

Registered number: 08021855 (England and Wales)

SOUTHMOOR ACADEMY
(A company limited by guarantee)

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

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SOUTHMOOR ACADEMY
(A company limited by guarantee)

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SOUTHMOOR ACADEMY
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS MEMBERS, DIRECTORS AND
ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016**

Members

Dr J W Brown
H Catcherside (appointed 6 November 2015)
Dr P Ingram (resigned 11 November 2015)
A M Lawson
M Crow (appointed 18 July 2016)

Directors

Dr J W Brown, Chair¹
A M Lawson, Vice Chair¹
J Armstrong, Staff Governor (resigned 14 October 2015)
A F Carlin (resigned 30 September 2015)¹
H Catcherside¹
P Davison, Staff Governor (resigned 30 September 2015)
R A Edmonds¹
S F Garrett, Principal (appointed 30 September 2015)¹
Dr P Ingram, Chief Executive Officer¹
H Tsentas (resigned 18 July 2016)¹
E Young¹

¹ member of Finance and Audit Committee

Company registered number

08021855

Company name

Southmoor Academy

Principal and registered office

Ryhope Road
Sunderland
SR2 7TF

Company secretary

Muckle Secretary Limited

Accounting officer

Dr P Ingram

Senior Leadership Team

Dr P Ingram, Chief Executive Officer
S Garrett, Deputy Executive Officer, Principal - Southmoor Academy
R Carr, Head of School - Sandhill View Academy
T Garner, Vice Principal - Southmoor Academy
J Dodd, Deputy Headteacher - Sandhill View Academy

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS MEMBERS, DIRECTORS AND
ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016**

Independent auditors

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

Bankers

National Westminster Bank plc
52 Fawcett Street
Sunderland
SR1 1SB

Solicitors

Muckle LLP
Time Central
32 Gallowgate
Newcastle Upon Tyne
NE1 4BF

SOUTHMOOR ACADEMY
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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2016

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

The trust operates an academy for pupils aged 11-18 serving a catchment area in Sunderland. It has a pupil capacity of 1,180 and had a roll of 1,136 in the school census on 6th October 2015.

Sandhill View Academy joined the trust on 1st July 2015 serving the same catchment area with 804 pupils on roll as at school Census 6th October 2015.

OBJECTIVES AND ACTIVITIES

Objects and aims

The principal object and activity of the charitable company is the operation of Southmoor Multi Academy Trust to provide education for students of different abilities between the ages of 11 and 18.

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 academy, 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 academy trust during the period ended 31 August 2016 are summarised below:

- Ensure the sixth form establishes a reputation for high academic standards in A2 performance;
- Increase roll numbers across the academies with greater recruitment to both Y7 and Y12;
- Review and strengthen whole Trust governance, to broaden available expertise and achieve greater efficiency;
- Continue the programme of curriculum reform in ensuring pupil achievement continues to strengthen;
- Grow the Trust by adding schools to create a larger, more efficient group of schools.

Objectives, strategies and activities

The academy trust's main objectives are encompassed in its mission statement, which is published on its website. To this end the objectives and the strategies used to achieve them include:

- Staff appraisal systems which reflect career stage expectations and support, monitor and enhance staff performance
- A broad and balanced curriculum including increased opportunities for pupils to broaden experiences beyond the classroom
- Efficient deployment of resources to maximise impact on raising achievement and provision of extra curricular opportunities
- Provision of CPD which focuses on supporting the highest standards of professional practice

Activities for achieving objectives

The activities undertaken to achieve these objectives are all intended to provide the highest quality of education in the public sector for students between the ages of 11 and 18.

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

Public benefit

The academy aims and achievements are set out within this report and have been undertaken to further its charitable purposes for the public benefit. The Directors 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 Directors have considered the guidance in deciding what activities the academy should undertake.

ACHIEVEMENTS AND PERFORMANCE

Key financial performance indicators

In addition the academy also measures their performance against the below indicators with academy benchmarking data where available.

Review of activities

Southmoor Academy has been successful in managing the transition of Sandhill View from a Local Authority PFI school into a sponsored academy as part of Southmoor Multi Academy Trust. The Board of Directors has been established and senior executive MAT leadership posts have been appointed to, including the Chief Executive Officer. Southmoor Academy's Sixth Form has continued to expand, attracting an additional cohort of 154 in Year 12 and 13.

Southmoor Academy's academic performance remained strong, despite a highly volatile environment for educational standards both nationally and regionally. Indeed Southmoor's position locally is strengthening, with the key measure of attainment (%A*-C in English and Maths) indicating that the school is joint 4th within Sunderland and having improved by 5%. Pupil roll numbers have increased substantially. Year 7 is now above PAN in an environment where thousands of surplus places remain across Sunderland and most local secondary schools continue to experience falls in pupil roll.

An EBacc score of 36% makes us third highest in the Authority, some 9% ahead of our nearest rival. The use of pupil premium funding has had a significant impact in achieving high standards across the curriculum.

Indicator (1860 pupils)	Kreston Benchmark Report 2015 (MATs)	2015/16 Original Budget	Autumn Term	Spring Term	Summer Term
Total Income per pupil	£5,657	£6,725	£6,529	£6,491	£6,586
Total GAG per pupil	£4,347	£5,680	£5,631	£5,631	£5,631
SBS/Income ratio	77.6%	84.44%	86.39%	86.74%	85.5%
Teaching Staff Costs/Total Expenditure	Not available	52.26%	51.62%	51.62%	50.89%
Total Staff Cost/Total Expenditure	70.2%	71.23%	70.65%	71.02%	69.84%
Expenditure per pupil	£5,443	£6,652	£6,523	£6,413	£6,608
Level of Reserves	Not available	£1,305,447	£1,009,988	£1,151,447	£895,796
Reserves/Income	10.2%	9.98%	8.0%	9.1%	7.0%
Reserves/GAG Income	Not available	10.7%	9.2%	10.5%	8.2%

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

FINANCIAL REVIEW

Going concern

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

Financial risk management objectives and policies

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The academy 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.

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

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

Reserves policy

The Governors review the reserve levels of the academy regularly throughout the year. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The Governors have determined that the appropriate level of free reserves should be equivalent of 6% of total incoming resources which equates in broad terms to £790,000. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and, to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

The academy trust's current level of free reserves is in surplus by £378,000 and there is also a GAG carry forward available of £504,000, therefore considered to be above the level of reserves required for the ongoing needs of the academy trust. The Directors continue to consider additional activities related to the academy trust's objectives to which the excess reserves may be applied, including expansion of 6th form facilities.

Principal funding

During the year ended 31 August 2016, total expenditure of £14,194,000 exceeded recurrent grant funding from the DfE/EFA together with other incoming resources. The excess of income over expenditure for the period (before transfers and actuarial gains, and excluding restricted fixed asset funds) was £22,000.

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

At 31 August 2016 the net book value of fixed assets was £19,585,000 and movements in tangible fixed assets are shown in note 14 to the Financial Statements. The assets were used exclusively for providing education and the associated support services to the students of the academy.

The provisions of Financial Reporting Standard (FRS 102) in respect of the Local Government Pension Scheme have been applied in full, resulting in a deficit of £3,447,000 recognised on the balance sheet.

The academy held fund balances at 31 August 2016 of £16,720,000 comprising £16,342,000 of restricted funds and £378,000 of unrestricted funds.

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 Directors of Southmoor Academy are also the directors of the charitable company for the purpose of company law.

The charitable company is known as Southmoor Academy.

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

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

Members' liability

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

Method of recruitment and appointment or election of Directors

The term of office for any Director shall be 4 years, save that this time limit shall not apply to the Chief Executive Officer or any post held ex officio. Subject to remaining eligible to be a particular type of Director, any Director may be re-appointed or re-elected.

Policies and procedures adopted for the induction and training of Directors

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

Pay policy for key management personnel

Principal and Associate Principal

Progression of the Principal and Deputy Principal will be linked to the achievement of challenging performance management objectives with a 1 point progression for the achievement of all their performance management objectives, and a potential of an additional 1 point progression for exceptional performance.

Other Leadership Posts

Progression on the pay range for a member of staff paid on the leadership scale will be subject to a review of their performance set against the annual appraisal review and the Directors' leadership skills level descriptors. The teacher will not move from Band 1 to Band 2, or from Band 2 to Band 3 on the relevant leadership pay range until all the elements of the Directors' leadership skills level descriptors for the post for either Band 2 or band 3 respectively have been met.

The Directors may decide to award one increment for sustained high quality performance against the set criteria, or two increments where performance has been exceptional. Where performance has not been of a sustained high quality the Directors may decide that there should be no pay progression. The pay review will be completed by 31st October.

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

Organisational structure

During the year the academy trust continued to operate a unified management structure. The structure consists of 4 levels: the Members, the Director, Local Governors (a separate body at each academy) and the Trust Senior Leadership Team.

The Directors are responsible for setting general policy, adopting an annual plan and budget, monitoring the academy by use of the budgets and making major decisions about the direction of the academies within the Trust, capital expenditure and senior staff appointments. Much of the detailed work is done by the sub committees of the Directors, each served by a member of the Senior Management Team and some by the Local Governing Bodies (where delegation allows).

Directors' sub committees are:

- Directors' Finance and General Purpose Committee (including the functions of the Finance, Personnel, Audit and Premises Committees) served by the CEO, Deputy CEO and Trust Business Manager
- Directors' Standards Committee served by the CEO and Deputy CEO

The Southmoor Local Governing Body sub committees are:

- Finance and Personnel Committee served by the CEO, Principal and Trust Business Manager
- Standards Committee served by the CEO and Principal
- Premises Committee served by the Trust Business Manager

The Sandhill View Local Governing Body have not yet delegated functions / responsibilities for sub committees to meet.

Connected organisations, including related party relationships

Further information can be found in note 28.

Directors' indemnities

The academy has become a member of the Department of Education's Risk Protection Arrangement which provides unlimited protection for the directors from claims arising against negligent acts, errors or omissions occurring whilst on academy business. Further details are provided in note 13.

PLANS FOR FUTURE PERIODS

Future developments

Southmoor's Multi Academy Trust status provides an opportunity to accelerate the process of raising aspirations and achievement, we will continue to seek efficiencies of scale and resourcing. Raising educational standards within Sandhill View as the sponsored academy is key. The establishment of effective systems of leadership and governance is a key priority to facilitate continued improvement. Sixth Form expansion as an agent of change within a broader community to promote social mobility remains a priority. The increased involvement of staff and pupils from Sandhill View in Sixth Form will help to achieve this goal.

Auditor

Insofar as the Directors are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Directors 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.

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

This report was approved by order of the Board of Directors as the company directors, on 12 December 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'John W Brown', with a long horizontal line extending from the start of the signature.

Dr J W Brown
Chair

SOUTHMOOR ACADEMY
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GOVERNANCE STATEMENT

Scope of Responsibility

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

Governance

The information on governance included here supplements that described in the Directors' report and in the Statement of Directors' responsibilities. The Board of Directors has formally met 7 times during the year. Attendance during the year at meetings of the Board of Directors was as follows:

Director	Meetings attended	Out of a possible
Dr J W Brown, Chair	7	7
A M Lawson, Vice Chair	4	7
J Armstrong, Staff Governor (resigned 14 October 2015)	0	0
H Catcherside	6	7
A F Carlin (resigned 30 September 2015)	0	0
P Davison, Staff Governor (resigned 30 September 2015)	0	0
R A Edmonds	4	7
S F Garrett Principal (appointed 30 September 2015)	7	7
Dr P Ingram, Chief Executive Officer	7	7
H Tsentas (resigned 18 July 2016)	3	5
E Young	4	7

Sandhill View Academy joined our Multi Academy Trust on 1st July 2015 and the new Governance Structure continues to be developed. The academy is being provided with regular training and guidance from an external provider around Governance arrangements.

The Finance and General Purpose Committee is a sub committee of the main board of directors. Its purpose is to assist in the decision making of the Board by enabling more detailed consideration to be given to assist in fulfilling their responsibility in ensuring good management of the academy's finances and resources including planning and monitoring.

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GOVERNANCE STATEMENT (continued)

Attendance at meetings in the year was as follows:

Director	Meetings attended	Out of a possible
Dr J W Brown	2	2
R A Edmonds	1	2
H Catcherside	2	2
Dr P Ingram, Chief Executive Officer	2	2
A M Lawson	2	2
H Tsentas (resigned 18 July 2016)	0	1
S Garrett (appointed 30 September 2015)	2	2
E Young	1	2
A F Carlin (resigned 30 September 2015)	0	0

Review of Value for money

As Accounting Officer, the Chief Executive Officer 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 Directors where value for money can be improved, including the use of benchmarking data where available. The Accounting Officer for the academy trust has delivered improved value for money during the year by undertaking a restructure of the Trust's Admin, Finance and Data facilities giving a saving to the Trust of £20,000.

Also due to the change in energy supplier and the Salix re-lamping programme our cost in energy has shown a saving of £19,000.

Improving educational results:

Examination results 2016 show that students have made strong progress in relation to their attainment on entry.

- Targeted improvement

Southmoor Academy reviews its staffing structure on an annual basis. The review is aligned to the school improvement plan which is fully costed. In 2015-16 a strategic decision was taken to increase staffing expertise across sixth form and particularly to continue building expertise in science. The result was a continued increase in achievement, with KS4 science results exceeding national averages and current Y13 students showing achievement in line with demanding targets.

- Focus on individual pupils

The use of Pupil Premium funding has continued to result in the achievement of disadvantaged pupils being significantly above expectations.

- Collaboration and New Initiatives

Southmoor Academy Trust now sponsors Sandhill View. Cost savings have already been made with the provision of some existing systems and staffing across both schools. In 2016-17 we aim to reap the reward of our on-going investment in ICT infrastructure which will support a future growth in the number of schools.

- Quantifying improvements:

All improvements are quantified with the Academy Self-Evaluation Form, using national benchmark data.

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GOVERNANCE STATEMENT (continued)

- **Better Purchasing:**

All purchases are made following relevant procedures i.e. quotes obtained as per guidelines for best value

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 Southmoor Academy Trust for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Board of Directors 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 Directors is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy trust's significant risks, that has been in place for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Directors.

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 Directors;
- regular reviews by the Finance and Audit 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 Directors has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Directors have appointed Clive Owen LLP, the external auditors, to perform additional checks.

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

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

SOUTHMOOR ACADEMY
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GOVERNANCE STATEMENT (continued)

Review of Effectiveness

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

- the work of the internal assurance service;
- the work of the external auditors;
- the financial management and governance self-assessment process;
- 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 and Audit 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 Directors on 12 December 2016 and signed on their behalf, by:



Dr J W Brown
Chair



Dr P Ingram, Chief Executive Officer
Accounting Officer

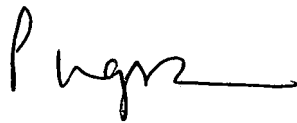
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

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

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

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



Dr P Ingram
Accounting Officer

Date: 12 December 2016

SOUTHMOOR ACADEMY
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STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2016

The Directors (who act as Governors of Southmoor Academy and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Directors' report and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies' Accounts Direction 2015 to 2016;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the Board of Directors on 12 December 2016 and signed on its behalf by:



Dr J W Brown
Chair

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

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

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

Respective responsibilities of Directors and auditors

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006

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

SOUTHMOOR ACADEMY
(A company limited by guarantee)

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

Matters on which we are required to report by exception

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

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



Gary Ellis FCA (Senior statutory auditor)

for and on behalf of

Clive Owen LLP

Chartered Accountants
Statutory Auditors

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

SOUTHMOOR ACADEMY
(A company limited by guarantee)

INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO SOUTHMOOR ACADEMY AND THE EDUCATION FUNDING AGENCY

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

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

Respective responsibilities of Southmoor Academy's Accounting Officer and the reporting accountant

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

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

Approach

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

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

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

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

SOUTHMOOR ACADEMY
(A company limited by guarantee)

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

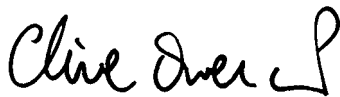
Approach (continued)

The work undertaken to draw to our conclusion includes:

- Review of governing body and committee minutes;
- Review of termly Internal Assurance reports;
- Completion of self assessment questionnaire by Accounting Officer;
- Discussions with the Accounting Officer and finance team;
- Review documentation provided to Directors and Accounting Officer setting out responsibilities;
- Obtained formal letters of representation detailing the responsibilities of Directors;
- 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 registers 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, except for the matters listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Clive Owen LLP

Reporting Accountants

Kepier House
Belmont Business Park
Durham
DH1 1TW

12 December 2016

SOUTHMOOR ACADEMY
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 AUGUST 2016**

		Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
	Note					
INCOME FROM:						
Donations & capital grants:						
Voluntary income - transfer from Local Authority on conversion	3	-	-	-	-	10,404
Other donations and capital grants	3	-	-	279	279	388
Charitable activities	6	-	12,248	-	12,248	7,248
Other trading activities	4	660	-	-	660	854
Investments	5	7	-	-	7	12
TOTAL INCOME		<u>667</u>	<u>12,248</u>	<u>279</u>	<u>13,194</u>	<u>18,906</u>
EXPENDITURE ON:						
Charitable activities		702	12,191	1,301	14,194	8,397
TOTAL EXPENDITURE	7	<u>702</u>	<u>12,191</u>	<u>1,301</u>	<u>14,194</u>	<u>8,397</u>
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS		(35)	57	(1,022)	(1,000)	10,509
Transfers between Funds	19	-	(248)	248	-	-
NET INCOME / (EXPENDITURE) BEFORE OTHER GAINS AND LOSSES		<u>(35)</u>	<u>(191)</u>	<u>(774)</u>	<u>(1,000)</u>	<u>10,509</u>
Actuarial gains/(losses) on defined benefit pension schemes	25	-	(2,101)	-	(2,101)	189
NET MOVEMENT IN FUNDS		<u>(35)</u>	<u>(2,292)</u>	<u>(774)</u>	<u>(3,101)</u>	<u>10,698</u>
RECONCILIATION OF FUNDS:						
Total funds brought forward		413	(651)	20,059	19,821	9,123
TOTAL FUNDS CARRIED FORWARD		<u>378</u>	<u>(2,943)</u>	<u>19,285</u>	<u>16,720</u>	<u>19,821</u>

SOUTHMOOR ACADEMY
(A company limited by guarantee)
REGISTERED NUMBER: 08021855

BALANCE SHEET
AS AT 31 AUGUST 2016

	Note	£000	2016 £000	2015 £000
FIXED ASSETS				
Tangible assets	14		19,585	20,160
CURRENT ASSETS				
Stocks	15	-	9	
Debtors	16	428	316	
Cash at bank and in hand		1,228	2,007	
		<u>1,656</u>	<u>2,332</u>	
CREDITORS: amounts falling due within one year	17	<u>(752)</u>	<u>(1,219)</u>	
NET CURRENT ASSETS			904	1,113
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>20,489</u>	<u>21,273</u>
CREDITORS: amounts falling due after more than one year	18		<u>(322)</u>	<u>(215)</u>
NET ASSETS EXCLUDING PENSION SCHEME LIABILITIES			20,167	21,058
Defined benefit pension scheme liability	25		<u>(3,447)</u>	<u>(1,237)</u>
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u>16,720</u>	<u>19,821</u>
FUNDS OF THE ACADEMY				
Restricted funds:				
Restricted funds	19	504	586	
Restricted fixed asset funds	19	19,285	20,059	
Restricted funds excluding pension liability		<u>19,789</u>	<u>20,645</u>	
Pension reserve		<u>(3,447)</u>	<u>(1,237)</u>	
Total restricted funds			16,342	19,408
Unrestricted funds	19		<u>378</u>	<u>413</u>
TOTAL FUNDS			<u>16,720</u>	<u>19,821</u>

SOUTHMOOR ACADEMY
(A company limited by guarantee)

BALANCE SHEET (continued)
AS AT 31 AUGUST 2016

The financial statements were approved by the Directors, and authorised for issue, on 12 December 2016 and are signed on their behalf, by:

A handwritten signature in black ink, appearing to read 'J W Brown', with a long horizontal stroke extending to the left.

Dr J W Brown
Chair

The notes on pages 24 to 47 form part of these financial statements.

SOUTHMOOR ACADEMY
(A company limited by guarantee)

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2016**

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Net cash (used in)/provided by operating activities	21	(446)	1,098
Cash flows from investing activities:			
Dividends, interest and rents from investments		7	12
Purchase of tangible fixed assets		(726)	(624)
Capital grants from DfE/EFA		279	388
Net cash used in investing activities		(440)	(224)
Cash flows from financing activities:			
Repayments of borrowings		(27)	-
Cash inflows from new borrowing		134	242
Net cash provided by financing activities		107	242
Change in cash and cash equivalents in the year		(779)	1,116
Cash and cash equivalents brought forward		2,007	891
Cash and cash equivalents carried forward		1,228	2,007

SOUTHMOOR ACADEMY
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES

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

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

First time adoption of FRS 102

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

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

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

1.2 FUND ACCOUNTING

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

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

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

SOUTHMOOR ACADEMY
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.3 INCOME

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

Grants are included in the Statement of Financial Activities 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 in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

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

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

1.4 EXPENDITURE

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

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

All resources expended are inclusive of irrecoverable VAT.

1.5 GOING CONCERN

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

SOUTHMOOR ACADEMY
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.6 TANGIBLE FIXED ASSETS AND DEPRECIATION

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

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

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.

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

Leasehold land	-	over 125 years
Long term leasehold property	-	over 25 years
Fixtures and fittings	-	over 7 years
Computer equipment	-	over 3 years

1.7 OPERATING LEASES

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

1.8 STOCKS

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.9 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.

1.10 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.

SOUTHMOOR ACADEMY
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.11 DEBTORS

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

1.12 CASH AT BANK AND IN HAND

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

1.13 LIABILITIES AND PROVISIONS

Liabilities are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.14 FINANCIAL INSTRUMENTS

The academy only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

1.15 PENSIONS

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

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 25, 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.

SOUTHMOOR ACADEMY
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES (continued)

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each Balance Sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities 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.

SOUTHMOOR ACADEMY
(A company limited by guarantee)

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

1. ACCOUNTING POLICIES (continued)

1.16 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgement:

Depreciation - Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the economic life of that asset. An estimate of the useful life of assets is detailed in the depreciation accounting policy. The value of depreciation charge during the year was £1,301,000.

Land and buildings - Land and buildings for Southmoor Academy are held under a 125 year lease from Sunderland 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 for Sandhill View is an agreement to receive services and, as the academy is deemed to control the services that are provided under the PFI scheme, the academy has recognised the assets used under the contract within tangible fixed assets. The Directors consider the cost of obtaining an additional valuation would outweigh the benefit.

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 2016 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2 % could be used for general recurrent purposes, with any balance being available for premises/capital purposes.

No academies within the trust exceeded the limits during the year ended 31 August 2016.

SOUTHMOOR ACADEMY
(A company limited by guarantee)

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

3. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Voluntary income - transfer from Local Authority on conversion	-	-	-	-	10,404
Capital Grants	-	-	279	279	388
Total donations and capital grants	-	-	279	279	10,792

In 2015, of the total income from donations and capital grants, £ NIL was to unrestricted funds and £10,792,000 was to restricted funds

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Sundry income	113	-	113	31
Lettings	15	-	15	10
Uniform	9	-	9	2
School trips	128	-	128	26
Catering	286	-	286	259
School fund	73	-	73	153
Maternity insurance	1	-	1	4
Income from other schools	35	-	35	369
	660	-	660	854

In 2015, of the total income from other trading activities, £854,000 was to unrestricted funds and £ NIL was to restricted funds.

5. INVESTMENT INCOME

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Bank interest	7	-	7	12

In 2015, of the total investment income, £12,000 was to unrestricted funds and £ NIL was to restricted funds.

SOUTHMOOR ACADEMY
(A company limited by guarantee)

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

6. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
DfE/EFA grants				
General Annual Grant (GAG)	-	11,091	11,091	6,509
Start Up Grant A	-	-	-	118
Start Up Grant B	-	-	-	4
Pupil Premium	-	799	799	443
16-19 Bursary	-	-	-	10
Academy Conversion Grant	-	-	-	25
Other DfE/EFA Grants	-	233	233	125
	<u>-</u>	<u>12,123</u>	<u>12,123</u>	<u>7,234</u>
Other government grants				
Other Government Grants	-	31	31	-
SEN	-	94	94	14
	<u>-</u>	<u>125</u>	<u>125</u>	<u>14</u>
	<u>-</u>	<u>12,248</u>	<u>12,248</u>	<u>7,248</u>

In 2015, of the total income from charitable activities, £ NIL was to unrestricted funds and £7,248,000 was to restricted funds.

7. EXPENDITURE

	Staff costs 2016 £000	Premises 2016 £000	Other costs 2016 £000	Total 2016 £000	Total 2015 £000
Educational operations:					
Direct costs	8,447	-	706	9,153	5,462
Support costs	817	1,832	2,392	5,041	2,935
	<u>9,264</u>	<u>1,832</u>	<u>3,098</u>	<u>14,194</u>	<u>8,397</u>

In 2016, of the total expenditure, £702,000 (2015 - £890,000) was to unrestricted funds and £13,492,000 (2015 - £7,507,000) 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

SOUTHMOOR ACADEMY
(A company limited by guarantee)

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

8. CHARITABLE ACTIVITIES

	2016 £000	2015 £000
DIRECT COSTS		
Wages and salaries	6,785	4,092
National insurance	556	326
Pension cost	1,106	579
Educational supplies	370	157
Examination fees	164	131
Staff development	54	22
Educational consultancy	13	44
Travel and subsistence	24	20
Other direct costs	81	91
	<hr/> 9,153 <hr/>	<hr/> 5,462 <hr/>
SUPPORT COSTS		
Wages and salaries	646	536
National insurance	42	33
Pension costs	129	120
Depreciation	1,301	544
Net interest cost on pension scheme	40	28
Technology costs	121	79
Recruitment and support	39	32
Maintenance of premises and equipment	167	155
Cleaning	106	96
Rent	1,060	176
Rates	101	53
Energy	110	141
Insurance	56	83
Security	4	4
Transport	9	5
Catering	399	334
Occupancy costs	34	17
Bank interest and charges	5	4
Other support costs	589	366
Governance costs	83	129
	<hr/> 5,041 <hr/>	<hr/> 2,935 <hr/>
	<hr/> <hr/> 14,194 <hr/> <hr/>	<hr/> <hr/> 8,397 <hr/> <hr/>

SOUTHMOOR ACADEMY
(A company limited by guarantee)

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

9. NET INCOMING RESOURCES/(RESOURCES EXPENDED)

This is stated after charging:

	2016 £000	2015 £000
Depreciation of tangible fixed assets:		
- owned by the charity	1,301	544
Auditor's remuneration - audit	10	10
Auditor's remuneration - non audit	5	5
Operating lease rentals	60	60
	<u> </u>	<u> </u>

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

10. STAFF COSTS

Staff costs were as follows:

	2016 £000	2015 £000
Wages and salaries	6,870	4,466
Social security costs	598	359
Operating costs of defined benefit pension schemes	1,235	699
	<hr/> 8,703	<hr/> 5,524
Supply teacher costs	388	102
Staff restructuring costs	173	60
	<hr/> 9,264	<hr/> 5,686

Included in operating costs of defined benefit pension schemes is a debit of £69,000 (2015: £16,000) relating to the pension deficit actuarial adjustment.

Staff restructuring costs comprise £91,000 (2015: £NIL) redundancy payments and £82,000 (2015: £60,000) severance payments.

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

	2016 No.	2015 No.
Teachers	110	75
Administration and support	83	48
Management	11	7
	<hr/> 204	<hr/> 130

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

	2016 No.	2015 No.
In the band £60,001 - £70,000	2	2
In the band £70,001 - £80,000	1	0
In the band £110,001 - £120,000	1	1
In the band £140,001 - £150,000	0	1
In the band £150,001 - £160,000	1	0

The employees above participated in the Teachers' Pension Scheme apart from one member of staff who is a participant of the Local Government Pension Scheme.

The key management personnel of the academy trust comprise the Senior Leadership Team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £550,000 (2015: £448,000).

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

11. CENTRAL SERVICES

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

- Finance staff
- Legal services
- Audit
- HR SLA
- Governance SLA
- Finance SLA
- School Improvement

The academy charges for these services on the following basis:

Pre-16 pupil numbers

The actual amounts charged during the year were as follows:

	2016 £000	2015 £000
Southmoor Academy	320	42
Sandhill View Academy	262	35
Total	<u>582</u>	<u>77</u>

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

12. DIRECTORS' REMUNERATION AND EXPENSES

One or more Directors has been paid remuneration or has received other benefits from an employment with the academy trust. The Principal and other staff Directors 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 Directors. The value of Directors' remuneration and other benefits was as follows:

		2016 £000	2015 £000
Dr P Ingram (CEO and Director)	Remuneration	150-155	145-150
	Pension contributions paid	25-30	15-20
S Garrett (Principal and Director, appointed 30 September 2015)	Remuneration	105-110	
	Pension contributions paid	15-20	
J Armstrong (Staff Director, resigned 14 October 2015)	Remuneration	5-10	50-55
	Pension contributions paid	0-5	5-10
P Davison (Staff Director, resigned 30 September 2015)	Remuneration	0-5	45-50
	Pension contributions paid	0-5	5-10
P Arrowsmith (Staff Director, resigned 31 August 2015)	Remuneration	0	45-50
	Pension contributions paid	0	5-10

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

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

13. DIRECTORS' AND OFFICERS' INSURANCE

The academy trust 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 trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business, and provides cover up to £10,000,000. It is not possible to quantify the Directors and officers indemnity element from the overall cost of the RPA scheme.

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

14. TANGIBLE FIXED ASSETS

	Long term leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Total £000
COST				
At 1 September 2015	21,329	75	126	21,530
Additions	615	89	22	726
At 31 August 2016	21,944	164	148	22,256
DEPRECIATION				
At 1 September 2015	1,314	17	39	1,370
Charge for the year	1,235	19	47	1,301
At 31 August 2016	2,549	36	86	2,671
NET BOOK VALUE				
At 31 August 2016	19,395	128	62	19,585
At 31 August 2015	20,015	58	87	20,160

15. STOCKS

	2016 £000	2015 £000
Finished goods and goods for resale	-	9

16. DEBTORS

	2016 £000	2015 £000
Trade debtors	5	8
VAT recoverable	178	126
Other debtors	1	1
Prepayments and accrued income	244	181
	428	316

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £000	2015 £000
Trade creditors	715	719
Other creditors	27	27
Accruals and deferred income	10	473
	752	1,219

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

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

	2016 £000	2015 £000
DEFERRED INCOME		
Deferred income at 1 September 2015	11	11
Resources deferred during the year	-	11
Amounts released from previous years	(11)	(11)
	<u> </u>	<u> </u>
Deferred income at 31 August 2016	<u> </u> -	<u> </u> 11

**18. CREDITORS:
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2016 £000	2015 £000
Other creditors	322	215
	<u> </u>	<u> </u>
	<u> </u> 322	<u> </u> 215

Included within other creditors is a loan of £349,000 (2015: £242,000) from Salix which is provided on the following terms: Interest free loan repayable through GAG in 6-monthly instalments of £26,850 from March 2016.

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

19. STATEMENT OF FUNDS

	Brought Forward £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Carried Forward £000
UNRESTRICTED FUNDS						
Unrestricted funds	413	667	(702)	-	-	378
RESTRICTED FUNDS						
General Annual Grant (GAG)	437	11,091	(10,776)	(248)	-	504
Pupil Premium	49	799	(848)	-	-	-
Sponsor Capacity Fund	95	99	(194)	-	-	-
Other DfE/EFA grants	5	134	(139)	-	-	-
Other Government grants	-	125	(125)	-	-	-
Pension reserve	(1,237)	-	(109)	-	(2,101)	(3,447)
	(651)	12,248	(12,191)	(248)	(2,101)	(2,943)
RESTRICTED FIXED ASSET FUNDS						
Devolved Formula Capital	59	40	(6)	-	-	93
Academies Capital Maintenance Fund	529	-	(22)	-	-	507
Condition Improvement Fund	212	239	(5)	-	-	446
General Annual Grant (GAG)	363	-	(85)	248	-	526
Legacy Assets - Southmoor	8,015	-	(338)	-	-	7,677
Legacy Assets - Sandhill View	10,881	-	(845)	-	-	10,036
	20,059	279	(1,301)	248	-	19,285
Total restricted funds	19,408	12,527	(13,492)	-	(2,101)	16,342
Total of funds	19,821	13,194	(14,194)	-	(2,101)	16,720

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

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

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

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

The Sponsor Capacity Fund is money received to assist the academy trust with the creation of a Multi-Academy Trust and the sponsorship of another academy.

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

Other Government grants includes SEN funding, which is income to support students with special educational needs and income from the Local Authority for additional Pupil Premium to support disadvantaged pupils. Amounts received in the year have been fully spent.

The pension reserve is the liability due to the deficit on the Local Government Pension Scheme. Further details are shown in note 25.

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.

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

Unrestricted funds include the income from: uniform, lettings, school trips, catering and maternity insurance with the relevant costs allocated accordingly.

ANALYSIS OF ACADEMIES BY FUND BALANCE

Fund balances at 31 August 2016 were allocated as follows:

	Total 2016 £000	Total 2015 £000
Southmoor Academy	913	996
Sandhill View Academy	(31)	3
	<hr/>	<hr/>
Total before fixed asset fund and pension reserve	882	999
Restricted fixed asset fund	19,285	20,059
Pension reserve	(3,447)	(1,237)
	<hr/>	<hr/>
Total	<u>16,720</u>	<u>19,821</u>

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

19. STATEMENT OF FUNDS (continued)

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

Name of academy	Amount of deficit £
Sandhill View Academy	(31)

The reason for the deficit is that this is the first full year of inclusion within the academy trust and there has been additional, unplanned expenditure.

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

The Directors are planning to manage the deficit by reducing in-year expenditure and increasing roll numbers by raising educational standards.

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 2016 £000	Total 2015 £000
Southmoor Academy	4,676	421	149	1,334	6,580	6,766
Sandhill View Academy	3,535	156	221	1,819	5,731	1,010
Central services	236	240	-	106	582	77
	<u>8,447</u>	<u>817</u>	<u>370</u>	<u>3,259</u>	<u>12,893</u>	<u>7,853</u>

20. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2016 £000	Restricted funds 2016 £000	Restricted fixed asset funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Tangible fixed assets	-	-	19,585	19,585	20,160
Current assets	378	1,229	49	1,656	2,332
Creditors due within one year	-	(725)	(27)	(752)	(1,219)
Creditors due in more than one year	-	-	(322)	(322)	(215)
Provisions for liabilities and charges	-	(3,447)	-	(3,447)	(1,237)
	<u>378</u>	<u>(2,943)</u>	<u>19,285</u>	<u>16,720</u>	<u>19,821</u>

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

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

	2016 £000	2015 £000
Net (expenditure)/income for the year (as per Statement of financial activities)	(1,000)	10,509
Adjustment for:		
Depreciation charges	1,301	544
Return on investments and servicing of finance	(7)	(12)
Decrease/(increase) in stocks	9	(9)
Increase in debtors	(112)	(88)
(Decrease)/increase in creditors	(467)	860
Capital grants from DfE and other capital income	(279)	(388)
Pension deficit inherited on conversion	-	617
Defined benefit pension scheme cost less contributions payable	69	(21)
Defined benefit pension scheme finance cost	40	72
Assets inherited on conversion	-	(10,986)
Net cash (used in)/provided by operating activities	<u>(446)</u>	<u>1,098</u>

22. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2016 £000	2015 £000
Cash in hand	1,228	2,007
Total	<u>1,228</u>	<u>2,007</u>

23. NET FINANCE INCOME ON PENSION SCHEME

	2016 £000	2015 £000
Expected return on pension scheme assets	151	91
Interest on pension scheme liabilities	(191)	(119)
	<u>(40)</u>	<u>(28)</u>

24. CAPITAL COMMITMENTS

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

	2016 £000	2015 £000
Contracted for but not provided in these financial statements	-	134

SOUTHMOOR ACADEMY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

25. PENSION COMMITMENTS

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

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

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

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

The employer's pension costs paid to TPS in the period amounted to £789,000 (2015 - £444,000).

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

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £462,000 (2015 - £282,000), of which employer's contributions totalled £369,000 (2015 - £223,000) and employees' contributions totalled £93,000 (2015 - £59,000). The agreed contribution rates for future years are 16.3% for employers and 5.5% - 12.0% for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

Principal actuarial assumptions:

	2016	2015
Discount rate for scheme liabilities	2.00 %	3.80 %
RPI Inflation	3.00 %	3.10 %
Rate of increase in salaries	3.40 %	3.50 %
Rate of increase for pensions in payment	1.90 %	2.00 %
Inflation assumption (CPI)	1.90 %	2.00 %
Rate of revaluation of pension accounts	1.90 %	2.00 %
Commutation of pensions to lump sums	75.00 %	75.00 %

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

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

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25. PENSION COMMITMENTS (continued)

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

	Fair value at 31 August 2016 £000	Fair value at 31 August 2015 £000
Equities	3,235	2,493
Property	488	350
Government bonds	185	136
Corporate bonds	561	437
Cash	146	121
Other	264	230
	<hr/>	<hr/>
Total market value of assets	4,879	3,767
	<hr/>	<hr/>

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

	2016 £000	2015 £000
Current service cost (net of employee contributions)	(438)	(246)
Net interest cost	(40)	(28)
	<hr/>	<hr/>
Total	(478)	(274)
	<hr/>	<hr/>
Actual return on scheme assets	725	46
	<hr/>	<hr/>

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

	2016 £000	2015 £000
Opening defined benefit obligation	5,004	2,908
Current service cost	438	246
Interest cost	191	119
Actuarial losses/(gains)	2,675	(234)
Net benefits paid out	(75)	(106)
Transfer on conversion	-	2,012
Contributions by scheme participants	93	59
	<hr/>	<hr/>
Closing defined benefit obligation	8,326	5,004
	<hr/>	<hr/>

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

25. PENSION COMMITMENTS (continued)

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

	2016 £000	2015 £000
Opening fair value of scheme assets	3,767	2,150
Expected return on assets	151	91
Actuarial gains and (losses)	574	(45)
Contributions by employer	369	223
Transfer on conversion	-	1,395
Benefits paid	(75)	(106)
Contributions by employees	93	59
	<hr/>	<hr/>
Closing fair value of scheme assets	4,879	3,767
	<hr/>	<hr/>

26. OPERATING LEASE COMMITMENTS

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

	2016 £000	2015 £000
AMOUNTS PAYABLE:		
Within 1 year	54	54
Between 1 and 5 years	56	96
	<hr/>	<hr/>
Total	110	150
	<hr/>	<hr/>

27. OTHER FINANCIAL COMMITMENTS

Under the PFI arrangement, the academy trust has a financial liability to make payments to the PFI contractor for the life of the contract, which began in September 2002 and will run for 25 years. The cost is based on pupil numbers and in the period was £1,060,000. Funding was received from the EFA to cover this cost.

28. RELATED PARTY TRANSACTIONS

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

There were no related party transactions during the period.

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

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

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

RECONCILIATION OF TOTAL FUNDS	Notes	1 September 2014 £000	31 August 2015 £000
Total funds under previous UK GAAP		9,123	19,821
Total funds reported under FRS 102		<u>9,123</u>	<u>19,821</u>

Reconciliation of net income	Notes	31 August 2015 £000
Net income previously reported under UK GAAP		10,581
Change in recognition of LGPS interest cost	A	(72)
Actuarial gain/(losses) brought above the line	B	189
		-
Net movement in funds reported under FRS 102		<u>10,698</u>

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

A Change in recognition of LGPS interest cost

Under previous UK GAAP the academy recognised an expected return on defined benefit plan assets in income/expense. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in income/expense. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to reduce the credit to income and expenses by £72,000 and increase the credit on other recognised gains and losses in the SoFA by an equivalent amount.

B Actuarial gains/(losses) brought above the line

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