



**CASTLE SCHOOL EDUCATION TRUST**  
a company limited by guarantee

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



# Castle School Education Trust

## Report and financial statements for the year ended 31 August 2016

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# Castle School Education Trust

## Reference and Administrative Details for the year ended 31 August 2016

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### Members

Rhona Allgood  
Mike Ashfield (resigned 24 January 2016)  
John Barrow  
Richard Crabtree (resigned 21 August 2015)  
Stuart Hill  
Timothy Pearce (appointed 13 July 2016)  
Michael Punter (appointed 5 October 2015)  
Penelope Robinson  
Christopher White-Horne (Appointed 1 September 2015,  
resigned 13 July 2016)

### Directors

#### Member appointed

Rhona Allgood  
Mike Ashfield (resigned 24 January 2016)  
Graham Barley resigned 15 February 2016)  
Ian Cooper (appointed 13 July 2016)  
Keith Greenfield (appointed 01 September 2015;  
resigned 13 July 2016)  
Stuart Hill (Chair)  
Jason Lugg  
Clive Parkinson  
Timothy Pearce (resigned 13 July 2016)  
Penelope Robinson  
Jon Welsh (resigned 13 July 2016)  
Christopher White-Horne

#### Co-opted

Paul Harrod

#### Ex-officio

William Roberts (appointed 1 September 2016)  
Melanie Warnes (resigned 31 August 2016)

### Castle School Education Trust senior leadership team

#### Chief executive and accounting officer

Melanie Warnes (to 31 August 2016)  
William Roberts (from 1 September 2016)

#### Vice chief executive

William Roberts (from 1 September 2015  
to 31 August 2016)

#### Head of Finance

Meng Kwok

#### Principal and registered office

Marlwood School  
Vattingstone Lane  
Alveston  
South Gloucestershire  
BS35 3LA

#### Company registration number

08397975

# Castle School Education Trust

## Reference and Administrative Details for the year ended 31 August 2016

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### **Independent auditor**

BDO LLP  
Bridgewater House  
Counterslip  
Bristol  
BS1 6BX

### **Bankers**

Lloyds Bank Plc  
High Street  
Chipping Sodbury  
BS37 6AW

### **Solicitors**

Veale Wasbrough Vizards LLP  
Orchard Court  
Orchard Lane  
Bristol  
BS1 5WS

# Castle School Education Trust

## Directors' Report for the year ended 31 August 2016

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

### Structure, governance and management

#### *Constitution*

Castle School Education Trust (CSET) is a company limited by guarantee and an exempt charity. The primary governing documents of the Trust, which is a multi-academy trust, are the memorandum and articles of association dated 11 February 2013. With prior consent of the Secretary of State for Education, the Articles of Association were revised and replaced by special resolution of the Members on 13 July 2016. The directors of CSET are also the trustees of the charitable trust for the purposes of charity law.

Details of the directors of CSET who served during the year to 31 August 2016 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.

#### *Directors' indemnities*

In accordance with normal commercial practice, CSET has purchased insurance to protect directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on trust business. The insurance provides cover up to £5,000,000 in the aggregate or any one claim.

#### *Principal activities*

CSET's principal activity is to advance, for the public benefit, education in the United Kingdom by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum; and to promote for the benefit of the inhabitants of the local authority areas (and surrounding areas) in which any of its academies are situated, the provision of facilities for recreation or other leisure time occupation.

Applications for places at any Academy will be made in accordance with the Local Authority's co-ordinated admission arrangements. CSET will use timetables for applications as shown in the annual publication by South Gloucestershire Council "Admissions to Primary/Secondary Schools in South Gloucestershire". CSET will consider all applications for places. Where fewer applications than the published admissions number are received, CSET will offer places to all those who have applied. Where the number of applications for admission is greater than the published admissions number, applications will be considered against the criteria set out below. Children with a Statement of Special Education Needs, where the Academy is named on the statement, are entitled to a place. Other places will be allocated in the following priority order:

1. Children in Public Care or Previously in Public Care
2. Local siblings (those living within a school's Area of Prime Responsibility and who have named the school as a preference)
- 3a. Geographical considerations (those living within a school's Area of Prime Responsibility)
- 3b. Geographical considerations (those living outside a school's Area of Prime Responsibility)
4. Tie breaker: Where it does not prove possible to resolve allocations to an over-subscribed school by the application of criteria 1-3, any remaining places will be allocated by drawing lots.

# Castle School Education Trust

## Directors' Report for the year ended 31 August 2016

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### Structure, governance and management (*continued*)

For the year ended 31 August 2016, CSET was responsible for five schools throughout the whole year:

1. The Castle School in Thornbury,
2. Charfield Primary School in Charfield,
3. Severn Beach Primary School,
4. Marlwood School, and
5. Lyde Green Primary School, a new school that opened on 1 September 2015.
6. Mangotsfield School, which joined the Trust as an academy from 1 September 2015 after CSET sponsored its conversion.

The Trust expanded further during the year, becoming responsible for an additional school: Downend School joined CSET with effect from 1 May 2016.

The activities, assets and liabilities of Mangotsfield School and Downend School Trust were donated to the CSET on joining the Trust.

### *Method of recruitment and appointment or election of directors*

The appointment or election of directors is dependent upon the type of director.

- Member appointed directors are appointed by the company members up to a maximum of seven. The members may appoint a staff director, provided that the total number of directors including the chief executive who are employees of the company does not exceed one third of the total number of directors.
- Two parent directors will be elected or appointed where there are not two parent governors on each Local Governing Body. There was no requirement for parent directors during the year.
- The chief executive is an ex-officio director.
- There can be up to three co-opted directors, appointed by the board of directors.

Directors are appointed for a four year period, then may be re-appointed or re-elected subject to eligibility.

### *Policies and procedures adopted for the induction and training of directors*

The training and induction provided for new directors depends on their existing experience and is tailored to the individual. Where necessary, induction will provide training on charity and educational legal and financial matters. New directors unfamiliar with CSET's academies will be given a tour of the schools and the chance to meet with staff and pupils. All directors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role.

### *Organisational structure*

CSET governance structure consists of two levels: the Trust's board of directors and the individual academies' local governing bodies. The aim of this structure is to delegate responsibility and promote decision making for a school to the governing body and the School Leadership Team (SLT).

The board of directors is responsible for setting long-term strategy and the policies that will achieve the aims and objectives of the Trust. The directors will also approve the budget and the annual report and accounts, and ensure that each school's local governing body sets targets, monitors performance and maintains appropriate risk management.

The schools' governing bodies are responsible for agreeing and monitoring annual financial and operational performance targets, senior staff appointments and risk management.

The schools' SLTs control the schools at an executive level, implementing and reporting back on the policies approved by the board of directors or local governing body. As a group, each SLT is responsible for the day to day management of the school, authorisation of expenditure within agreed budgets and the appointment of staff, though appointment panels for posts in the SLT would normally include a Governor. Financial commitments are controlled through the application of a scheme of delegated authority to budget holders within the school.

# Castle School Education Trust

## Directors' Report for the year ended 31 August 2016

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### **Structure, governance and management (*continued*)**

#### *Arrangements for setting pay and remuneration of key management personnel*

The pay decisions for all employees at all levels of CSET (including the Chief Executive Officer, Vice Chief Executive Officer and the Head of Finance) are made in accordance with the CSET Pay Policy, which is agreed by the board of directors. The Pay Policy provides clarity on who is able to make pay determinations and how teachers may achieve pay progression (the Performance Management Policy and Procedure also provides additional clarity). The board of directors is responsible for determining the salaries of teaching staff in accordance with the provisions of the School Teachers' Pay and Conditions' Document and for support staff in accordance with the National Joint Council for Local Government Services National Agreement on Pay and Conditions (Green Book) and the associated local provisions. In the case of the chief executive and vice chief executive, pay determinations are made by the board of directors.

#### *Risk management*

The board of directors has assessed the major risks to which the charitable company is exposed, in particular those relating to its finances, teaching, provision of facilities and other operational areas of the Trust. The directors have implemented a number of systems to assess the risks each school faces, especially in the operational areas (e.g. teaching, health and safety, equal opportunities, Behaviour for Learning, and school trips) and in relation to the control of finances. They have introduced systems, including operational procedures and internal financial controls in order to manage risk. Where significant financial risk still remains, they have ensured they have adequate insurance cover. They are satisfied that these systems are consistent with guidelines issued by the Charity Commission and the Education Funding Agency. The Trust has an effective system of internal controls, as explained in more detail later.

The SLTs undertake regular reviews of risks facing schools and these are reviewed by the local governing bodies and the directors. They also monitor key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments. In addition, the Finance & Resources Committees review regular reports from the Head of Finance and Business Management.

#### *Disabled employees*

CSET takes equalities very seriously and is opposed to all forms of discrimination. Our selection processes are non-discriminatory and always seek to give full and fair consideration to those with disabilities for all vacancies whilst taking into account their aptitudes and abilities. If an employee becomes disabled then we will make every effort to accommodate reasonable adjustments to ensure that his/her employment with CSET continues and appropriate training will be arranged for that employee. As far as possible, CSET ensures that the training, career development and promotion of any disabled person are identical to that of a colleague who does not have a disability.

#### *Employee involvement*

There are mechanisms for employee communication, consultation and personal development, such as regular staff briefings and appraisals. In addition the locally recognised Trades' Unions have been consulted on a regular basis through the forum provided by South Gloucestershire Council. CSET pays to obtain the availability of the South Gloucestershire Trades' Union Representatives for a variety of purposes, including consultation, giving local trades' union availability for employees where they need to be accompanied as part of HR policies and procedures. CSET tries to ensure that as far as possible employee and trades' union views are taken into account when decisions are made which may affect employees' interests.

#### *Connected organisations including related party relationships*

There are no sponsors of the academy trust and there are no related parties which either control or significantly influence its decisions and operations.

# Castle School Education Trust

## Directors' Report for the year ended 31 August 2016

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### Objectives and activities

#### *Aim*

CSET aims to provide a quality education in a caring environment.

#### *Mission*

CSET's mission is to create a robust collaboration of schools that provides:

- Strong dynamic and sustainable school leadership;
- Excellent professional learning for staff; and
- A high quality, whole education for children and young people with opportunities, experiences and excellent outcomes that no school can achieve alone.

#### *Values*

CSET's values are:

- A deep-rooted and continued commitment to inclusive education
- Absolute commitment to a 'rounded' quality education. This includes a commitment to a curriculum which promotes achievement for all and excellent outcomes for students
- A strong belief that working collaboratively and in partnership with others - who share our values - strengthens all
- A strong belief in the importance of collective responsibility for the success of all children in our community

#### *Strategic priorities*

CSET's strategic priorities for the period to August 2016 were:

1. Outcomes - To improve outcomes for all children in all of our schools;
2. Growth - To secure and open Academies that have a good fit with CSET's Values, Vision and Aims;
3. Sustainability - To create a healthy and sustainable Trust; and
4. Relationships - To build powerful relationships that enhance the education of all the children in the Trust's schools and contribute to outstanding professional development for our staff.

#### *Public benefit*

The board of directors has complied with the duty in Section 4 of the Charities Act 2006 to have due regard to public benefit guidance published by the Charity Commission in defining the strategic direction of the Trust. The ways by which the Trust achieves public benefit are set out in the Objectives and Activities section above.

### STRATEGIC REPORT

Castle School Education Trust has made good progress over the year against the four strategic priorities identified by the directors in September 2015.

#### **Outcomes**

The context of the Trust's seven schools differ considerably, but good overall progress has been made in sustaining and improving outcomes for all children, especially in the context of rising standards nationally, and a new curriculum and assessment structure in both primary and secondary phases.



# Castle School Education Trust

## Directors' Report for the year ended 31 August 2016

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### Outcomes (*continued*)

**The Castle School**, which was the founding CSET school in March 2013, is the second largest school in South Gloucestershire, and had 1,655 students on roll in 2015-16. The school remains popular with parents and was full in Year 7, attracting a significant number of families from outside the school's catchment area. Overall, the progress of students at the end of Year 11 was in line with national averages, with progress in Humanities and Languages significantly above national average. 67% of students achieved grade C or above in GCSE English and Maths, and 43% achieved grade C or above in the "EBacc" subjects. Progress for A-level students was also above the national average. The Castle School retained its overall "Good" judgement when inspected by Ofsted in January 2016.

**Charfield Primary School** joined CSET as a sponsored academy in September 2013. The school improved from "Special Measures" to "Outstanding" in its first academy inspection in July 2015. The school continues to perform well, with attainment in the new Key Stage 2 tests above national average in all areas, and progress above national average in three out of four key areas. Outcomes in national assessments at the end of Reception, Year 1 and Year 2 also remain strong. Numbers at Charfield remain stable with 179 students on roll in 2015-16.

**Severn Beach Primary School** joined CSET as a sponsored academy in September 2014. During the 2015-16 academic year, the school was overseen by an Executive Headteacher from a neighbouring primary school. Numbers have increased significantly with 23 children joining Reception, and a total of 114 on roll, demonstrating increasing parental confidence in the school. With only five children in Year 6, statistical comparisons of outcomes are difficult to make. However, outcomes for pupils at the end of Reception, Year 1 and Year 2 were above national average, marking significant progress for the school.

**Marlwood School** joined CSET as a sponsored academy in November 2014. Overall numbers dropped to 714, causing budgetary and curriculum pressures, but recruitment into Year 7 increased to 110, the highest level for three years. Attainment at GCSE improved by 10%, with 58% achieving grade C or above in English and Maths. Progress, whilst improved, remains a central focus for improvement at the school in all year groups. Significant changes to the school, including a new House system and uniform, are improving the ethos and provide a platform for continued improvement.

**Lyde Green Primary School** opened in September 2015 in temporary accommodation at Downend School, with 26 children in Reception. In collaboration with Mangotsfield Primary School, who provided executive leadership and staffing for the first year of operation, the school achieved amongst the highest outcomes in South Gloucestershire in end-of-year assessments.

**Mangotsfield School** joined CSET in September 2016 as a sponsored academy, with 1,074 students on roll. The school was overseen by an Executive Headteacher from neighbouring Downend School during the transition to academy status, with a new Headteacher appointed from September 2015. Extensive planning was undertaken for a review of curriculum, ethos and estates, with significant changes made to the school ready for the 2016-17 academic year. Outcomes at the school improved by 10% in the first year of operation, with 60% achieving GCSE grades C and above in both English and Maths. Progress remains below national average, but is improving, and some areas are significantly better than national average, notably Humanities.

**Downend School** joined CSET in May 2016. The school has increased in popularity significantly in recent years, and was heavily oversubscribed in 2016, with 1,016 students on roll across all year groups. 53% of students achieved GCSE grades C and above in both English and Maths, and improving progress at GCSE remains an area of focus for the school. A-level results however are very strong, with progress significantly above national average.

All schools have significantly reduced exclusion rates as a result of innovative practice and collaboration between schools, and exclusions are well below national averages. The outcomes for disadvantaged students however remain low, and this is a key priority for the Trust in the coming year.

# Castle School Education Trust

## Directors' Report for the year ended 31 August 2016

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### Growth

CSET expanded from four to seven schools during 2015-16. This brought over 2,000 additional students and nearly 300 staff into the Trust, and is the primary cause of the significant growth in the financial assets and turnover of the Trust since the last Annual Report.

**Mangotsfield School** transferred from Local Authority control as a sponsored academy, and **Downend School** joined CSET in May 2016 as a converter academy, having previously been managed as a Single Academy Trust under an umbrella trust arrangement with CSET. The two schools share a catchment area and there is considerable scope for the schools to improve at a faster rate as a result of formal collaboration. The Sixth Form provision has now been integrated to improve outcomes and generate financial efficiencies. An anticipated in-year budget deficit at Mangotsfield was eliminated during the course of the year following a financial review.

Lyde Green Primary School opened in September 2015 following a successful bid to open a brand new sponsored academy in the growing housing development adjacent to the Bristol & Bath Science Park. Work to complete a new building at Lyde Green was completed successfully with possession of the first phase taken in August 2016 as planned. The school will expand to 420 students over the next decade.

Further schools have expressed an interest in joining CSET in the future, and whilst no plans for expansion have been confirmed at the time of preparation of this report, CSET will continue to be open to welcoming new schools into the Trust.

### Sustainability

With the addition of three further schools in 2015-16, CSET has put in place a central team structure, including the appointment of a Head of IT and Head of HR. This enables the Trust to centralise and standardise systems, reducing costs and enabling school leaders to focus on educational performance rather than operational issues. The Trust has launched a five year IT project enabling all users to access documents and emails through a single platform, "CSET Net", and ensuring that modern technology is in place in every classroom within the Trust's schools. The development of a single system will reduce hardware and management costs over time, and the use of reserves to fund initial capital investment ensures that all schools can benefit from the project immediately, with reserves refreshed through a levy on schools' IT budget over a five year period.

It is increasingly challenging for schools to set a balanced budget; in common with schools across the country, CSET have experienced substantial real terms funding reductions as a result of reduced Sixth Form funding rates, the elimination of the Education Support Grant, and rising employment costs. Reducing costs by focusing on core activity and eliminating duplication of management processes across schools is central to CSET's strategy to achieve cost reductions without detriment to the quality of educational provision.

### Relationships

CSET has continued to build powerful relationships with local, regional and national organisations. The Chief Executive Officer to August 2016 was a National Leader of Education, providing support for other local academy trusts, and a Partner in the national Whole Education and Achievement for All charities. The Vice Chief Executive Officer to August 2016 was the Director of South Gloucestershire Education Partnership, coordinating the school improvement strategies of multi-academy trusts and the council across the schools sector.

CSET has thus maintained its strong local reputation with parents, as well as helping to shape the development of multi-academy trusts in the wider education system.

### Going concern

Following a review of forecast expenditure and approval of plans to increase levels of collaboration between schools, the board of directors is confident that the 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.

# Castle School Education Trust

## Directors' Report for the year ended 31 August 2016

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### Financial review

Most of the CSET's income is obtained from 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 EFA during the year ended 31 August 2016 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

At the end of the year the Trust carried forward £70,624,000 in restricted capital funds. There was £213,000 in restricted general reserves, before deducting the defined benefit pension scheme liability of £9,716,000. In unrestricted reserves there was £2,446,000. There is £595,000 of unrestricted reserves carried as fixed assets. In addition, the directors have set aside £432,000 of unrestricted funds into a designated reserve for the future repair and maintenance of the astro-turf pitches at The Castle School, Mangotsfield School and Downend School.

The incoming resources set out in the statement of financial activities show income that was received as a result of the transfer of Downend School and Mangotsfield School. This one off income of £43,344,000 relates to fixed assets and pension liabilities transferred, as well as any excess funds in the schools on the date of transfer. Please refer to note 30 in the accounts for more detail.

The Trust has reviewed its staffing and expenditure in light of the funding it anticipates receiving. In light of these pressures on income and expenditure, the directors feel the level of reserves provides the necessary latitude to undertake its plans to derive the financial and educational benefits of increased collaboration without compromising its objectives.

### *Financial and risk management objectives and policies*

A risk register is maintained and key risks have been reviewed during the year at appropriate levels in the organisation.

Matters related to risks and identification of actions are a frequent agenda item of the local governing bodies and sub-committees and minutes for the year are maintained by the Clerk. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Trust and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

### *Principal risks and uncertainties*

The directors have assessed the major risks the Trust may experience in its principal work and have identified in particular those related to finance, provision of facilities, quality of teaching, maintenance of student numbers and other operational areas.

The directors recognise the need to address current spending levels in order to maintain the appropriate level of reserves in the light of continuing uncertainty over education funding. Plans are in place to better utilise resources through increased collaboration between schools to secure economies of scale. The Trust has an effective system of internal financial controls.

### *Reserves policy*

It is the intention of the Trust to carry forward a prudent level of free reserves. The current level is considered sufficient to provide working capital to cover delays between spending and the receipt of grants and to provide a cushion to deal with unexpected emergencies.

The directors continue to monitor the level of reserves available to mitigate the identified risks. The directors have reviewed the reserves of the Trust and consider them to be sufficient for the Trust's requirements.

# Castle School Education Trust

## Directors' Report for the year ended 31 August 2016

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### Financial review (*continued*)

#### *Investment policy*

The Trust manages its cash by reviewing short and medium term requirements for funds. The policy is to invest temporary surplus amounts in easy access bank deposit accounts. There are currently no long term investments made by the Trust. The situation will be reviewed regularly to ensure the Trust maximises the return on its cash reserves.

#### Plans for the future

The strategic planning carried out by the board of directors identified four priorities to be pursued at this consolidation stage of the Trust's development:

- Improve outcomes for students in all our schools;
- Secure and open academies that have a good fit with CSET values, vision and aims;
- Develop a healthy and sustainable Trust; and
- Build relationships that benefit education of students and development of staff

At the date of preparing this report, the Trust has not committed to undertake any further expansion.

#### Provision of information to auditor

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the 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.

This report was approved by the directors on 12 December 2016 and signed on their behalf.



**Stuart Hill**  
Chair of Board of Directors

# Castle School Education Trust

## Governance Statement for the year ended 31 August 2016

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### Scope of responsibility

As directors we acknowledge we have overall responsibility for ensuring that Castle School Education 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 directors have delegated the day to day responsibility to the chief executive, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Castle School Education Trust and the Secretary of State for Education. The chief executive is also responsible for reporting to the directors any material weaknesses or breakdowns in internal control.

### Governance

The information on governance included here supplements that described in the directors' report and the statement of directors' responsibilities. The board of directors has formally met seven times during the year. Attendance at meetings was as follows:

Director	Meetings attended	Out of a possible
Rhona Allgood	5	7
Mike Ashfield	3	3
Graham Barley	3	4
Ian Cooper	1	1
Keith Greenfield	3	6
Paul Harrod	7	7
Stuart Hill (Chair)	7	7
Jason Lugg	3	7
Clive Parkinson	7	7
Timothy Pearce	2	6
Penelope Robinson	6	7
Melanie Warnes	7	7
Jon Welsh	3	6
Christopher White-Horne	6	7

In conjunction with a review of the Articles of Association, an independent governance review of the board of directors was carried out during the year.

The revised Articles, based on the relevant Department for Education model, encompassed changes in response to the increased size of the Trust and the need to address the skills required at board level. The composition of the board will continue to evolve in order to secure the most appropriate range of skills and experience as the Trust matures. Further changes to board committees and to the delegation of board authority will be reviewed during 2016-17.

On 1 September 2016, Mr. William Roberts was appointed Chief Executive Officer of the Trust, replacing Ms. Melanie Warnes, whose resignation took effect on 31 August 2016. Mr. Roberts was previously Vice Chief Executive Officer of the Trust as well as the Chief Executive Officer and head teacher of Downend Academy.

# **Castle School Education Trust**

## **Governance Statement for the year ended 31 August 2016**

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### **Review of Value for Money**

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

The accounting officer considers how the Trust's use of its resources has provided good value for money during each academic year, and has delivered improved value for money during the year by:

- Applying the Trust tendering process to the letting of a single Trust-wide catering contract covering all schools in the Trust. The competitive process ensured value for money for all our schools.
- Negotiating a waste disposal contract for all schools in the Trust, resulting in a net saving of £19,000
- Negotiating a 14% discount on the Cloud hosting service for the financial information system.
- Reducing external printing costs by producing the schools' prospectus in-house.

### **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 on-going 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 Castle School Education Trust for the year ended 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 an appropriate method of managing the academy trust's significant risks that has been in place for the year ended 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 directors of Castle School Education Trust exercise a level of control through the governors of the schools in the Trust, who are responsible for ensuring the adequacy of financial controls and risk management within their schools. The local governing bodies have established finance and resources sub-committees that approve the delegation of authority within the schools and periodically review the internal reports showing planned and actual expenditure, to confirm that adequate financial control is being exercised.

The system of internal financial control is based on clear delegation of authority and segregation of duties supported by a framework of management information reporting, all of which are reviewed each year by the schools' finance and resources sub-committees. The sub-committees undertake the following checks:

- reviewing and challenging budgeted income and expenditure, prior to recommending the budget for approval by the school governors and the Trust's directors;
- approving the scheme of delegation of authority;
- reviewing the internal financial management reports during the period, understanding areas of variation from plan and identifying areas of risk; and
- challenging significant items of expenditure, ensuring that purchasing policies are complied with and ensuring suitable work is undertaken to obtain best value for material investments.

# Castle School Education Trust

## Governance Statement for the year ended 31 August 2016

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### **The risk and control framework (*continued*)**

The board of directors has considered the need for a specific internal audit function and appointed South Gloucestershire Council as internal auditor. The internal auditor's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. On a regular basis, the internal auditor reports to the board of directors, through the audit committee on the operation of the systems of control and on the discharge of the board of directors' financial responsibilities.

### **Risk management**

The directors have had a risk management policy in place throughout the period under review. The key risks and the associated treatment plans are reviewed by the directors each year

### **Review of effectiveness**

As accounting officer the chief executive has responsibility for reviewing the effectiveness of the system of internal control. During the period in question the review has been informed by:

- the work of the internal auditor;
- the work of the external auditor; and
- the work of the Head of Finance and Business Management with responsibility for the financial management of the Trust.

As accounting officer, the chief executive has been advised of the reviews that have taken place and the enhancements that can be made to develop the level of financial control. The directors are confident that the existing level of control is adequate and that the continuing improvements will further strengthen the financial position of the Trust.

Approved by order of the members of the board of directors on 12 December 2016 and signed on its behalf by:



**Stuart Hill**  
Chair of Board of Directors

## **Castle School Education Trust**

### **Statement on Regularity, Propriety and Compliance for the year ended 31 August 2016**

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As accounting officer of Castle School Education Trust 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. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

I confirm that I and the 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.

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.



**William Roberts**  
Chief Executive and Accounting Officer

Dated: 12 December 2016



# Castle School Education Trust

## Statement of Directors' Responsibilities for the year ended 31 August 2016

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The directors (who act as governors of Castle School Education Trust and are also the trustees of the charitable trust for the purposes of charity 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:

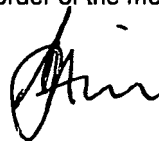
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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:



**Stuart Hill**  
Chair of Board of Directors

# **Castle School Education Trust**

## **Independent Auditor's report on the financial statements to the Board of Trustees of Castle School Education Trust**

We have audited the financial statements of Castle School Education Trust ("the 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 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2015 to 2016 (SORP 2015) issued by the Education Funding Agency ("the EFA").

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 and to the trustees, as a body, in accordance with the Academies Accounts Direction 2015 to 2016 (SORP 2015). Our audit work has been undertaken so that we might state to the Academy's members and trustees 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, the Academy's members as a body and the Academy's trustees as a body for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditor**

As explained more fully in the statement of directors' responsibilities, the directors (who act as governors of Castle School Education Trust and are also the trustees of the charitable company for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. We have been appointed as auditor under the Companies Act 2006 and report in accordance with that Act. 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 and the Academies Accounts Direction 2015 to 2016 (SORP 2015) issued by the EFA.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

## Castle School Education Trust

### Independent Auditor's report on the financial statements to the Board of Trustees of Castle School Education Trust *(continued)*

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

*BDO LLP*

**Neil Dimes** (Senior statutory auditor)  
for and on behalf of BDO LLP, Statutory auditor  
Bristol, UK

Date: *22 December 2016*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# **Castle School Education Trust**

## **Independent Reporting Accountant's Assurance Report on Regularity to Castle School Education Trust and the Education Funding Agency**

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In accordance with the terms of our engagement letter dated 29 November 2013 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016 (SORP 2015), we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Castle School Education Trust during the year to 31 August 2016 have been applied to the purposes identified by Parliament and the financial statements conform to the authorities which govern them.

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

### **Respective responsibilities of Castle School Education Trust accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of Castle School Education Trust funding agreement with the Secretary of State for Education dated 15 January 2013 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 (SORP 2015). 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 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 (SORP 2015) 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.

The work undertaken to draw our conclusion includes an assessment of the level of risk associated with the specific categories of income and expenditure and the potential for irregularities to be identified. Our work is performed in accordance with Part 9 of the Academies Accounts Direction 2015 to 2016 (SORP 2015).

## Castle School Education Trust

### Independent Reporting Accountant's Assurance Report on Regularity to Castle School Education Trust and the Education Funding Agency *(continued)*

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#### Conclusion

In the course of our work, nothing has come to our attention which suggest that in all material respects the expenditure disbursed and income received during the year to 31 August 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*BDO LLP*

**BDO LLP**  
Chartered Accountants  
Bristol, United Kingdom

Date: *22 December 2016*

# Castle School Education Trust

## Statement of financial activities for the year ended 31 August 2016

	Note	Unrestricted funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total 2016 £'000	Total 2015 £'000
<b>Income from:</b>						
Donations and capital grants – transferred schools	2	1,074	(2,133)	44,403	<b>43,344</b>	16,354
Donations and capital grants – other	2	-	20	859	<b>879</b>	488
Charitable activities: funding for the academy trust's educational operations	3	-	21,905	-	<b>21,905</b>	13,648
Other trading activities	4	119	-	-	<b>119</b>	94
Investment income	5	11	-	-	<b>11</b>	10
Other sources	6	359	765	-	<b>1,124</b>	672
<b>Total</b>		<b>1,563</b>	<b>20,557</b>	<b>45,262</b>	<b>67,382</b>	<b>31,266</b>
<b>Expenditure on:</b>						
Raising funds	8	20	-	-	<b>20</b>	16
Charitable activities: academy trust's educational operations	9	648	23,001	2,300	<b>25,949</b>	15,978
<b>Total</b>		<b>668</b>	<b>23,001</b>	<b>2,300</b>	<b>25,969</b>	<b>15,994</b>
<b>Net income/(expenditure)</b>		<b>895</b>	<b>(2,444)</b>	<b>42,962</b>	<b>41,413</b>	<b>15,272</b>
Transfers between funds	18	-	-	-	-	-
<b>Net income/(expenditure) for the year</b>		<b>895</b>	<b>(2,444)</b>	<b>42,962</b>	<b>41,413</b>	<b>15,272</b>
<b>Other recognised gains and losses</b>		-	-	-	-	-
Actuarial losses on defined benefit pension schemes	28	-	(4,357)	-	<b>(4,357)</b>	(275)
<b>Net movement in funds</b>		<b>895</b>	<b>(6,801)</b>	<b>42,962</b>	<b>37,056</b>	<b>14,997</b>
<b>Reconciliation of funds</b>						
Total funds brought forward at 1 September 2015	18	1,551	(2,702)	27,662	<b>26,511</b>	11,514
<b>Total funds carried forward at 31 August 2016</b>	<b>18</b>	<b>2,446</b>	<b>(9,503)</b>	<b>70,624</b>	<b>63,567</b>	<b>26,511</b>

All of the academy's activities derive from continuing operations during the above two financial periods.

# Castle School Education Trust

## Balance sheet at 31 August 2016

<b>Company number: 8397975</b>	<b>Note</b>	<b>2016 £'000</b>	<b>2016 £'000</b>	<b>2015 £'000</b>	<b>2015 £'000</b>
<b>Fixed assets</b>					
Tangible assets	14		71,099		27,649
<b>Current assets</b>					
Debtors	15	1,154		563	
Investments	16	1,863		1,006	
Cash at bank and in hand		2,123		1,703	
		<u>5,140</u>		<u>3,272</u>	
<b>Liabilities</b>					
Creditors: amounts falling due within one year	17	(2,956)		(1,506)	
<b>Net current assets</b>			<u>2,184</u>		<u>1,766</u>
<b>Total assets less current liabilities</b>			<u>73,283</u>		<u>29,415</u>
Defined benefit pension scheme	28		(9,716)		(2,904)
<b>Net assets including pension liability</b>			<u>63,567</u>		<u>26,511</u>
<b>Funds of the academy trust</b>					
<b>Restricted funds</b>					
Fixed asset fund	18	70,624		27,662	
General fund	18	213		202	
Pension reserve	18	(9,716)		(2,904)	
<b>Total restricted funds</b>			<u>61,121</u>		<u>24,960</u>
<b>Unrestricted funds</b>					
Designated funds	18	1,027		172	
General fund	18	1,419		1,379	
<b>Total unrestricted funds</b>			<u>2,446</u>		<u>1,551</u>
<b>Total funds</b>			<u>63,567</u>		<u>26,511</u>

The financial statements on pages 20 to 47 were approved by the directors, and authorised for issue on 12 December 2016 and are signed on their behalf by:

  
**Stuart Hill**  
Chair of Board of Directors

# Castle School Education Trust

## Cash flow statement for the year ended 31 August 2016

	Note	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>			
Net cash provided by (used in) operating activities	22	1,012	(239)
<b>Cash flows from investing activities</b>	23	(261)	332
Cash transferred from predecessor schools		526	231
		<hr/>	<hr/>
<b>Change in cash and cash equivalents in the reporting period</b>		<b>1,277</b>	<b>324</b>
		<hr/>	<hr/>
<b>Cash and cash equivalents at 1 September 2015</b>		<b>2,709</b>	<b>2,385</b>
		<hr/>	<hr/>
<b>Cash and cash equivalents at 31 August 2016</b>	24	<b>3,986</b>	<b>2,709</b>
		<hr/>	<hr/>



# Castle School Education Trust

## Notes forming part of the financial statements for the year ended 31 August 2016

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### 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.

#### **Basis of preparation**

The financial statements of the academy trust 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.

CSET meets the definition of a public benefit entity under FRS 102.

#### **First time adoption of FRS 102**

These financial statements are the first financial statements of CSET 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 CSET 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.

Information on the impact of first-time adoption of FRS 102 is given in note 31.

#### **Transfers of new schools into the Trust**

The conversion from a state maintained school to an academy operating within the Trust involved the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration and has been accounted for under the acquisition accounting method.

Similarly, the transfer of a school from an existing academy trust to an academy operating with the Trust involved the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration and has been accounted for under the acquisition accounting method.

In both cases, the assets and liabilities transferred from the predecessor body to the academy trust have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in Donations and capital grants – transferred schools in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. Further details of the transactions are set out in note 30.

#### **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 company 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.

# Castle School Education Trust

## Notes forming part of the financial statements for the year ended 31 August 2016

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### 1 Accounting policies (*continued*)

#### Income

All incoming resources are recognised when the academy trust has entitlement to the funds, probability of receipt and the amount can be measured with sufficient reliability.

##### *Grants receivable*

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 period for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund. Capital grants are recognised when receivable 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.

##### *Sponsorship income*

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where there is probability of receipt and it is measurable.

##### *Donations*

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

##### *Other income*

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

##### *Donated services and gifts in kind*

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

# Castle School Education Trust

## Notes forming part of the financial statements for the year ended 31 August 2016 (*continued*)

### 1 Accounting policies (*continued*)

#### Expenditure

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

All resources expended are inclusive of irrecoverable VAT.

Liabilities are recognised as soon as there is a legal or constructive obligation committing the academy trust to pay out resources.

Costs of raising funds are costs incurred in attracting donations income, and those incurred in trading activities that raise funds.

Expenditure on charitable activities is costs incurred on the academy trust's educational operations.

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

#### Tangible fixed assets

Assets costing £2,000 or more 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. 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 such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the academy trust's depreciation policy.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Long leasehold land	-	term of lease
Long leasehold buildings	-	5 to 46 years
Fixtures, fittings and equipment	-	5 years
ICT equipment	-	3 to 5 years
Motor vehicles	-	5 years

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

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.

# Castle School Education Trust

## Notes forming part of the financial statements for the year ended 31 August 2016 (*continued*)

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### 1 Accounting policies (*continued*)

#### Liabilities

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 trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

#### 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.

#### Pensions benefits

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 trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 28, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

# Castle School Education Trust

## Notes forming part of the financial statements for the year ended 31 August 2016 (*continued*)

### 1 Accounting policies (*continued*)

#### 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 Education Funding Agency (EFA), Department for Education (DfE) or other funders, where the asset acquired or created is held for a specific purpose.

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

Designated funds are unrestricted funds that the directors have earmarked for a particular purpose.

#### 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 28, 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.

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Changes in assumptions regarding useful lives or residual values would impact depreciation charges recognised and the carrying value of fixed assets.

The donated fixed assets of schools transferred into the Trust are taken to income at estimated market value. The directors have used professional valuations of the market value of land and buildings, but since school land and buildings are not typically sold on the open market, they have been valued using the depreciated replacement cost method. Changes in assumptions, such as the replacement cost per square metre of different school areas or their useful economic life, would impact on the income recognised in the year of transfer and on the carrying amount of the relevant fixed assets.

##### *Critical areas of judgement*

In preparing these financial statements, the directors have had to make the judgments regarding whether expenditure incurred should be classed as direct costs or support costs.

# Castle School Education Trust

Notes forming part of the financial statements  
for the year ended 31 August 2016 (*continued*)

## 2 Donations and capital grants

	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total 2016 £'000	Total 2015 £'000
Capital grants	-	-	859	859	445
Private sponsorship	-	-	-	-	22
Other Donations	-	20	-	20	21
Transferred on conversion/merger (note 30)	1,074	(2,133)	44,403	43,344	16,354
	<u>1,074</u>	<u>(2,113)</u>	<u>45,262</u>	<u>44,223</u>	<u>16,842</u>
<i>2015 total</i>	<u>121</u>	<u>(888)</u>	<u>17,609</u>	<u>16,842</u>	

## 3 Funding for the Academy Trust's educational operations

	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total 2016 £'000	Total 2015 £'000
<b>DfE/EFA revenue grants</b>					
General Annual Grant (GAG)	-	20,464	-	20,464	12,475
Pupil premium	-	604	-	604	231
Other DfE/EFA grants	-	230	-	230	377
	<u>-</u>	<u>21,298</u>	<u>-</u>	<u>21,298</u>	<u>13,083</u>
<b>Other Government grants</b>					
Local authority grants	-	607	-	607	565
	<u>-</u>	<u>607</u>	<u>-</u>	<u>607</u>	<u>565</u>
	<u>-</u>	<u>21,905</u>	<u>-</u>	<u>21,905</u>	<u>13,648</u>
<i>2015 total</i>	<u>-</u>	<u>13,648</u>	<u>-</u>	<u>13,648</u>	

# Castle School Education Trust

Notes forming part of the financial statements  
for the year ended 31 August 2016 (*continued*)

## 4 Other trading activities

	Unrestricted Funds £'000	Restricted Funds £'000	Restricted Funds £'000	Total 2016 £'000	Total 2015 £'000
Hire of facilities	114	-	-	114	81
Other	5	-	-	5	13
	<u>119</u>	<u>-</u>	<u>-</u>	<u>119</u>	<u>94</u>
<i>2015 total</i>	<u>94</u>	<u>-</u>	<u>-</u>	<u>94</u>	

## 5 Investment income

	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total 2016 £'000	Total 2015 £'000
Bank interest	11	-	-	11	8
Short term deposits	-	-	-	-	2
	<u>11</u>	<u>-</u>	<u>-</u>	<u>11</u>	<u>10</u>
<i>2015 total</i>	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>	

## 6 Other income

	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total 2016 £'000	Total 2015 £'000
Contribution trips	-	698	-	698	461
Consultancy	28	40	-	68	43
Other income	331	27	-	358	168
	<u>359</u>	<u>765</u>	<u>-</u>	<u>1,124</u>	<u>672</u>
<i>2015 total</i>	<u>122</u>	<u>550</u>	<u>-</u>	<u>672</u>	

# Castle School Education Trust

Notes forming part of the financial statements  
for the year ended 31 August 2016 (*continued*)

## 7 Expenditure

	Staff Costs £'000	Non Pay Expenditure		Total 2016 £'000	Total 2015 £'000
		Premises £'000	Other £'000		
Expenditure on raising funds	8	-	12	20	16
Academy's educational operations:					
Direct costs	15,736	2,300	2,237	20,273	12,579
Allocated support costs	2,584	1,122	1,970	5,676	3,399
	18,320	3,422	4,207	25,949	15,978
	18,328	3,422	4,219	25,969	15,994
<i>2015 total</i>	11,512	1,891	2,591	15,994	
Net income/(expenditure) for the period includes:				2016 £'000	2015 £'000
Operating lease rentals				47	36
Depreciation				2,300	1,206
Auditor's remuneration – audit of financial statements				30	20
Auditor's remuneration – other services				7	5

## 8 Expenditure on raising funds

	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total 2016 £'000	Total 2015 £'000
Sports Centre – staff	8	-	-	8	6
Other	12	-	-	12	10
	20	-	-	20	16
<i>2015 total</i>	16	-	-	16	



# Castle School Education Trust

Notes forming part of the financial statements  
for the year ended 31 August 2016 (*continued*)

## 9 Charitable activities

Analysis of support costs - educational operations	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total 2016 £'000	Total 2015 £'000
<b>Direct costs</b>					
Teaching and educational support staff costs	475	15,261	-	15,736	9,976
Depreciation	-	-	2,300	2,300	1,206
Technology costs	-	140	-	140	61
Educational supplies	-	443	-	443	259
Examination fees	-	345	-	345	253
Staff development	-	123	-	123	43
Educational trips	15	691	-	706	496
Other direct costs	33	447	-	480	285
	<u>523</u>	<u>17,450</u>	<u>2,300</u>	<u>20,273</u>	<u>12,579</u>
<b>Allocated support costs</b>					
Support staff costs	53	2,531	-	2,584	1,531
Technology costs	2	89	-	91	58
Recruitment and support	1	31	-	32	11
Maintenance of premises and equipment	10	441	-	451	279
Cleaning	3	152	-	155	113
Rent and rates	2	110	-	112	50
Energy costs	8	396	-	404	242
Insurance	4	185	-	189	109
Security and transport	3	166	-	169	97
Catering	5	166	-	171	115
Bank interest and charges	-	1	-	1	1
Other support costs	34	1,244	-	1,278	766
Governance costs	-	39	-	39	27
	<u>125</u>	<u>5,551</u>	<u>-</u>	<u>5,676</u>	<u>3,399</u>
	<u><b>648</b></u>	<u><b>23,001</b></u>	<u><b>2,300</b></u>	<u><b>25,949</b></u>	<u><b>15,978</b></u>
<i>2015 total</i>	<u>305</u>	<u>14,466</u>	<u>1,207</u>	<u>15,978</u>	

# Castle School Education Trust

Notes forming part of the financial statements  
for the year ended 31 August 2016 (continued)

## 10 Staff

	Total 2016 £'000	Total 2015 £'000
<b>a. Staff costs</b>		
Staff costs during the period were:		
Wages and salaries	14,465	9,367
Social security costs	1,270	660
Operating costs of defined benefit pension schemes	2,593	1,485
	<u>18,328</u>	<u>11,512</u>
Supply staff costs	281	141
Staff restructuring costs	16	-
	<u>18,625</u>	<u>11,653</u>
Staff restructuring costs comprise:		
Severance payments	16	-
	<u>16</u>	<u>-</u>

## b. Non statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £16,000 (2015: £nil). Individually, the payments were: £3,500, £5,500 and £7,000.

## c. Staff numbers

The average number of persons employed by the academy during the year expressed as full time equivalents was as follows:

	2016 No.	2015 No.
<b>Charitable activities</b>		
Teachers	270	181
Administrations and support	171	106
Management	26	21
	<u>467</u>	<u>308</u>

# Castle School Education Trust

Notes forming part of the financial statements  
for the year ended 31 August 2016 (*continued*)

## 10 Staff (*continued*)

### d. Higher paid staff

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

	2016	2015
	No	No
£60,001 - £70,000	4	5
£70,001 - £80,000	1	2
£80,001 - £90,000	3	-
£90,001 - £100,000	1	1
£100,001 - £110,000	-	-
£110,001 - £120,000	-	-
£120,001 - £130,000	-	-
£130,001 - £139,999	1	1
	<u>1</u>	<u>1</u>

All of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2016 employer's pension contributions for these staff amounted to £135,950 (2015: £100,929).

### e. Key management personnel

The key management personnel of the academy trust comprise the directors and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £317,758 (2015: £280,509).

## 11 Central services

Central management has provided the following central services to its academies during the year:

- financial services, and
- management support services.

The central trust charges for these services on the basis of estimated staff time spent dealing with the affairs of the academies.

The actual amounts charged during the year were as follows:

	2016 £'000	2015 £'000
The Castle School	150	-
Charfield School	16	9
Downend School	31	-
Lyde Green Primary School	26	-
Mangotsfield School	112	-
Marlwood School	75	85
Severn Beach Primary School	9	7
	<u>419</u>	<u>101</u>

# Castle School Education Trust

## Notes forming part of the financial statements for the year ended 31 August 2016 (*continued*)

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### 12 Related party transactions – director remuneration and expenses

In accordance with the Trust's memorandum and articles of association, 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 chief executive and staff members under their contracts of employment.

The value of directors' remuneration and other benefits was as follows:

Melanie Warnes (chief executive and trustee)

Remuneration £115,000-£120,000 (2015: £115,000-£120,000)

Employer's pension contributions paid £15,000-£20,000 (2015: £15,000-£20,000)

Jon Welsh (staff director)

Remuneration £40,000-£45,000 (2015: £45,000-£50,000)

Employer's pension contributions paid £5,000-£10,000 (2015: £5,000-£10,000)

During the year ended 31 August 2016, travel and subsistence expenses totalling £1,035 (2015: £655) were reimbursed to one director (2015: one director).

Other related party transactions involving the directors are set out in note 29.

### 13 Directors' and officers' insurance

In accordance with normal commercial practice the academy has purchased insurance to protect directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £5,000,000 (2015: £5,000,000) on any one claim and the cost for the year ended 31 August 2016 was £7,000 (2015: £6,989). The cost of this insurance is included in the total insurance cost.

# Castle School Education Trust

Notes forming part of the financial statements  
for the year ended 31 August 2016 (*continued*)

## 14 Tangible fixed assets

	Leasehold land and buildings £'000	Furniture and Equipment £'0000	Computer Equipment £'000	Motor Vehicles £'000	Total £'000
<b>Cost</b>					
At 1 September 2015	29,453	91	287	6	29,837
Transfer from predecessor schools	44,077	220	100	-	44,397
Additions	467	109	777	-	1,353
At 31 August 2016	<b>73,997</b>	<b>420</b>	<b>1,164</b>	<b>6</b>	<b>75,587</b>
<b>Depreciation</b>					
At 1 September 2015	2,049	29	107	3	2,188
Charged in year	2,129	44	126	1	2,300
At 31 August 2016	<b>4,178</b>	<b>73</b>	<b>233</b>	<b>4</b>	<b>4,488</b>
<b>Net book values</b>					
At 31 August 2016	<b>69,819</b>	<b>347</b>	<b>931</b>	<b>2</b>	<b>71,099</b>
At 31 August 2015	27,404	62	180	3	27,649

Except for the amounts recognised from the transfer of schools into the Trust, all additions to land and buildings relate to improvements to existing assets.

Leasehold property is occupied under 125 year leases with South Gloucestershire Council. The cost initially recognised is the fair value on transfer to the Trust, as advised to the directors by an independent professional valuation. Subsequent improvements to property are capitalised at cost incurred. Leasehold buildings are depreciated over the economic life as advised by an independent professional valuation and leasehold land over the lease term.

# Castle School Education Trust

Notes forming part of the financial statements  
for the year ended 31 August 2016 (*continued*)

## 15 Debtors

	2016 £'000	2015 £'000
Trade debtors	21	7
VAT recoverable	531	343
Other debtors	37	2
Prepayments	211	158
Accrued income	354	53
	<u>1,154</u>	<u>563</u>

## 16 Investments

	2016 £'000	2015 £'000
Cash placed on short term deposit	<u>1,863</u>	<u>1,006</u>

## 17 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	1,629	482
Taxation and social security	405	205
Other creditors	353	175
Accruals	494	401
Deferred income	75	243
	<u>2,956</u>	<u>1,506</u>
<b>Deferred income</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Deferred income at 1 September 2015	243	178
Released from previous years	(243)	(178)
Resources deferred in the year	<u>75</u>	<u>243</u>
Deferred income at 31 August 2016	<u>75</u>	<u>243</u>

At the balance sheet date the academy trust was holding funds received in advance in respect of free school meal funding for the 2016-17 academic year and money received in advance of school trips taking place in the 2016-17 academic year.

# Castle School Education Trust

Notes forming part of the financial statements  
for the year ended 31 August 2016 (continued)

## 18 Funds

	Balance at 1 September 2015 £'000	Incoming resources £'000	Resources expended £'000	Gains, losses and transfers £'000	Balance at 31 August 2016 £'000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	-	20,605	(20,605)	-	-
Pupil Premium funding	-	604	(604)	-	-
SEN funding	-	608	(608)	-	-
School fund	124	758	(687)	-	195
Conversion	61	39	(100)	-	-
Other restricted	17	137	(136)	-	18
Pension reserve	(2,904)	(2,194)	(261)	(4,357)	(9,716)
	<u>(2,702)</u>	<u>20,557</u>	<u>(23,001)</u>	<u>(4,357)</u>	<u>(9,503)</u>
<b>Restricted fixed asset funds</b>					
DfE/EFA capital grants	406	859	(220)	-	1,045
Inherited capital funds	130	6	(26)	-	110
Inherited fixed assets	27,053	44,397	(2,039)	-	69,411
Capital expenditure from GAG	73	-	(15)	-	58
	<u>27,662</u>	<u>45,262</u>	<u>(2,300)</u>	<u>-</u>	<u>70,624</u>
<b>Total restricted funds</b>	<u><b>24,960</b></u>	<u><b>65,819</b></u>	<u><b>(25,301)</b></u>	<u><b>(4,357)</b></u>	<u><b>61,121</b></u>
<b>Unrestricted funds</b>					
Astro-turf pitch sinking funds	172	260	-	-	432
Capital expenditure from unrestricted funds	-	-	-	595	595
Other unrestricted funds	1,379	1,303	(668)	(595)	1,419
<b>Total unrestricted funds</b>	<u>1,551</u>	<u>1,563</u>	<u>(668)</u>	<u>-</u>	<u>2,446</u>
<b>Total funds</b>	<u><b>26,511</b></u>	<u><b>67,382</b></u>	<u><b>(25,969)</b></u>	<u><b>(4,357)</b></u>	<u><b>63,567</b></u>

# Castle School Education Trust

## Notes forming part of the financial statements for the year ended 31 August 2016 (*continued*)

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### 18 Funds (*continued*)

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

#### **Restricted general funds**

##### *General annual grant (GAG)*

The general annual grant (GAG) must be used for the normal running costs of the Trust's schools. It can also be applied to capital expenditure. Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016..

##### *Pupil premium funding*

Pupil premium funding must be used to address inequalities between children eligible for free school meals and their peers.

##### *SEN funding*

SEN funding must be spent supporting pupils with statements of special educational needs.

##### *School Fund*

The School Fund holds contributions towards school trips and similar activities.

##### *Pension reserve*

The pension reserve holds the Trust's share of the Local Government Pension Scheme deficit.

#### **Restricted fixed asset funds**

##### *DfE/EFA capital grants*

Devolved capital grants can be used for capital expenditure and repairs to enhance the fabric of school buildings.

##### *Inherited capital funds*

The trust's schools received unspent capital funds from predecessor schools. The trust must respect the original restriction on these funds and so they must be spent on capital projects.

##### *Inherited fixed assets*

The amount of inherited fixed assets represents the depreciated replacement cost of the predecessor schools' land and buildings and the fair value of equipment, which was transferred to the academy trust on conversion or merger.

#### **Unrestricted funds**

##### *Astro-turf pitch sinking fund*

This is a designated fund created by the directors to comply with the requirements of the funders of the Castle School's astro-turf pitch. The fund is to be used for the repair and maintenance of the astro-turf pitch.

##### *Other unrestricted funds*

Unrestricted funds are available to be spent on any purpose within the Trust's charitable objects.

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016.



# Castle School Education Trust

Notes forming part of the financial statements  
for the year ended 31 August 2016 (*continued*)

## 18 Funds (*continued*)

### Total funds analysis by academy

Fund balances at 31 August 2016 were allocated as follows:

	Unrestricted Funds £'000	Restricted Funds £'000	2016 £'000	2015 £'000
The Castle School	1,148	40	1,188	1,608
Charfield School	103	9	112	73
Downend School	606	-	606	-
Lyde Green Primary School	2	116	118	-
Mangotsfield School	578	316	894	-
Marlwood School	-	(125)	(125)	99
Severn Beach Primary School	-	(63)	(63)	(27)
Castle School Education Trust	9	(80)	(71)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total before fixed assets and pension reserve	2,446	213	2,659	1,753
Restricted fixed asset fund	-	70,624	70,624	27,662
Pension reserve	-	(9,716)	(9,716)	(2,904)
	<hr/>	<hr/>	<hr/>	<hr/>
	2,446	61,121	63,567	26,511
	<hr/>	<hr/>	<hr/>	<hr/>

Marlwood School is carrying a net deficit of £125,000 on these funds. This is because the school's student numbers have fallen, reducing income, at a faster rate than cost reduction measures, which will impact on subsequent years.

Severn Beach Primary School is carrying a net deficit of £63,000 on these funds because of high cost structures inherited when the schools joined the trust in 2014.

For both Marlwood School and Severn Beach School, the trust is taking the following actions to return the academy to surplus: reductions in staff costs, a review of contracts and sharing services with other schools in the trust.

Castle School Education Trust is carrying a net deficit of £71,000 on these funds because some costs incurred were not recharged to the trust's schools. This deficit will be addressed by increasing the charges to schools within the trust so that the costs of all central services are recovered over subsequent years.

# Castle School Education Trust

Notes forming part of the financial statements  
for the year ended 31 August 2016 (*continued*)

## 18 Funds (*continued*)

### Total cost analysis by academy

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
The Castle School	6,591	1,096	154	1,324	9,166	9,343
Charfield School	510	51	12	188	761	733
Downend School	1,269	156	31	491	1,947	-
Lyde Green Primary School	135	3	8	42	188	-
Mangotsfield School	4,045	818	147	1,212	6,222	-
Marlwood School	2,888	405	74	1,221	4,588	4,090
Severn Beach Primary School	298	55	17	285	655	624
CSET Central costs	-	-	-	142	142	-
	<u>15,736</u>	<u>2,584</u>	<u>443</u>	<u>4,906</u>	<u>23,669</u>	<u>14,790</u>

## 19 Analysis of net assets between funds

Fund balances at 31 August 2016 are represented by:

	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	Total funds £'000
Tangible fixed assets	595	-	70,504	71,099
Current assets	4,807	213	120	5,140
Current liabilities	(2,956)	-	-	(2,956)
Pension scheme liability	-	(9,716)	-	(9,716)
<b>Total net assets</b>	<u>2,446</u>	<u>(9,503)</u>	<u>70,624</u>	<u>63,567</u>

## 20 Capital commitments

There were no material capital commitments at the current or preceding year end.

# Castle School Education Trust

Notes forming part of the financial statements  
for the year ended 31 August 2016 (*continued*)

## 21 Commitments under operating leases

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
<b>Other</b>		
Amounts due within one year	88	36
Amounts due between one and five years	69	38
	<u>157</u>	<u>74</u>

## 22 Reconciliation of net income to net cash flow from operating activities

	2016 £'000	2015 £'000
Net income for the reporting period (as per statement of financial activities)	41,413	15,272
Adjusted for:		
Donation - cash transferred on conversion	(526)	(231)
Donation - fixed assets less pension liability transferred on conversion (note 30)	(42,203)	(16,123)
Depreciation (note 14)	2,300	1,206
Capital grants from DfE and other capital income (note 2)	(859)	(445)
Interest receivable (note 5)	(11)	(10)
Defined benefit pension scheme cost less contributions payable (note 28)	102	64
Defined benefit pension scheme finance cost (note 28)	159	42
Increase in debtors	(351)	(324)
Increase in creditors	988	310
<b>Net cash provided by/(used in) operating activities</b>	<u>1,012</u>	<u>(239)</u>

## 23 Cash flows from investing activities

	2016 £'000	2015 £'000
Dividends, interest and rents from investments	11	10
Purchase of tangible fixed assets	(891)	(270)
Capital grants from DfE/EFA	619	445
Capital grants from local authority	-	147
<b>Net cash provided by/(used in) investing activities</b>	<u>(261)</u>	<u>332</u>

# Castle School Education Trust

Notes forming part of the financial statements  
for the year ended 31 August 2016 (*continued*)

## 24 Analysis of cash and cash equivalents

	At 31 August 2016 £'000	At 31 August 2015 £'000
Cash placed on short term deposit	1,863	1,006
Cash in hand and at bank	2,123	1,703
<b>Total cash and cash equivalents</b>	<b>3,986</b>	<b>2,709</b>

## 25 Guarantees, Letters and comfort and Indemnities

There were no guarantees, letters of comfort or indemnities provided by the trust during the year.

## 26 Contingent liabilities

There were no contingent liabilities in the year.

## 27 Member's liability

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

## 28 Pension and similar obligations

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

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

Contributions amounting to £342,436 were payable to the schemes at 31 August 2016 (2015: £191,870) 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.

# Castle School Education Trust

## Notes forming part of the financial statements for the year ended 31 August 2016 (*continued*)

### 28 Pension and similar obligations (*continued*)

#### 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 £1,743,848 (2015: £975,500).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

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 pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £944,000 (2015: £574,000), of which employer's contributions totalled £733,000 (2015: £437,000) and employees' contributions totalled £211,000 (2015: £137,000). The agreed contribution rates for future years are 17.9% per cent on average for employers and 5.5%-12.5% per cent for employees, depending on salary band.

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.

# Castle School Education Trust

Notes forming part of the financial statements  
for the year ended 31 August 2016 (*continued*)

## 28 Pension and similar obligations (*continued*)

Principal actuarial assumptions	At 31 August 2016	At 31 August 2015
Rate of increase in salaries	3.3%	3.7%
Rate of increase for pensions in payment/inflation	1.9%	2.2%
Discount rate for scheme liabilities	2.1%	3.9%
Inflation assumption (CPI)	1.8%	2.1%

Sensitivity analysis on the principle actuarial assumptions	At 31 August 2016 £'000	At 31 August 2015 £'000
Decrease in deficit:		
Discount rate increased by 0.1% per annum	(425)	(149)
Inflation increased by 0.1% per annum	434	151
Life expectancy increased by 1 year	338	119

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

	At 31 August 2016	At 31 August 2015
<i>Retiring today</i>		
Males	23.5	23.4
Females	26.0	25.9
<i>Retiring in 20 years</i>		
Males	25.9	25.8
Females	28.9	28.8

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	5,073	2,281
Government Bonds	1,226	369
Other bonds	964	464
Property	976	332
Cash	(50)	90
Other	1,858	566
<b>Total market value of assets</b>	<b>10,047</b>	<b>4,102</b>
Present value of scheme liabilities		
- Funded	(19,763)	(7,006)
<b>Deficit in the scheme</b>	<b>(9,716)</b>	<b>(2,904)</b>

# Castle School Education Trust

Notes forming part of the financial statements  
for the year ended 31 August 2016 (*continued*)

## 28 Pension and similar obligations (*continued*)

The actual return on scheme assets was £1,208,000 (2015: £68,000).

Amounts recognised in the statement of financial activities	2016 £'000	2015 £'000
Current service cost (net of employee contributions)	823	501
Net interest cost/(income)	159	42
Administration expenses	12	-
	<hr/>	<hr/>
Total operating charge	994	543
	<hr/>	<hr/>

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

	2016 £'000	2015 £'000
<b>At 1 September</b>	<b>7,006</b>	<b>4,128</b>
Transferred from predecessor schools	6,109	1,958
Current service cost	823	501
Interest cost	422	240
Employee contributions	211	137
Actuarial loss	5,300	146
Benefits paid	(108)	(104)
	<hr/>	<hr/>
<b>At 31 August</b>	<b>19,763</b>	<b>7,006</b>
	<hr/>	<hr/>

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

	2016 £'000	2015 £'000
<b>At 1 September</b>	<b>4,102</b>	<b>2,594</b>
Transferred from predecessor schools	3,915	969
Interest income	263	198
Actuarial gain/(loss)	943	(129)
Administration expenses	(12)	-
Employer contributions	733	437
Employee contributions	211	137
Benefits paid	(108)	(104)
	<hr/>	<hr/>
<b>At 31 August</b>	<b>10,047</b>	<b>4,102</b>
	<hr/>	<hr/>

# Castle School Education Trust

## Notes forming part of the financial statements for the year ended 31 August 2016 (continued)

### 29 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.

During the year the Trust paid £11,400 to Achievement for All (3AS) Ltd, a registered charity that provides educational consultancy services and whose trustee board includes Melanie Warnes, Trust chief executive and director during the year.

### 30 Transfers into the Trust

On 1 September 2015 Mangotsfield School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Castle School Education Trust from South Gloucestershire Council for £nil consideration.

On 1 May 2016 all the operations and assets and liabilities of Downend School were transferred to Castle School Education Trust from the school's predecessor academy trust for £nil consideration.

The transfers have been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net incoming resources in the Statement of Financial Activities as voluntary income expended.

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

<b>Mangotsfield School</b>	<b>Unrestricted Funds £'000</b>	<b>Restricted General Funds £'000</b>	<b>Restricted Fixed Asset Funds £'000</b>	<b>Total Funds £'000</b>
Tangible fixed assets				
- Leasehold land and buildings	-	-	21,219	21,219
Budget surplus on LA fund	459	-	6	465
Budget surplus on other school funds	-	46	-	46
Pension scheme liability	-	(1,208)	-	(1,208)
<b>Total net assets</b>	<b>459</b>	<b>(1,162)</b>	<b>21,225</b>	<b>20,522</b>



# Castle School Education Trust

Notes forming part of the financial statements  
for the year ended 31 August 2016 (*continued*)

## 30 Transfers into the Trust (*continued*)

The following table sets out the fair values of the identifiable assets and liabilities transferred from Downend School's predecessor academy trust and an analysis of their recognition in the Statement of Financial Activities.

Downend School	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total Funds £'000
Tangible fixed assets				
- Leasehold land and buildings	-	-	22,858	22,858
- Other tangible fixed assets	-	-	320	320
Budget surplus on other school funds	615	15	-	630
Pension scheme liability	-	(986)	-	(986)
<b>Total net assets</b>	<b>615</b>	<b>(971)</b>	<b>23,178</b>	<b>22,822</b>

## 31 First time adoption of FRS 102

The policies applied under the Trust's previous accounting framework are not materially different to FRS 102 and have not impacted on reserves or net income.