          |
| Provisions for liabilities and charges | -                                     | (5,380)                             | -  | (5,380)                        | (1,730)                        |
|  | <u>404</u>                            | <u>(5,380)</u>                      | <u>33,435</u>                                      | <u>28,459</u>                  | <u>35,165</u>                  |

**KENTON SCHOOLS ACADEMY TRUST**  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2016**

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

|  | 2016<br>£000 | 2015<br>£000 |
|--|--------------|--------------|
| Net (expenditure)/income for the year (as per Statement of financial activities) | (3,196)      | 3,884        |
| <b>Adjustment for:</b>   |              |              |
| Depreciation charges   | 1,777        | 1,756        |
| Dividends, interest and rents from investments                                   | (6)          | (10)         |
| Decrease/(increase) in debtors   | 289          | (345)        |
| Increase/(decrease) in creditors   | 481          | (139)        |
| Capital grants from DfE and other capital income                                 | (75)         | (964)        |
| Defined benefit pension scheme obligation  | 140          | 170          |
| Assets transferred from Local Authority  | -            | (5,046)      |
| Revaluation of land and buildings  | 1,115        | -            |
| <b>Net cash provided by/(used in) operating activities</b>                       | <u>525</u>   | <u>(694)</u> |

**20. ANALYSIS OF CASH AND CASH EQUIVALENTS**

|              | 2016<br>£000 | 2015<br>£000 |
|--------------|--------------|--------------|
| Cash in hand | 820          | 350          |
| <b>Total</b> | <u>820</u>   | <u>350</u>   |

**21. CAPITAL COMMITMENTS**

At 31 August 2016 the academy had capital commitments as follows:

|   | 2016<br>£000 | 2015<br>£000 |
|---|--------------|--------------|
| Contracted for but not provided in these financial statements | <u>-</u>     | <u>149</u>   |

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**22. PENSION COMMITMENTS**

The academy 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 Tyne and Wear Pension Fund. Both are 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 2013.

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

**Teachers' Pension Scheme**

**Introduction**

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

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

**Valuation of the Teachers' Pension Scheme**

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

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

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

The employer's pension costs paid to TPS in the period amounted to £839,000 (2015 - £737,000).

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**22. PENSION COMMITMENTS (continued)**

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](http://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.

**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 2016 was £612,000 (2015 - £665,000), of which employer's contributions totalled £462,000 (2015 - £515,000) and employees' contributions totalled £150,000 (2015 - £150,000). The agreed contribution rates for future years are 16.3% for employers and 5.5% - 12.0%% 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:

|  | 2016    | 2015    |
|--|---------|---------|
| Discount rate for scheme liabilities                 | 2.00 %  | 3.80 %  |
| Rate of increase in salaries                         | 3.40 %  | 3.60 %  |
| Rate of increase for pensions in payment / inflation | 1.90 %  | 2.10 %  |
| Rate of revaluation of pension accounts              | 1.90 %  | 2.10 %  |
| Commutation of pensions to lump sums                 | 75.00 % | 75.00 % |

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

|                      | 2016 | 2015 |
|----------------------|------|------|
| Retiring today       |      |      |
| Males                | 23.2 | 23.1 |
| Females              | 24.8 | 24.7 |
| Retiring in 20 years |      |      |
| Males                | 25.3 | 25.1 |
| Females              | 27.1 | 27.0 |

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**22. PENSION COMMITMENTS (continued)**

The academy trust's share of the assets in the scheme was:

|                              | Fair value at<br>31 August<br>2016<br>£000 | Fair value at<br>31 August<br>2015<br>£000 |
|------------------------------|--|--|
| Equities                     | 4,701                                      | 3,668                                      |
| Property                     | 709  | 515  |
| Government bonds             | 269  | 199  |
| Corporate bonds              | 815  | 643  |
| Cash                         | 213  | 177  |
| Other                        | 383  | 338  |
|                              | <hr/>                                      | <hr/>                                      |
| Total market value of assets | 7,090                                      | 5,540                                      |
|                              | <hr/> <hr/>                                | <hr/> <hr/>                                |

The actual return on scheme assets was £1,050,000 (2015 - £160,000).

The amounts recognised in the Statement of financial activities incorporating income and expenditure account are as follows:

|  | 2016<br>£000 | 2015<br>£000 |
|--|--------------|--------------|
| Current service cost (net of employee contributions) | (80)         | (520)        |
| Net interest cost                                    | (60)         | (60)         |
|  | <hr/>        | <hr/>        |
| Total  | (140)        | (580)        |
|  | <hr/> <hr/>  | <hr/> <hr/>  |
| Actual return on scheme assets                       | 1,050        | 160          |
|  | <hr/> <hr/>  | <hr/> <hr/>  |

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

|                                    | 2016<br>£000 | 2015<br>£000 |
|------------------------------------|--------------|--------------|
| Opening defined benefit obligation | 7,270        | 6,610        |
| Current service cost               | 80           | 520          |
| Interest cost                      | 660          | 250          |
| Actuarial losses/(gains)           | 4,340        | (200)        |
| Benefits paid                      | (30)         | (60)         |
| Contributions by participants      | 150          | 150          |
|                                    | <hr/>        | <hr/>        |
| Closing defined benefit obligation | 12,470       | 7,270        |
|                                    | <hr/> <hr/>  | <hr/> <hr/>  |

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**22. PENSION COMMITMENTS (continued)**

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

|   | 2016<br>£000 | 2015<br>£000 |
|---|--------------|--------------|
| Opening fair value of scheme assets   | 5,540        | 4,880        |
| Return on plan assets (excluding net interest on the net defined pension liability) | 220          | 190          |
| Actuarial gains and (losses)  | 830          | (30)         |
| Contributions by employer   | 380          | 410          |
| Benefits paid   | (30)         | (60)         |
| Contributions by employees  | 150          | 150          |
|   | <hr/>        | <hr/>        |
| Closing fair value of scheme assets   | 7,090        | 5,540        |
|   | <hr/> <hr/>  | <hr/> <hr/>  |

**23. OPERATING LEASE COMMITMENTS**

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

|                         | 2016<br>£000 | 2015<br>£000 |
|-------------------------|--------------|--------------|
| <b>AMOUNTS PAYABLE:</b> |              |              |
| Within 1 year           | 25           | 15           |
| Between 1 and 5 years   | 46           | 33           |
| After more than 5 years | -            | 3            |
|                         | <hr/>        | <hr/>        |
| Total                   | 71           | 51           |
|                         | <hr/> <hr/>  | <hr/> <hr/>  |

**24. OTHER FINANCIAL COMMITMENTS**

Under the PFI arrangement, the academy has a financial liability to make payments to the PFI contractor for the life of the contract, which began in October 2008 and will run for 25 years. The cost is based on pupil numbers and in the current year was £1,066,000. Funding was received from the EFA to cover this cost.

**25. NET FINANCE INCOME ON PENSION SCHEME**

|  | 2016<br>£000 | 2015<br>£000 |
|--|--------------|--------------|
| Expected return on pension scheme assets | 220          | 190          |
| Interest on pension scheme liabilities   | (280)        | (250)        |
|  | <hr/>        | <hr/>        |
|  | (60)         | (60)         |
|  | <hr/> <hr/>  | <hr/> <hr/>  |

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**26. RELATED PARTY TRANSACTIONS**

Owing to the nature of the academy'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 the trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the academy's financial regulations and normal procurement procedures.

No related party transactions took place in the period of account, other than certain directors' remuneration and expenses already disclosed in note 11.

**27. MEMBERS' LIABILITY**

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

**28. AGENCY ARRANGEMENTS**

The academy trust distributes 16-19 bursary funds to students as an agent for EFA. In the accounting period ending 31 August 2016 the trust received £47,000 and disbursed £35,000 from the fund. The remaining balance is held within deferred income.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**29. FIRST TIME ADOPTION OF FRS 102**

It is the first year that the academy trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

Reconciliations and descriptions of the effect of the transition to FRS 102 and SORP 2015 on total funds and net income/(expenditure) for the comparative period reported under previous UK GAAP and SORP 2005 are given below.

| <b>RECONCILIATION OF TOTAL FUNDS</b> | <b>Notes</b> | <b>1 September 2014<br/>£000</b> | <b>31 August 2015<br/>£000</b> |
|--------------------------------------|--------------|----------------------------------|--------------------------------|
| Total funds under previous UK GAAP   |              | 31,111                           | 35,165                         |
| Total funds reported under FRS 102   |              | <u>31,111</u>                    | <u>35,165</u>                  |

| <b>Reconciliation of net income</b>            | <b>Notes</b> | <b>31 August 2015<br/>£000</b> |
|--|--------------|--------------------------------|
| Net income previously reported under UK GAAP   |              | 4,024                          |
| Change in recognition of LGPS interest cost    | A            | (140)                          |
| Actuarial gain/(losses) brought above the line | B            | 170                            |
| Net movement in funds reported under FRS 102   |              | <u>4,054</u>                   |

Explanation of changes to previously reported funds and net income/expenditure:

**A Change in recognition of LGPS interest cost**

Under previous UK GAAP the academy recognised an expected return on defined benefit plan assets in income/expense. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in income/expense. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to reduce the credit to income and expenses by £140,000 and increase the credit on other recognised gains and losses in the SoFA by an equivalent amount.

**B Actuarial gains/(losses) brought above the line**

Under SORP 2005 actuarial gains and losses did not form part of net expenditure for the year. Under SORP (FRS102) these gains form part of the net movements in funds for the year.