

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 2017

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KENTON SCHOOLS ACADEMY TRUST
(A Company Limited by Guarantee)

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KENTON SCHOOLS ACADEMY TRUST
(A Company Limited by Guarantee)

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

Members

J McHanwell
D Pearmain
R Portsmouth

Trustees

J McHanwell, Chair
R Portsmouth, Vice Chair
S Hanson (appointed 1 December 2016)¹
A Hordon (resigned 1 December 2016)¹
K McDermid, CEO (appointed 1 September 2017)
K Mills
E O'Neil (appointed 8 January 2018, resigned 4 April 2017)
B Paton (resigned 29 November 2016)¹
D Pearmain, Former CEO (resigned 31 August 2017)¹
R Steele (appointed 8 January 2018)
M Surtees (appointed 16 January 2018)

¹ Members of the Finance, Procurement and Estates Committee

Company registered number

07964133

Company name

Kenton Schools Academy Trust

Principal and registered office

Drayton Road
Newcastle upon Tyne
Tyne and Wear
NE3 3RU

Accounting Officer

K McDermid, CEO

Headship teams

S Holmes-Carne, Principal (Kenton School)
R Devlin, Senior Vice Principal (Kenton School)
A Clark, Vice Principal (Kenton School)
V Wigham, Principal (Studio West)
S Huntley, Deputy Principal (Studio West)

Independent auditors

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

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

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 2017

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 1 September 2016 to 31 August 2017. The Annual Report serves the purposes of both a Trustees' Report, and a Directors' report under company law.

The trust operates two academies in Newcastle upon Tyne. Kenton School is an academy with a pupil capacity of 2,000 and had a roll of 1,807 in the school census in October 2016. Studio West is a Studio School with a pupil capacity of 250 and had a roll of 163 in the school census in October 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.

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.

Members' liability

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

Trustees' 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.

Method of recruitment and appointment or election of Trustees

Trustees are recruited according to an identified need within the trust body. Appointment is by vote of the existing Trustees. The term of office for any Trustee shall be four years, save that this time limit shall not apply to the CEO 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 local 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 CEO is an ex-officio Trustee as are some Governors from both Kenton School and Studio West in accordance with the Articles of Association. There are also between one and four co-opted or member appointed Trustees.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

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.

Organisational structure

During the year the multi academy trust continued to operate a unified management structure. The Structure consists of four levels: the Trust Board, the two trust committees and two local Governing Bodies, the CEO and their 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 CEO 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 Vice Principals, details of these are included in the reference and administrative section on page 1. 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 CEO 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 Senior Leadership Team includes the Headship Team and nine Assistant Principals. Each Assistant Principal is responsible for a specific area of school performance.

The Middle Management 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.

Arrangements for setting pay and remuneration of key management personnel

The key management personnel of the academy trust comprise the Trustees and the Principals and the Headship teams of both academies as listed on page 1. Remuneration of the CEO was set at a spot salary pro rata amount on L29 of the leadership spine following analysis of salary arrangements in other MATs.

The pay ranges for school leaders will be set in accordance with the School Teacher's Pay and Conditions Document with Principals paid within a 7 point range, and Vice and Assistant Principal's paid within a 5 point range.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

Arrangements for setting pay and remuneration of key management personnel (continued)

The trust will review pay annually and progression through the pay range will be based on performance assessed through the annual appraisal process; it will take account of the recommendation on pay contained within the appraisal report and award progression where there is evidence that the individual:

- Contributes effectively to whole school leadership.
- Effectively leads their own specific leadership areas of responsibility, taking into account performance management objectives.
- Effectively leads all line managed areas.

Kenton Schools Academy Trustees do not receive any remuneration with the exception of the CEO.

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.

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 11-19 at Kenton School and between the ages of 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 2017 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.

Objectives, strategies and activities

The trust's main objectives are encompassed in its mission statement which is "to change the current and future lives of our students for the better by providing 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".

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

Objectives, strategies and activities (continued)

To this end the objectives and the strategies used to achieve them include:

- Responding to Ofsted inspection reports
- Withdrawal from United West Academy to focus on school improvement in both academies
- MAT Board discussion of closer working arrangements with another local trust
- Improvement in pupil outcomes for 2018
- Carry out comprehensive curriculum cost analysis to inform future planning

The activities undertaken to achieve these objectives are all intended to provide the highest quality of education in the public sector for students in both Kenton School and Studio West.

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 trust. The policy of the academy trust is to support recruitment and retention of students and employees with disabilities. The academy trust does this by adapting 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.

STRATEGIC REPORT

Achievements and performance

Review of activities

At Kenton School the 2016/17 academic year saw variable outcomes at Key Stage 4 in the core subjects of Maths and English, this was reflecting the new changes to Grades 1 to 9 and the well documented increased challenge to the English and Maths GCSEs. The headline 9-5 in both with English and Maths was 29.2% and the headline 9-4 with English and Maths was 53%. Meanwhile, the separate Maths standard pass was 62% , the strong pass 37% and the average Progress 8 for Maths -0.390. The separate English standard pass 60% , the strong pass 41.4% and the average Progress 8 for English -0.627. The school's uncompromising high expectations and ambition for its students were perhaps best demonstrated by the percentage of students attaining the academic EBacc, strong pass 17% and standard pass 15.3% . There was a dramatic increase in the attainment of students taking three separate science GCSEs Biology 100%, A*-C , Chemistry 94.1% A*-C and Physics 96% A*-C. The overall Progress 8 score rose to -0.312 from -0.39 the previous year. Meanwhile the recent dramatic improvement in attendance was sustained at 94.9%.

Kenton Sixth form results broke all school records A*-A 32.2% (2016: 19.9%), A*-B 45.7% (2016: 38.7%), A*-C 77.1% (2016: 67.4%) and A*-E (2016: 97.9%). The new average point score per entry was 31.08 for academic and 41.34 for vocational.

In the summer 2017 Studio West saw its second public examination results, the combination of which lead to a Progress 8 Score of +0.21. English and Maths achieved good outcomes individually; 82% achieved a Grade 4 or above in (best of) English against a National Average of 64.9% and 80.5% of students achieved a Grade 4 or above in Maths against a National Average of 72%.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

Review of activities (continued)

Although, no longer an official benchmark, students attaining five GCSEs of Grade 4 or above including English and Maths was 78%. Element 1 in Progress 8 was strong due to the combined results from both English and Maths. Element 3 was a particularly strong. As a Studio School, we pride ourselves on a wide and varied curriculum and this certainly celebrated in Element 3. Progress 8 for this Element stands at +1.3.

Considering the disadvantaged background of our students and given that 49% of this cohort were Pupil Premium, we are very proud of these results. In addition to this we also stand at 0% NEET, a trend since opening.

This cohort benefitted from our Studio School 'business world' ethos and we saw some exceptional success stories with students experiencing a wide variety of work placements. Every year we obtain a number of degree apprenticeships which adds to our suite of opportunities for the young people of Studio West.

Key performance indicators

	2017	2016
Year end reserves as %age of GAG income	-3.1%	3.4%
Direct staff costs as %age of GAG	81%	76%
Total staff costs as a %age of GAG Income	98%	90%
Direct staff cost as a %age of total revenue	71%	66%
Total staff costs as a %age of total revenue income	85%	79%
A*-C (including Maths and English)	56.2%	49%

Going concern

The CEO of Kenton Schools Academy Trust retired on 31 August 2017. The trust tried to recruit a replacement by open advert but was unable to appoint. In the interim, the trust agreed to procure the services of two people to cover the role and functions of the CEO on a temporary basis to December 2017, when it was anticipated that Kenton Schools Academy Trust would merge with another Multi Academy Trust. This is still anticipated to happen but at a later date to be agreed. From January 2018, Kenton Schools Academy Trust has a Chief Executive Officer, K McDermid, a highly experienced former secondary Headteacher and Education Adviser to many Academies and MATs.

In response to the deficit position of the unrestricted reserves of £356,000, the trust entered into a contract with UNW LLP to secure high level professional accountancy support and, from November 2017 secured the services of C Hart (ICAEW Chartered Accountant) as Finance Director to strengthen the financial management of the trust. In addition, since January 2018 the Kenton Schools Academy Trust Board has been strengthened by the addition of M Surtees (formerly Assistant Director of Education Newcastle City Council and Head of Education Finance and Resources) and Ray Steele (formerly Head of School Improvement, Newcastle City Council) as Trustees. The CEO and Head of Finance of the potential acquirer MAT will join the Board as observers. A new Finance and Staffing sub-committee will be established.

As a result of the recovery plan and restructure it is estimated that the trust will incur one-off in year redundancy related costs of £387,000. The ESFA have agreed an advance of GAG, by means of a loan repayable over three years, sufficient to deliver the recovery plan, and it is expected to return the trust to a cumulative surplus position by 31 August 2019.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

FINANCIAL REVIEW

Financial report

Most of the academy trust's income is obtained from the Department for Education (DfE) via the Education and Skills Funding Agency (ESFA), in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE/ESFA during the year to 31 August 2017 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/ESFA. In accordance with The Charities SORP (FRS102), 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.

In addition the trust derives smaller amounts of income from lettings, sports hall hire and catering. During the year to 31 August 2017, total expenditure of £16,282,000 was in excess of recurrent grant funding from the DfE/ESFA 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 £1,380,000. This result has eradicated the trust's remaining reserves, which have been under pressure for a number of years.

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

At 31 August 2017 the net book value of fixed assets was £31,704,000 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 trust.

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 £3,040,000 recognised on the balance sheet.

The academy trust held fund balances at 31 August 2017 of £28,325,000 comprising £28,681,000 of restricted funds and a deficit £356,000 of unrestricted funds.

As noted under Going Concern above, in view of the current financial position of the trust, the Trustees are implementing a restructure of staff in the school year to 31 August 2018, which will reduce staff costs in year and generate significant savings from 1 September 2018. It is expected that the trust will rebuild unrestricted reserves to at least a positive net position by 31 August 2019.

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 to improve the quality of education.
- 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

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

Reserves policy (continued)

At 31 August 2017 the free reserves of the academy trust (ie excluding both fixed assets and pension) had fallen into a deficit position of £356,000, following another challenging year that saw both rising costs and a staff restructure. As noted above, a second staff restructure is now underway which will further reduce costs both in the 2017/18 year and beyond. The trust aims to rebuild unrestricted reserves to a positive net position by the end of the 2018/19 academic year.

Investments policy

The academy trust 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. However, at present the academy has no such surplus funds.

Principal risks and uncertainties

The principal risks and uncertainties are centred around changes in the level of funding from the DfE/ESFA. 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 academy trust balance sheet.

The principal finance risks faced by the trust as of 31 August 2017 were the depletion of reserves as quantified in the deficit position reported elsewhere in the Annual Accounts. Consequently, there will be pressure on cash flow during the current financial year and beyond until the trust is able to stabilise the position through a programme of spending cuts.

To address and mitigate these financial risks the trust will implement a radical recovery plan that seeks to rebuild unrestricted reserves to a cumulative surplus position by 31 August 2019 and meet the ESFA conditions for financial support for the implementation of the delivery plan and mitigation of cashflow risk.

The Trustees have assessed the major risks to which the trust is exposed, in particular those relating specifically to teaching provision of facilities and other operational areas of the trust, and its finances.

Since the year end the trust has sourced additional resources to fill gaps in the Senior Leadership Team in the short term, following the retirement of the CEO. This strengthened team is working to tackle the trust's deficit financial position and to ensure the education of the children in its care is not adversely impacted during this period of necessary change.

The Trustees are aware, as noted elsewhere in this report, of the difficult position the trust is in and are taking all steps possible to mitigate the risks presented.

The trust has an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

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

PLANS FOR FUTURE PERIODS

Future developments

Post year end the trust has appointed a new interim CEO, agreed a recovery plan and obtained a funding package from the ESFA to assist with cashflow. The recovery plan will return the trust to surplus general funds and ensure there are necessary resources in future years.

In the medium term the trust is continuing to work closely with a view to joining another MAT.

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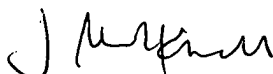
TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

Disclosure of information to auditor

Insofar as the Trustees are aware:

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

The Trustees' Report was approved by order of the Board of Trustees, as the company directors, on 9 February 2018 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 CEO, 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 6 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	6	6
R Portsmouth, Vice Chair	5	6
S Hanson (appointed 1 December 2016)	2	3
A Hordon (resigned 1 December 2016)	1	2
K Mills	5	6
E O'Neil (resigned 4 April 2017)	4	4
B Paton (resigned 29 November 2016)	2	2
D Pearmain, Former CEO (resigned 31 August 2017)	6	6

The trust undertook a restructuring exercise to ensure there were clearer lines of accountability throughout the trust. The Articles of Association were amended to reflect these changes. The trust also appointed an adviser to the board.

During the year both Studio West and Kenton School commissioned an external review of Governance carried out by a Her Majesty's Inspector. The review identified a need for the Trust Board to establish a clear cycle for monitoring and evaluation of the progress of each school against their action plans. This has been done and is evidenced in the minutes of Trust Board meetings. Also following the review of governance, the remits of the Trust Board and Local Governing Bodies have been clarified with a view to more clearly differentiating responsibilities between the two. In response to another recommendation, the membership of the Trust Board has been further strengthened.

The Kenton Schools Academy Trust is seeking to join another trust imminently. In the light of this a further review has not been commissioned, although the trust is working closely with the other trust. Should this change not happen, the trust will commission a further review to ensure its governance structures remain fit for purpose as a stand alone trust.

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.

The committee met three times during the year, and on reviewing the results for the academy as the year progressed, instigated a programme of redundancy that took effect at the end of the school year. The financial position of the academy trust has been the primary concern of the committee during the period, although the cost of the redundancy programme, and the timing at the end of the year, did not deliver in year savings to allow the academy trust to return to a balanced budget.

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GOVERNANCE STATEMENT (continued)

Governance (continued)

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
S Hanson (appointed 1 December 2016)	1	1
A Hordon (resigned 1 December 2016)	0	1
B Paton (resigned 29 November 2016)	1	1
D Pearmain, Former CEO (resigned 31 August 2017)	3	3
Non-Trustee Committee Members		
D Everitt	3	3
D Gregor	3	3

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.

The committee met five times during the year, and on reviewing the results for the academy trust as the year progressed, instigated a programme of redundancy that took effect at the end of the school year. The committee also gave careful consideration to the CEO retiring and developed a recruitment campaign and put in place interim procedures to cover his retirement at the end of the school year.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
A Hordon (resigned 1 December 2016)	0	3
J McHanwell	4	5
D A Pearmain (resigned 31 August 2017)	5	5
R Portsmouth	4	5
S O'Neil (resigned 4 April 2017)	4	5
Non-Trustee Committee Members		
Revd. P Pearson	2	5

Review of Value for Money

As Accounting Officer, the CEO 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:

- The schools have maintained a staffing structure that is focused on the provision of excellent pastoral and academic support for learning. In recent years spend on supply cover for teaching staff has been unprecedentedly high though this might be seen as expenditure to maintain high teaching standards. External cost pressures such as increases in pensions, salaries, apprenticeship levy inflation and National Insurance have put this high staff expenditure under pressure and will continue to do so. A benchmarking exercise is to be carried out early in 2017-18.
- 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 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.

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GOVERNANCE STATEMENT (continued)

Review of Value for Money (continued)

- The trust regularly review and assess budget against actual expenditure and investigate variances when they occur.

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 2016 to 31 August 2017 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 2016 to 31 August 2017 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

This assessment of risk has led to the strengthening of the Senior Leadership Team from 1 September 2017 to provide assistance to the Board of Trustees in turning the financial position of the academy around.

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.

KENTON SCHOOLS ACADEMY TRUST
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT (continued)

The Risk and Control Framework (continued)

The auditors' role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. In particular the checks carried out in the current period included:

- Testing of payroll systems;
- Testing of purchase systems;
- Testing of petty cash/expenses procedures;
- Testing of income;
- Testing of the accounting systems and management information produced;
- Review of Trustee appointments/resignations and declarations of interest;
- Review of gifts and hospitality & honorarium/ex-gratia payments;
- Review of information technology strategy;
- Review of fixed assets;
- Review of VAT and Corporation tax position.

On a termly basis, the auditors report to the Board of Trustees through the Finance, Procurement and Estates Committee on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.

The 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 CEO 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 9 February 2018 and signed on their behalf, by:



J McHanwell
Chair



K McDermid
Accounting Officer

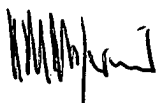
KENTON SCHOOLS ACADEMY TRUST
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Kenton Schools Academy Trust I have considered my responsibility to notify the academy trust Board of Trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2016.

I confirm that I and the 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 2016.

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



K McDermid
Accounting Officer

Date: 9 February 2018

KENTON SCHOOLS ACADEMY TRUST
(A Company Limited by Guarantee)

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2017

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 and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017;
- make judgements 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 ESFA/DfE have been applied for the purposes intended.

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

Approved by order of the members of the Board of Trustees on 9 February 2018 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**

Opinion

We have audited the financial statements of Kenton Schools Academy Trust for the year ended 31 August 2017 which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills 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 Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the academy and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the academy's affairs as at 31 August 2017 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 2016 to 2017 issued by the Education and Skills Funding Agency.

Basis of opinion

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

Conclusions relating to going concern

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

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

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net deficit on unrestricted funds of £760,000 during the year ended 31 August 2017 and, at that date, the trust's unrestricted reserves were in deficit by £356,000.

KENTON SCHOOLS ACADEMY TRUST
(A Company Limited by Guarantee)

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

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees (who are also the directors of the 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, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

KENTON SCHOOLS ACADEMY TRUST
(A Company Limited by Guarantee)

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

Auditor's responsibilities for the audit of the financial statements

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

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



Gary Ellis BA FCA (Senior Statutory Auditor)

for and on behalf of

Clive Owen LLP

Chartered Accountants
Statutory Auditors

Kepier House
Belmont Business Park
Durham
DH1 1TW
9 February 2018

KENTON SCHOOLS ACADEMY TRUST
(A Company Limited by Guarantee)

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

In accordance with the terms of our engagement letter dated 14 September 2015 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Kenton Schools Academy Trust during the year 1 September 2016 to 31 August 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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 2016, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2016 to 2017. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2016 to 31 August 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2016 to 2017 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

KENTON SCHOOLS ACADEMY TRUST
(A Company Limited by Guarantee)

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


Approach (continued)

The work undertaken to draw to our conclusion includes:

- Review of Board of Trustees 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 2016 to 31 August 2017 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Clive Owen LLP

Reporting Accountants

Kepier House
Belmont Business Park
Durham
DH1 1TW

9 February 2018

KENTON SCHOOLS ACADEMY TRUST
(A Company Limited by Guarantee)

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

	Note	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
INCOME FROM:						
Donations and capital grants	3	-	-	47	47	75
Charitable activities	6	-	12,519	-	12,519	13,039
Other trading activities	4	620	-	-	620	633
Investments	5	2	-	-	2	6
TOTAL INCOME		<u>622</u>	<u>12,519</u>	<u>47</u>	<u>13,188</u>	<u>13,753</u>
EXPENDITURE ON:						
Charitable activities		<u>1,382</u>	<u>13,139</u>	<u>1,761</u>	<u>16,282</u>	<u>16,949</u>
TOTAL EXPENDITURE	7	<u>1,382</u>	<u>13,139</u>	<u>1,761</u>	<u>16,282</u>	<u>16,949</u>
NET EXPENDITURE BEFORE OTHER RECOGNISED GAINS AND LOSSES						
		(760)	(620)	(1,714)	(3,094)	(3,196)
Actuarial gains/(losses) on defined benefit pension schemes	21	<u>-</u>	<u>2,960</u>	<u>-</u>	<u>2,960</u>	<u>(3,510)</u>
NET MOVEMENT IN FUNDS		<u>(760)</u>	<u>2,340</u>	<u>(1,714)</u>	<u>(134)</u>	<u>(6,706)</u>
RECONCILIATION OF FUNDS:						
Total funds brought forward		<u>404</u>	<u>(5,380)</u>	<u>33,435</u>	<u>28,459</u>	<u>35,165</u>
TOTAL FUNDS CARRIED FORWARD		<u>(356)</u>	<u>(3,040)</u>	<u>31,721</u>	<u>28,325</u>	<u>28,459</u>

KENTON SCHOOLS ACADEMY TRUST
(A Company Limited by Guarantee)
REGISTERED NUMBER: 07964133

BALANCE SHEET
AS AT 31 AUGUST 2017

	Note	£000	2017 £000	2016 £000
FIXED ASSETS				
Tangible assets	14		31,704	33,434
CURRENT ASSETS				
Debtors	15	281		400
Cash at bank and in hand		296		820
		<u>577</u>		<u>1,220</u>
CREDITORS: amounts falling due within one year	16	(916)		(815)
NET CURRENT (LIABILITIES)/ASSETS			(339)	405
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>31,365</u>	<u>33,839</u>
Defined benefit pension scheme liability	21		(3,040)	(5,380)
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u>28,325</u>	<u>28,459</u>
FUNDS OF THE ACADEMY				
Restricted income funds:				
Restricted income funds excluding pension liability		31,721		33,435
Pension reserve		<u>(3,040)</u>		<u>(5,380)</u>
Total restricted income funds			28,681	28,055
Unrestricted income funds	17		<u>(356)</u>	<u>404</u>
TOTAL FUNDS			<u>28,325</u>	<u>28,459</u>

The financial statements on pages 22 to 47 were approved by the Trustees, and authorised for issue, on 9 February 2018 and are signed on their behalf, by:



J McHanwell
Chair

KENTON SCHOOLS ACADEMY TRUST
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2017

	Note	2017 £000	2016 £000
Cash flows from operating activities			
Net cash (used in)/provided by operating activities	19	(542)	525
Cash flows from investing activities:			
Dividends, interest and rents from investments		2	6
Purchase of tangible fixed assets		(31)	(136)
Capital grants from DfE/ESFA		47	75
Net cash provided by/(used in) investing activities		18	(55)
Change in cash and cash equivalents in the year		(524)	470
Cash and cash equivalents brought forward		820	350
Cash and cash equivalents carried forward		296	820

KENTON SCHOOLS ACADEMY TRUST
(A Company Limited by Guarantee)

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

1. ACCOUNTING POLICIES

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

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the 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 2016 to 2017 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

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

1.2 GOING CONCERN

The Trustees assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the academy to continue as a going concern. As detailed in the Trustees' Report, 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. The Trustees have concluded that, subject to the continued support of the ESFA, 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.

Since the year end the trust has received an advancement of GAG by means of a loan from the ESFA which is repayable over three years. This, together with new appointments, will ensure that the trust moves towards a balanced budget.

1.3 FUND ACCOUNTING

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Education and Skills Funding Agency 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 Education and Skills Funding Agency.

KENTON SCHOOLS ACADEMY TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.4 INCOME

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

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

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

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

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

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

1.5 EXPENDITURE

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

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

All expenditure is inclusive of irrecoverable VAT.

KENTON SCHOOLS ACADEMY TRUST
(A Company Limited by Guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.6 TANGIBLE FIXED ASSETS AND DEPRECIATION

Assets costing more than £3,000 (machinery, equipment and vehicles) or £7,000 (land, buildings and improvements) are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities incorporating Income and Expenditure Account and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities incorporating Income and Expenditure Account. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

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

Long term leasehold property	-	straight line over the remaining useful life 15 years
Long term leasehold land	-	straight line over the remaining useful life 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

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

1.7 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.

KENTON SCHOOLS ACADEMY TRUST
(A Company Limited by Guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.10 FINANCIAL INSTRUMENTS

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

Financial assets – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 15. Prepayments are not financial instruments.

Cash at bank – is classified as a basic financial instrument and is measured at face value.

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

1.11 PENSIONS

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Governments Pension Scheme ("LGPS"). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the 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 21, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the 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 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)

1.12 AGENCY ARRANGEMENTS

The academy trust acts as an agent in distributing 16-19 bursary funds from ESFA. Payments received from ESFA 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 26.

1.13 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

Critical accounting estimates and assumptions:

The 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 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

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 £1,761,000.

Land – Certain land is 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 some academies within the academy trust were subject to limits at 31 August 2017 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.

No academies within the trust exceeded the limits during the year ended 31 August 2017.

3. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
Capital grants	-	-	47	47	75
<i>Total 2016</i>	-	-	75	75	

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
Sundry income	146	-	146	206
Lettings income	64	-	64	68
Catering	171	-	171	150
School fund	137	-	137	111
Sport and leisure income	102	-	102	98
	620	-	620	633
<i>Total 2016</i>	633	-	633	

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5. INVESTMENT INCOME

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
Bank interest	2	-	2	6
	<u>2</u>	<u>-</u>	<u>2</u>	<u>6</u>
<i>Total 2016</i>	<u>6</u>	<u>-</u>	<u>6</u>	

6. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
DfE/ESFA grants				
General Annual Grant (GAG)	-	11,330	11,330	11,808
Sponsor Capacity Grant	-	42	42	94
Pupil Premium	-	774	774	786
Other DfE/ESFA Grants	-	93	93	191
	<u>-</u>	<u>12,239</u>	<u>12,239</u>	<u>12,879</u>
Other government grants				
Other Government Grants	-	47	47	30
SEN	-	233	233	130
	<u>-</u>	<u>280</u>	<u>280</u>	<u>160</u>
	<u>-</u>	<u>12,519</u>	<u>12,519</u>	<u>13,039</u>

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

7. EXPENDITURE

	Staff costs 2017 £000	Premises 2017 £000	Other costs 2017 £000	Total 2017 £000	Total 2016 £000
Academy's educational operations:					
Direct costs	9,249	-	774	10,023	9,871
Support costs	1,903	1,928	2,428	6,259	7,078
	<u>11,152</u>	<u>1,928</u>	<u>3,202</u>	<u>16,282</u>	<u>16,949</u>
<i>Total 2016</i>	<u>10,765</u>	<u>2,096</u>	<u>4,088</u>	<u>16,949</u>	

In 2017, of the total expenditure, £1,382,000 (2016 - £939,000) was to unrestricted funds and £14,900,000 (2016 - £16,010,000) was to restricted funds.

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.

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

8. CHARITABLE ACTIVITIES

	2017 £000	2016 £000
DIRECT COSTS		
Wages and salaries	7,036	7,342
National insurance	668	593
Pension cost	1,545	1,119
Educational supplies	441	507
Examination fees	231	226
Staff development	33	30
Other direct costs	13	5
Educational consultancy	53	44
Travel and subsistence	3	5
	<hr/> 10,023	<hr/> 9,871
SUPPORT COSTS		
Wages and salaries	1,603	1,429
National insurance	117	100
Pension cost	183	182
Depreciation	1,761	1,777
Net interest cost on pension scheme	100	60
Revaluation of land and buildings	-	1,115
Technology costs	166	97
Recruitment and support	38	9
Maintenance of premises and equipment	46	70
Cleaning	72	67
Rent	1,026	1,066
Rates	58	148
Energy	68	116
Insurance	65	64
Security	30	29
Transport	51	11
Catering	363	343
Occupancy costs	23	15
Bank interest and charges	3	2
Other support costs	462	360
Governance costs	24	18
	<hr/> 6,259	<hr/> 7,078
	<hr/> <hr/> 16,282	<hr/> <hr/> 16,949

KENTON SCHOOLS ACADEMY TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

9. NET INCOME/(EXPENDITURE)

This is stated after charging:

	2017 £000	2016 £000
Depreciation of tangible fixed assets:		
- owned by the charity	1,761	1,777
Auditors' remuneration - audit	14	12
Auditors' remuneration - other services	5	3
Operating lease rentals	49	48
	<u> </u>	<u> </u>

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**NOTES TO THE FINANCIAL STATEMENTS
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10. STAFF COSTS

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	8,128	8,473
Social security costs	785	693
Operating costs of defined benefit pension schemes	1,728	1,301
	<u>10,641</u>	<u>10,467</u>
Apprenticeship levy	10	-
Supply staff costs	303	220
Staff restructuring costs	198	78
	<u>11,152</u>	<u>10,765</u>

Included in operating costs of defined benefit pension schemes is a debit of £520,000 (2016: £80,000) relating to the pension deficit actuarial adjustment.

Staff restructuring costs comprise:

	2017 £000	2016 £000
Redundancy payments	153	16
Severance payments	45	62
	<u>198</u>	<u>78</u>

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

	2017 No.	2016 No.
Senior management	14	6
Teaching staff	134	155
Learning support staff	54	94
Support staff	85	85
	<u>287</u>	<u>340</u>

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

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

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

10. STAFF COSTS (continued)

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 employers National Insurance and pension contributions) received by key management personnel for their services to the academy trust was £528,000 (2016: £561,000).

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:

		2017 £000	2016 £000
D A Pearmain	Remuneration	20-25	30-35
	Pension contributions paid	Nil	Nil

During the year, no Trustees received any benefits in kind (2016 - £nil).

During the year, no Trustees received any reimbursement of expenses (2016 - £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 91% Kenton School and 9% Studio West.

The actual amounts charged during the year were as follows:

	2017 £000	2016 £000
Kenton School	251	287
Studio West	25	18
Total	<u>276</u>	<u>305</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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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 2017 was £1,305 (2016 - £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 Trustees and officers indemnity element from the overall cost of the RPA scheme.

14. TANGIBLE FIXED ASSETS

	Long term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Computer equipment £000	Total £000
COST OR VALUATION						
At 1 September 2016	39,540	24	79	204	683	40,530
Additions	-	-	-	-	31	31
At 31 August 2017	39,540	24	79	204	714	40,561
DEPRECIATION						
At 1 September 2016	6,503	16	54	81	442	7,096
Charge for the year	1,526	4	12	41	178	1,761
At 31 August 2017	8,029	20	66	122	620	8,857
NET BOOK VALUE						
At 31 August 2017	31,511	4	13	82	94	31,704
At 31 August 2016	33,037	8	25	123	241	33,434

15. DEBTORS

	2017 £000	2016 £000
Trade debtors	19	20
VAT recoverable	15	50
Prepayments and accrued income	247	330
	<u>281</u>	<u>400</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £000	2016 £000
Other taxation and social security	199	-
ESFA creditor - Abatement of GAG	100	405
Other creditors	153	-
Accruals and deferred income	464	410
	<u>916</u>	<u>815</u>
	<u>2017 £000</u>	<u>2016 £000</u>
DEFERRED INCOME		
Deferred income at 1 September 2016	85	-
Resources deferred during the year	84	85
Amounts released from previous years	(63)	-
Deferred income at 31 August 2017	<u>106</u>	<u>85</u>

Deferred income in the year comprises £64,000 of rates income, relating to the financial year ended 31 March 2018 and £42,000 relating to 16-19 bursary received but not yet spent.

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**NOTES TO THE FINANCIAL STATEMENTS
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17. STATEMENT OF FUNDS

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2017 £000
UNRESTRICTED FUNDS						
Unrestricted general funds	320	485	(1,242)	-	-	(437)
School Funds	84	137	(140)	-	-	81
	<u>404</u>	<u>622</u>	<u>(1,382)</u>	<u>-</u>	<u>-</u>	<u>(356)</u>
RESTRICTED FUNDS						
General Annual Grant (GAG)	-	11,330	(11,330)	-	-	-
Pupil Premium	-	774	(774)	-	-	-
Other DfE/ESFA grants	-	93	(93)	-	-	-
Other Government grants	-	280	(280)	-	-	-
Sponsorship Capacity Grant	-	42	(42)	-	-	-
Pension reserve	(5,380)	-	(620)	-	2,960	(3,040)
	<u>(5,380)</u>	<u>12,519</u>	<u>(13,139)</u>	<u>-</u>	<u>2,960</u>	<u>(3,040)</u>
RESTRICTED FIXED ASSET FUNDS						
Transfers from Local Authority on conversion	32,394	-	(1,514)	(32)	-	30,848
Capital expenditure from GAG	114	-	(71)	-	-	43
Devolved Formula Capital	143	44	(41)	-	-	146
Studio West capital funding	778	3	(129)	32	-	684
Other Government capital grant	6	-	(6)	-	-	-
	<u>33,435</u>	<u>47</u>	<u>(1,761)</u>	<u>-</u>	<u>-</u>	<u>31,721</u>
Total restricted funds	<u>28,055</u>	<u>12,566</u>	<u>(14,900)</u>	<u>-</u>	<u>2,960</u>	<u>28,681</u>
Total of funds	<u>28,459</u>	<u>13,188</u>	<u>(16,282)</u>	<u>-</u>	<u>2,960</u>	<u>28,325</u>

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

STATEMENT OF FUNDS - PRIOR YEAR

	Balance at 1 September 2015 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2016 £000
UNRESTRICTED FUNDS						
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>
RESTRICTED FUNDS						
General Annual Grant (GAG)	-	11,828	(11,767)	(61)	-	-
Pupil Premium	-	786	(786)	-	-	-
Other DfE/ESFA 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>
RESTRICTED FIXED ASSET FUNDS						
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 funding	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>

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 2017. Note 2 discloses whether the limit was exceeded.

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17. STATEMENT OF FUNDS (continued)

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

Other DfE/ESFA grants include amounts for Year 7 Catch Up, Summer School spend and Sponsor Capacity Grant received for the potential future expansion of the trust.

Other Government grants includes SEN funding, which is income to support students with special educational needs 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 21.

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 ESFA 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 2017 were allocated as follows:

	Total 2017 £000	Total 2016 £000
Kenton School	132	768
Studio West	(488)	(364)
Total before fixed asset fund and pension reserve	(356)	404
Restricted fixed asset fund	31,721	33,435
Pension reserve	(3,040)	(5,380)
Total	28,325	28,459

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

Name of academy	Amount of deficit £000
Studio West	488

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

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

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

The Trustees are undertaking a thorough review of budgets and are in the process of setting up a recovery plan. Discussions are underway with another Trust about the possibility of the academies joining in the future.

ANALYSIS OF ACADEMIES BY COST

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

	Teaching and educational support staff costs £000	Other support staff costs £000	Educational supplies £000	Other costs excluding depreciation £000	Total 2017 £000	Total 2016 £000
Kenton School	8,578	1,513	405	2,814	13,310	12,592
Studio West	671	390	36	114	1,211	1,385
	<u>9,249</u>	<u>1,903</u>	<u>441</u>	<u>2,928</u>	<u>14,521</u>	<u>13,977</u>

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Total funds 2017 £000
Tangible fixed assets	-	-	31,704	31,704
Current assets	354	206	17	577
Creditors due within one year	(710)	(206)	-	(916)
Provisions for liabilities and charges	-	(3,040)	-	(3,040)
	<u>(356)</u>	<u>(3,040)</u>	<u>31,721</u>	<u>28,325</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

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

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**NOTES TO THE FINANCIAL STATEMENTS
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19. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2017 £000	2016 £000
Net expenditure for the year (as per Statement of Financial Activities)	(3,094)	(3,196)
Adjustment for:		
Depreciation charges	1,761	1,777
Dividends, interest and rents from investments	(2)	(6)
Decrease in debtors	119	289
Increase in creditors	101	481
Capital grants from DfE and other capital income	(47)	(75)
Defined benefit pension scheme cost less contributions payable	520	80
Defined benefit pension scheme finance cost	100	60
Revaluation of land and buildings	-	1,115
Net cash (used in)/provided by operating activities	(542)	525

20. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2017 £000	2016 £000
Cash in hand	296	820
Total	296	820

21. PENSION COMMITMENTS

The academy's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by South Tyneside Council. Both are Multi-Employer Defined Benefit Pension Schemes.

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

Contributions amounting to £153,000 were payable to the schemes at 31 August 2017 (2016 - Nil) and are included within creditors.

Teachers' Pension Scheme

Introduction

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

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

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

21. PENSION COMMITMENTS (continued)

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates set at 16.48% of pensionable pay, including a 0.08% employer administration charge.
- 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 16.48%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £808,000 (2016 - £839,000).

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2017 was £550,000 (2016 - £612,000), of which employer's contributions totalled £400,000 (2016 - £462,000) and employees' contributions totalled £150,000 (2016 - £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:

	2017	2016
Discount rate for scheme liabilities	2.50 %	2.00 %
Rate of increase in salaries	3.40 %	3.40 %
Rate of increase for pensions in payment / inflation	1.90 %	1.90 %
Rate of revaluation of pension accounts	1.90 %	1.90 %
Commutation of pensions to lump sums	75.00 %	75.00 %

KENTON SCHOOLS ACADEMY TRUST
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

21. PENSION COMMITMENTS (continued)

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

	2017	2016
Retiring today		
Males	22.8	23.2
Females	26.3	24.8
Retiring in 20 years		
Males	25.0	25.3
Females	28.6	27.1

	At 31 August 2017 £000	At 31 August 2016 £000
Sensitivity analysis		
Discount rate +0.1%	11,610	12,130
Discount rate -0.1%	12,260	12,820
Mortality assumption - 1 year increase	11,580	12,070
Mortality assumption - 1 year decrease	12,280	12,880
CPI rate +0.1%	12,120	12,650
CPI rate -0.1%	11,740	12,290

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

	Fair value at 31 August 2017 £000	Fair value at 31 August 2016 £000
Equities	5,876	4,701
Government bonds	347	269
Corporate bonds	1,022	815
Property	800	709
Cash	347	213
Other	498	383
Total market value of assets	8,890	7,090

The actual return on scheme assets was £1,280,000 (2016 - £1,050,000).

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

	2017 £000	2016 £000
Current service cost	(920)	(80)
Interest income	150	220
Interest cost	(250)	(280)
Total	(1,020)	(140)

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**NOTES TO THE FINANCIAL STATEMENTS
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21. PENSION COMMITMENTS (continued)

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

	2017 £000	2016 £000
Opening defined benefit obligation	12,470	7,270
Current service cost	920	80
Interest cost	250	660
Employee contributions	150	150
Actuarial (gains)/losses	(1,830)	4,340
Benefits paid	(30)	(30)
	<hr/>	<hr/>
Closing defined benefit obligation	11,930	12,470
	<hr/>	<hr/>

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

	2017 £000	2016 £000
Opening fair value of scheme assets	7,090	5,540
Interest income	150	220
Actuarial gains/(losses)	1,130	830
Employer contributions	400	380
Employee contributions	150	150
Benefits paid	(30)	(30)
	<hr/>	<hr/>
Closing fair value of scheme assets	8,890	7,090
	<hr/>	<hr/>

22. OPERATING LEASE COMMITMENTS

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

	2017 £000	2016 £000
AMOUNTS PAYABLE:		
Within 1 year	37	25
Between 1 and 5 years	84	46
	<hr/>	<hr/>
Total	121	71
	<hr/>	<hr/>

23. 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 £1,026,000. Funding was received from the ESFA to cover this cost.

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

24. NET FINANCE INCOME ON PENSION SCHEME

	2017 £000	2016 £000
Interest income on pension scheme assets	150	220
Interest on pension scheme liabilities	(250)	(280)
	<u>(100)</u>	<u>(60)</u>

25. 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.

Schools Northeast – a business in which D Pearmain (CEO of the trust until 31 August 2017) has an interest:

The trust purchased services from Schools Northeast totalling £729 (2016: £nil) during the period. There were no amounts outstanding at 31 August 2017 (2016: £nil).

In entering into the transaction the trust has complied with the requirements of the Academies Financial Handbook 2016.

26. AGENCY ARRANGEMENTS

The academy trust distributes 16-19 bursary funds to students as an agent for ESFA. In the accounting period ending 31 August 2017 the trust received £47,000 and disbursed £27,000 from the fund during the year. The remaining balance is held within deferred income along with balances deferred from previous periods.