

SOUTH MANCHESTER LEARNING TRUST
(A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2019

Haines Watts
Chartered Accountants & Registered Auditors
Bridge House
157A Ashley Road
Hale
Altrincham
Cheshire
WA14 2UT



SOUTH MANCHESTER LEARNING TRUST

CONTENTS

	Page
Reference and administrative details	1
Trustees' report	2 – 9
Governance statement	10 – 14
Statement on regularity, propriety and compliance	15
Statement of trustees' responsibilities	16
Independent auditor's report on the accounts	17 – 19
Independent reporting accountant's report on regularity	20 – 21
Statement of financial activities including income and expenditure account	22 – 23
Balance sheet	24
Statement of cash flows	25
Notes to the accounts including accounting policies	26 – 45

SOUTH MANCHESTER LEARNING TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

Members	R J Aubrey S G Wildman
Trustees	P Brooks (Chief Executive Officer and Accounting Officer) * J Brophy P Dunham A Hewitt * M Kane T Macdonald (appointed 20 February 2019, resigned 7 November 2019) * M Stansfield * J Singleton (resigned 04/10/2018) S G Wildman * members of the Finance, Premises and Audit Committee
Senior management team - Chief Executive Officer - Business and Finance Director	P Brooks D Taylor
Company secretary	D Taylor
Company name	South Manchester Learning Trust
Company registration number	08137701 (England and Wales)
Registered office	Green Lane, Timperley, Altrincham, Cheshire, WA15 8QW
Independent auditor	Haines Watts, Bridge House, Ashley Road, Hale, Altrincham, WA14 2UT
Bankers	Lloyds Bank Plc, PO Box 1000, Andover, BX1 1LT

SOUTH MANCHESTER LEARNING TRUST

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 AUGUST 2019

The trustees present their report with the financial statements of the charitable company for the year ended 31 August 2019. The annual report serves the purposes of both a trustees' report and directors' report under company law.

The academy trust became a multi academy trust and changed its name on 1 September 2017 to South Manchester Learning Trust. The trust has two academies; Altrincham College for pupils aged 11 to 18 serving a catchment area in Altrincham, Sale and the surrounding areas and Reddish Vale High School for pupils aged 11 to 16 serving the catchment area of Reddish.

The trust's principal activities are to advance for the public benefit, education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum.

Structure, governance and management

Constitution

The academy trust was incorporated on 10 July 2012 as a company limited by guarantee with no share capital, registration no: 08137701. The company commenced operation as an academy on 1 September 2012 and became a multi academy trust on 1 September 2017. The charitable company's Memorandum and Articles of Association are the primary governing documents of the multi academy trust. The Articles of Association require the members of the charitable company to be responsible for the statutory and constitutional affairs of the charitable company and the management of the academy. The registered office of the company is noted on page 1.

Members' liability

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he/she is a member, or within one period 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.

Trustees

The trustees are directors of the charitable company for the purposes of the Companies Act 2006 and all are trustees for the purposes of charity legislation. The charitable company is known as South Manchester Learning Trust.

The trustees who were in office at 31 August 2019 and served during the period are listed on page 1.

Trustees' indemnities

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

Method of recruitment and appointment or election of trustees

The members of the academy trust are responsible for the appointment of five trustees and the CEO. Any remaining trustees are co-opted by the trust board.

Policies and procedures adopted for the induction and training of trustees

Trustees are appointed based on the skills that they will bring to the board of trustees or based on a proposal to the board of trustees by representative groups. On appointment, trustees receive information relating to the multi academy trust, attend a briefing and receive an induction pack on the role and responsibilities of trustees.

During the year, trustees are offered all necessary training.

SOUTH MANCHESTER LEARNING TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Organisational structure

The governance of the academy trust is defined in the Memorandum and Articles of Association together with the Funding Agreement with the Department for Education.

All trustees are members of the board of trustees. In addition some trustees are members of committees which report to the board of trustees. The board of trustees meets once each term to receive reports from its sub-committees and the local governing bodies to manage its strategic objectives.

The board has two sub-committees:

- Finance, Premises and Audit which meets to consider the academy's budgets, financial performance, premises requirements, effectiveness of the academy's systems of internal control, the responsible officer's reports and its arrangements for risk management, control and governance processes.
- Pay Review Committee which meets at least annually to conduct the performance management review of the chief executive officer, headteachers, and business and finance director.

The day to day management of the academies is delegated to the headteacher, who has appointed a Senior Leadership Team, which meets weekly to support the headteacher in the day to day responsibilities of leading the academy.

Risk management

The trustees have assessed the major risks to which the trust is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the trust. The trustees have implemented a number of systems to assess risks that the academy trust faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. They have introduced systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of school grounds) and internal financial controls (see below) in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover.

Arrangements for setting pay and remuneration of key management personnel

The salary and ISR of the academy headteachers, chief executive officer and business and finance director is determined by the Pay Review Committee and reviewed annually.

The performance management review of all senior leaders paid on the leadership scale is undertaken by the headteacher at each of the academies who makes a recommendation to the Local Governing Body Pay Review Committee.

The chief executive officer leads the performance management of the academy headteachers and cross trust senior staff, supported by trustees and governors on Pay Review Committees.

The setting of individual ISRs takes full account of guidance within the STPCD alongside the need to maintain a balanced budget that provides for the educational needs of students.

Trade union facility time

The academy trust did have trade union facility time during the year.

Related parties and other connected charities and organisations

South Manchester Learning Trust is not connected to any other organisations as defined by the relevant Charities SORP. The members, directors, trustees, senior staff and their families are regarded as related parties in accordance with the definitions in the Charities SORP.

SOUTH MANCHESTER LEARNING TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Objectives and activities

Objects and aims

The trust's object is to advance for the public benefit education for children aged 11 to 18 by establishing, maintaining, leading, managing and developing an academy offering a broad and balanced curriculum.

The trustees' vision is to create a culture of high achievement and success in order to extend lifetime opportunities for young people and to do everything possible to encourage this.

Students are offered a supportive, positive and dynamic learning environment that enables them to focus on their studies and extra-curricular activities. As a result, students achieve academic, creative and technological excellence and extend their sporting and musical accomplishments.

The academy fosters personal development that helps students to become valued members of the community and respond with creativity and determination to the challenges that arise through the rapid pace of social change.

Objectives, strategies and activities

Student roll:

The total number of students on roll in trust schools is 1785, with 933 students on roll at Altrincham College and 852 students on roll at Reddish Vale.

Admissions:

Altrincham College has a Planned Admission Number (PAN) of 175 for the Year 7 intake and 100 in the Sixth Form. The school is currently undersubscribed by 14%, calculated against the net capacity. All year groups in Years 7-11 are full with any capacity only available in the Sixth Form.

Reddish Vale has a PAN of 270 for year 7. The school is currently undersubscribed by 37%, however, numbers have grown significantly since joining the trust.

Exclusions:

As an inclusive trust the aim is always to use exclusion as a last resort and in exceptional circumstances. In the last academic year there were 5 permanent exclusions at Altrincham College, with 63 fixed term exclusions. Over the same period there were 7 permanent exclusions at Reddish Vale, with 80 fixed term exclusions.

Staffing:

The number of staff employed at Altrincham College, expressed as full time equivalents is 99.3. This compares with 100.5 full time equivalent staff at Reddish Vale. The numbers are not comparable as the two schools currently operate a different approach, due to fixed contracts, to the purchase of service level agreements in relation to cleaning and catering services.

Public benefit

The trust will promote for the benefit of inhabitants of Altrincham, Sale, Reddish and the surrounding areas, the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of life of the said inhabitants.

The trustees have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their powers or duties.

SOUTH MANCHESTER LEARNING TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Strategic report

Achievements and performance

Student outcomes (unvalidated):

The tables below summarise the KS4 and KS5 headline figures for both Altrincham and Reddish.

Altrincham College	2018	2019 Predicted	2019 FFT Range/Target	2019 Results
Prior Attainment	4.80		4.84	4.84
Basics (4+)	63%	70%	68-76	72%
Basics (5+)	39%	44%	43-52	45%
% achieving Ebacc	21%	9%	N/A	3%
Attainment 8	46.5	45.7%	N/A	45.6
Progress 8	-0.12	N/A	N/A	-0.23
Best English 4-9	73%	76%	73-79	63%
Best English 5-9	54%	56%	56-68	64%
Best English 7-9	21%	10%	16-21	21%
Maths 4-9	66%	79%	74-81	76%
Maths 5-9	48%	55%	51-62	49%
Maths 7-9	17%	10%	15-20	11%

Disadvantaged Gaps	Att 8	Progress 8	Basics 5+
Non Pupil premium	47.2	-0.22	47%
Pupil Premium	41.2	-0.25	40%
2019 Gap	6.0	-0.03	7%

Progress 8	English P8	Maths P8	E-Bacc P8	Open P8
-0.25	+0.01	-0.35	-0.52	-0.04

Progress 8	HPA	MPA	LPA
-0.29	-0.47	-0.09	+0.13

Altrincham College

Significant improvement in the Basics at Grade 4+ and 5+ for the third year in succession.

English results either met or exceeded targets at the key grade thresholds. Maths results at Grade 4+ met target, while results at 5+ and 7+ were slightly under target.

Progress is predicted to be around -0.2 which is surprising given the strong increase in attainment. Progress was impacted on by the weaker performance of a small number of high prior attainers in Triple Science and the progress of low prior attaining students in Maths.

The disadvantaged gap in attainment has narrowed very considerably in 2019.

SOUTH MANCHESTER LEARNING TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

A Level results:

KS5 results 2018	2016	2017	2018	2019
% of students achieving 2 or more A Levels at A*-E (including equivalences)	98%	98%	100%	98%
% of students achieving 3 or more A Levels at A*-E (including equivalences)	87%	87%	96%	92%
Estimated L3VA (Level 3 Value Added Score)				
Academic (A levels)			-0.03	
Vocational (Applied General)			+0.47	

Virtually all students leave school having attained three A level passes or their vocational equivalent.

Reddish Vale	2018	2019 Predicted	2019 FFT Range/Target	2019 Results
Prior Attainment	4.41	4.65		4.65
Basics (4+)	45%	52%	56-64	37%
Basics (5+)	21%	24%	35-42	19%
% achieving Ebacc	9%	13%	N/A	8%
Attainment 8	39.4%	40.4%	N/A	37.1%
Progress 8	-0.02	N/A	N/A	-0.59
Best English 4-9 (C+ in 2016)	70%	71%	64-72	63%
Best English 5-9	48%	46%	46-54	44%
Best English 7-9	13%	12%	12-17	17%
Maths 4-9	50%	58%	63-71	44%
Maths 5-9	25%	28%	41-49	20%
Maths 7-9	9%	8%	14-18	8%

Disadvantaged Gaps	Att 8	Progress 8	Basics 5+
Other	42.6	-0.32	24%
Disadvantaged	30.3	-0.94	12%
2019 Gap	12.3	0.62	12%

Progress 8	English P8	Maths P8	E-Bacc P8	Open P8
-0.65	-0.21	-0.81	-0.80	+0.57

Progress 8	HPA	MPA	LPA
-0.65	-0.78	-0.62	+0.06

Reddish Vale High School

Results are disappointing with Basics at Grade 4+ and 5+ falling significantly below target, resulting in negative progress. This particular year group had experienced a high turnover of staff in the years preceding the school joining the trust and this impacted on engagement.

In 2018 the progress of disadvantaged students at Reddish was significantly better than the progress of disadvantaged students nationally. However, the disadvantaged gap has widened for 2019.

Ofsted

Altrincham College has an Ofsted rating of Good (March 2017), with inspection judgments of Good in every category.

As a sponsored school on joining the trust, Reddish Vale currently does not have an Ofsted grading and is likely to receive its first inspection in the autumn term of 2019.

SOUTH MANCHESTER LEARNING TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Key performance indicators

Successful student attainment and progress outcomes, attendance data, destinations data, exclusions data and Ofsted grading are the key performance indicators for our trust schools.

Going concern

After making appropriate enquiries, the board of trustees has a reasonable expectation 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 accounting policies note of the financial statements.

Financial review

The trust's financial position for the year to 31 August 2019 demonstrates total income of £12,407,000 with an in-year deficit at 31 August 2019 of £35,000 after depreciation of £755,000 but before the actuarial loss of £1,932,000.

The reserves will be utilised for continuous improvements and for projects for the repair and replacement of educational equipment and materials. Reserves will also be allocated to the repair, replacement and updating of the academy's buildings, its plant, equipment and contents.

A strategic capital plan is updated and reviewed annually by the trustees in order that reserves can be prioritised and spent according to the needs of the trust.

The principal financial management policies adopted in the year are:

- regular financial reviews of income and expenditure versus planned budgets at Finance, Premises and Audit Committee meetings; and
- consideration as to whether income streams demonstrate a robust and stable position to continue to enable the provision of resources of sufficient quality to fulfil the academy trust's educational obligations.

Reserves carried forward at 31 August 2019 will be utilised as part of the medium and long term plans of the trust to improve and update its educational resources, materials and equipment, and additionally provide a continuous improvement plan to maintain and repair the site and facilities.

Financial and risk management objectives and policies

The trust has developed risk management procedures as outlined above. The trustees have assessed the major risks to which the trust is exposed and a formal review of the trust's risk management process is undertaken on an annual basis.

Reserves policy

The trustees review the reserve levels of the academy trust annually. This review encompasses the nature of income and expenditure stream, the need to match income with commitments and the nature of reserves. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. The academy trust's current level of free reserves (total funds less the amount held in fixed assets restricted fund but excluding pension reserve) is £1,548,000

Investment policy

The trust's policy is to invest surplus funds in risk free deposit accounts listed on the council's approved list of banks and building societies. Free reserves in the current account should ideally be at least equivalent to one month of GAG.

The Finance, Premises and Audit Committees periodically review interest rates and the business and finance director invests surplus cash on either 6 week, 3 month, 6 month, 12 month or 32 day notice terms dependent on market rates and cash flow. Changes to this policy require the approval of the board of trustees.

Principal risks and uncertainties

The trust has adopted a risk management policy, risk register and risk review process. The objectives determine an approach and, where it is considered necessary, put in place measures of control and mitigation in order to manage risk.

The principal risks are seen as the loss of reputation through falling standards, falling student rolls, loss of buildings through fire, flood or explosion, and failure to safeguard our students.

SOUTH MANCHESTER LEARNING TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Key controls in place are:

- an organisational structure with defined roles, responsibilities and authorisation levels;
- terms of reference for the committees of the board of trustees;
- financial planning, budgeting and regular management reporting highlighting areas of financial risk;
- formal written and published policies for employees;
- vetting procedures as required by law for the protection of the vulnerable; and
- strategic risk management and review process.

The academy trust has recognised its share of the Local Government Pension Scheme (LGPS) assets and liabilities in accordance with FRS102. A deficit has been recognised at 31 August 2019.

Disabled persons

The trust aims to recruit employees and retain talent, skills and experience and ensure disabled staff, as far as reasonably practicable, can fulfil their employment potential. The trust aims to provide equality in access to the full range of recruitment, career development, promotion, training and other employment opportunities for all staff. To ensure that there is no unfair discrimination on grounds of disability and that access to employment and promotion is based on merit. The trust observes good equalities practice for employees regardless of their race, gender, disability, religion/belief, sexual orientation or age.

Fundraising

Any fundraising the trust undertakes for the benefit of national charities or the school fund is completely optional. This is always shared with the school community through letters and other forms of social media. The trust has not received any complaints relating to this fundraising over the 2018-19 period.

The trust, through the governing board, has agreed only to support legally recognised charities locally and/or nationally. Which charities are supported is reviewed each year and a limit of charities supported is agreed for each term of the academic year. Monies raised are recorded and can be checked if requests are made.

Plans for future periods

The trust plans to grow to a small trust of 3-5 schools, ideally with a mix of primary and secondary schools, within 3 years.

Each school within the trust has produced an Academy Improvement Plan for 2018-19, which prioritises key targets for the academic year. A number of these targets are shared.

Altrincham College:

1. To achieve positive progress measures at KS4 & KS5, further reducing the Disadvantaged and SEND Gaps, and improving performance in any subjects that underperformed in 2019.
2. To implement a consistent cross MAT approach to evaluating the quality of teaching and learning, assessment, marking and feedback, while sharing good practice.
3. To increase attendance and reduce persistent absence to better than national average.
4. To implement a more co-ordinated pro-active, preventative student welfare and wellbeing programme.
5. To further develop and share good practice in departmental approaches to assessment, progress tracking and classroom intervention.

Reddish Vale:

1. To achieve positive progress measures at KS4, reducing the Disadvantaged Gap, and improving performance in any subjects that underperformed in 2019.
2. To implement a consistent cross MAT approach to evaluating the quality of teaching and learning, assessment, marking and feedback, while sharing good practice.
3. To increase attendance and reduce persistent absence to better than national average.
4. To strengthen and consolidate leadership at all levels to ensure rapid improvement and sustainable student outcomes.
5. To improve assessment systems to ensure the accuracy and robustness of student predictions.
6. To invest and improve the learning environment to ensure a quality student experience and support for student learning.

SOUTH MANCHESTER LEARNING TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Auditors

In so far as the trustees are aware:

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

The audit business Haines Watts has been appointed as the company's auditor. The audit report has therefore been issued by Haines Watts.

This trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 9.12.19 and signed on its behalf by:



S Wildman
Chair of trustees

SOUTH MANCHESTER LEARNING TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Scope of responsibility

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

The board of trustees has delegated the day-to-day responsibility to the chief executive officer, as accounting officer, for ensuring financial controls conform to 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 South Manchester Learning Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the trustees' report and in the statement of trustees' responsibilities. The board of trustees has met three times during the period. Attendance during the meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of possible
Mr P Brooks	3	3
Cllr J Brophy	1	3
Mrs P Dunham	2	3
Mrs A Hewitt	3	3
Miss M Kane	3	3
Mr T Macdonald	1	2
Mr M Stansfield	3	3
Mrs S Wildman	3	3

The Finance, Premises and Audit committee is a sub-committee of the board of trustees. Its purpose is to report to the board of trustees on a timely basis the finance of the academy. Attendance at meetings in the period was as follows:

Trustee	Meetings attended	Out of possible
Mr P Brooks	3	3
Mr T Hague	3	3
Mrs A Hewitt	3	3
Mr T Macdonald	0	2
Mr M Stansfield	1	3
Mr T Walker	0	3

SOUTH MANCHESTER LEARNING TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Review of value for money

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

The accounting officer considers how the trust's use of its resources has provided good value for money during each academic year and reports to the board of trustees where value for money can be improved, including the use of benchmarking data where available. The accounting officer for the trust has delivered improved value for money during the year by:

Improving educational results

We ensure resources are directed where they are most needed and most effective in meeting the educational requirements of all our students. We are proud of our staff and students' achievements and we continue to make year on year improvements in every aspect of our work.

The school leaders have applied the principles of *best value* when making decisions about:

- the allocation of resources to best promote the aims and values of the school;
- the targeting of resources to best improve standards and the quality of provision; and
- the use of resources to best support the various educational needs of all pupils.

The academy trust places importance on staff retention and development in order to maintain the highest standards of teaching and learning. School leaders have considered the allocation and use of teaching areas, support areas and communal areas and provided a rich learning environment for teaching and learning. The quality of children's learning has been reviewed by cohort, class and individually which has provided teaching that enabled children to progress and achieve.

School leaders regularly review the quality of curriculum provision, the quality of teaching, and enrichment opportunities available to students. The trust provides a curriculum which meets the requirements of the National Curriculum, the LA Agreed RE Syllabus, the individual needs of pupils and enables students to achieve and excel.

Examples of good practice demonstrating good value for money include:

- the percentage of students achieving Grades 4+ and 5+ in both English and Maths has increased for the third year in succession at Altrincham College;
- sixth form students leaving with three or more A Level equivalent;
- the percentage of students accessing higher education; and
- the percentage of Year 11 leavers classed as NEET (not in education, employment or training).

Financial governance and oversight

Our governance arrangements included regular monitoring by the accounting officer, board of trustees, local governing bodies and committees; including the Finance, Premises and Audit Committee. They received regular financial reports, discussed the information and asked relevant questions as evidenced in the minutes. The work of the Finance, Premises and Audit Committee was further informed by the work of the responsible officer, external auditors and on-going quarterly support from the accountants.

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

- regular monthly financial reviews of income and expenditure against planned budgets;
- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports;
- regular reviews by the Finance, Premises and Audit Committee of reports which indicated financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties; and
- identification and management of risks.

SOUTH MANCHESTER LEARNING TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

The accounting officer, school leaders and trustees:

- made comparisons with other/similar schools and the government, e.g. RAISE online, FFT, Ofsted, L3VA, quality of teaching & learning, levels of expenditure;
- challenged proposals, examining them for effectiveness, efficiency, and cost, e.g. setting of annual pupil achievement targets, budget setting;
- required suppliers to compete on grounds of cost, and quality/suitability of services/products/backup, e.g. secure access system, refurbishment of the reception area; and
- consulted individuals and organisations on quality/suitability of service we provided to parents and pupils, and services we receive from providers, e.g. Sex and Relationships Education, pupil reports, assigned inspector, Ofsted, energy, maintenance consultant.

This applied in particular to:

- staffing;
- use of premises;
- use of resources;
- quality of teaching;
- quality of learning;
- purchasing;
- pupils' welfare; and
- health and safety.

Better purchasing

The trust maintains a database of approved regular suppliers and contractors. Consortia were used where they provided value for money. The trust took opportunities to work collaboratively with others to reduce and share administration and procurement costs e.g. joint SLA agreements across the trust.

All services and contracts were appraised or renegotiated in a timely manner to get the best mix of quality and effectiveness and ensure they were fit for purpose and best value. Multiple year contracts with the clause to be able to cancel the contract, were entered into to ensure reduced costs where it was felt that it would benefit the trust e.g. cleaning, HR and payroll contracts.

Examples of steps taken to ensure value for money when purchasing included:

- suppliers selected on the basis of their capacity to provide quality, service, timely delivery and value for money;
- viewing alternative purchasing options online and direct through suppliers in order to find the best value;
- consulting other local schools to be informed of any issues with products/services before making purchases;
- considering whether the purchase is really necessary, assessing the costs and benefits;
- obtaining three written quotes for goods or services in excess of £5,000;
- competitive tendering procedures for major purchases and contracts; and
- procedures for accepting *best value* quotes, which are not necessarily the cheapest (e.g. suitability for purpose and quality of workmanship).

The business and finance director and business managers have been influential in driving down costs through better procurement and negotiation throughout the year including; energy contracts, catering contract, ICT contracts and property management.

The trust reviews contracts on an annual basis to ensure they are still fit for purpose and represent best value. The business and finance director and the school business managers consult other local schools as part of the tendering processes which works well alongside better value.

Competitive tendering processes were followed for the capital projects and CIF projects which took place over the summer term. These include replacement roof, fire safety work, replacement cladding and classroom refurbishments.

SOUTH MANCHESTER LEARNING TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

The business and finance director and business managers do not waste time and resources on investigating minor areas where few improvements and savings can be achieved as the pursuit of minor improvements or savings is not cost effective if the administration involves substantial time or costs. Time wasted on minor improvements or savings can also distract management from more important or valuable areas.

Better income generation

Opportunities have been taken to explore and generate additional and reliable revenue streams. The trust is fully committed to providing an excellent resource to its local community and has hired the school facilities, which has generated an additional and regular income source, as well as being a benefit to the local community.

The trust invested funds in risk free deposit accounts to maximise bank interest where cash flow allowed.

Reviewing controls and managing risks

The accounting officer, school leaders and trustees assessed the major risks to which the academy was exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the academy. The school leaders implemented a number of systems to assess risks that the academy faced, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. They introduced systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of school grounds) and internal financial controls (see below) in order to minimise risk. Adequate insurance cover was arranged for areas where significant financial risk may still have applied e.g. governor liability insurance.

The trust has appointed a responsible officer which provided the accounting officer and the board of trustees with on-going independent assurance that:

- the financial responsibilities of the board of trustees are being properly discharged;
- resources are being managed in an efficient, economical and effective manner;
- sound systems of internal financial control are being maintained; and
- financial considerations are fully taken into account in reaching decisions.

Haines Watts was appointed as external auditor as agreed with the board of trustees. The accounting officer, budget holders, school leaders and trustees received regular budget reports which were scrutinised and challenged to ensure the most effective use of resources were used to meet the objectives of the academy trust.

Insurance levels were reviewed and used cost-effectively to manage risks. Additional insurance was purchased for ill health retirement. Professional strategic advice has also been sought from the HR provider to assist with managing risk.

The trust has an investment policy and moved balances to a high interest deposit account to ensure maximum returns on surplus balances. The trustees reviewed the reserve levels of the academy trust, which encompassed the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves.

The accounting officer and trustees determined that an appropriate level of free reserves be maintained, ideally equivalent to one month of the GAG. The reason for this was to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance and to plan for future capital projects.

Reviewing operations to maximise use of resources

The accounting officer, school leaders and trustees reviewed expenditure within each budget heading and made adjustments based on the effectiveness of strategies introduced in previous years, curriculum offer and strategies identified in the Academy Development Plans.

SOUTH MANCHESTER LEARNING TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

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 the academy trust's 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 for the year ended 31 August 2019 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The board of trustees has reviewed the key risks to which the trust is exposed together with the operation, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal on-going process of identifying, evaluating and managing the trust's significant risks that has been in place for the year ended 31 August 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

The risk and control framework

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

- comprehensive budgeting and monitoring system with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees;
- review by the Finance, Premises and Audit Committee of reports which indicate financial performance against the forecasts, and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defining purchasing (assets purchase or capital investment) guidelines;
- delegation of authority and segregation of duties; and
- identification and management of risks.

The board of trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the trustees have appointed Mr Jon Poole as responsible officer (RO). The RO's role includes giving advice on financial matters and performing a range of checks on the trust's financial systems. On a termly basis, the RO reports to the board of trustees on the operation of the systems of control and on the discharge of the trustees' financial responsibilities.

The RO completed the most recent review in the summer and reported that the trust's finance department was well managed and organised.

Review of effectiveness

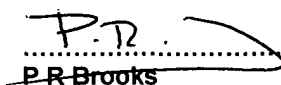
As accounting officer, the chief executive officer has responsibility for reviewing the effectiveness of the system of internal control. During the period in question the review has been informed by:

- the work of the leadership team within the academy trusts who have responsibility for the development and maintenance of the internal control framework;
- the work of the Finance, Premises and Audit Committee;
- the work of the responsible officer; and
- the work of the external auditors.

Approved by order of the members of the board of trustees on 9-12-19 and signed on its behalf by:



S Wildman
Chair of trustees



P R Brooks
Chief executive officer and accounting officer

SOUTH MANCHESTER LEARNING TRUST

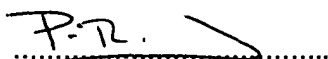
STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

FOR THE YEAR ENDED 31 AUGUST 2019

As accounting officer of South Manchester Learning Trust I have considered my responsibility to notify the academy trust board of trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2018.

I confirm that I and the academy trust's board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2018.

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



P R Brooks
Accounting officer

9/12/19

SOUTH MANCHESTER LEARNING TRUST

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 AUGUST 2019

The trustees (who are also the directors of South Manchester Learning Trust for the purposes of company law) are responsible for preparing the trustees' report and the accounts in accordance with the Academies Accounts Direction 2018 to 2019 published by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the trustees to prepare accounts for each financial year. Under company law, the trustees must not approve the accounts 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 accounts, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019;
- make judgements 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the board of trustees on 9-12-19 and signed on its behalf by:



S Wildman

Chair of trustees

SOUTH MANCHESTER LEARNING TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH MANCHESTER LEARNING TRUST

FOR THE YEAR ENDED 31 AUGUST 2019

Opinion

We have audited the accounts of South Manchester Learning Trust for the year ended 31 August 2019 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

In our opinion the accounts:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2019 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;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The trustees are responsible for the other information, which comprises the information included in the annual report other than the accounts and our auditor's report thereon. Our opinion on the accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

SOUTH MANCHESTER LEARNING TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH MANCHESTER LEARNING TRUST (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report including the incorporated strategic report for the financial year for which the accounts are prepared is consistent with the accounts; and
- the trustees' report including the incorporated strategic report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the academy trust and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report, including the incorporated strategic report.

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

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

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities, the trustees are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the accounts

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

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

SOUTH MANCHESTER LEARNING TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH MANCHESTER LEARNING TRUST (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Use of our report

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



.....
John Whittick BSc FCA (Senior Statutory Auditor)

for and on behalf of

Haines Watts

Chartered Accountants

Statutory Auditor

Bridge House

Ashley Road

Hale

Altrincham

WA14 2UT

Date 

SOUTH MANCHESTER LEARNING TRUST

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO SOUTH MANCHESTER LEARNING TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY

FOR THE YEAR ENDED 31 AUGUST 2019

In accordance with the terms of our engagement letter dated 19 September 2017 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by South Manchester Learning Trust during the period 1 September 2018 to 31 August 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of South Manchester Learning Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of South Manchester Learning Trust's funding agreement with the Secretary of State for Education dated 25 August 2017 and the Academies Financial Handbook, extant from 1 September 2018, 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 2018 to 2019. 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 period 1 September 2018 to 31 August 2019 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 2018 to 2019 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

SOUTH MANCHESTER LEARNING TRUST

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO SOUTH MANCHESTER LEARNING TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY (CONTINUED)

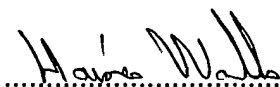
FOR THE YEAR ENDED 31 AUGUST 2019

The work undertaken to draw to our conclusion includes:

- We have confirmed that the activities conform to the academy trust's framework of authorities. As identified by review of minutes, management accounts, discussion with the accounting officer and other key management personnel.
- We have carried out an analytical review as part of the consideration of whether general activities of the academy trust are within the academy trust's framework of authorities.
- We have considered the evidence supporting the accounting officer's statement on regularity, propriety and compliance and have evaluated the general control environment of the academy trust and extended the procedures required for financial statements to include regularity.
- We have assessed and tested a sample of the specific control activities over regularity of a particular activity. In performing sample testing of expenditure, we have considered whether the activity is permissible within the academy trust's framework of authorities. We confirm that each item tested has been appropriately authorised in accordance with the academy trust's delegated authorities and that the internal delegations have been approved by the board of trustees, and conform to the limits set by the Department for Education.
- Formal representations have been obtained from the board of trustees and the accounting officer acknowledging their responsibilities including disclosing all non-compliance with laws and regulations specific to the authorising framework, access to accounting records, provision of information and explanations, and other matters where direct evidence is not available.
- In performing sample testing of expenditure, we have reviewed against specific terms of grant funding within the funding agreement. We have reviewed the list of suppliers and have considered whether supplies are from related parties and have reviewed minutes for evidence of declaration of interest, and whether or not there was involvement in the decision to order from this supplier.
- We have performed sample testing of other income and tested whether activities are permitted within the academy trust's charitable objects.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2018 to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Haines Watts
Reporting Accountant

Date 9/11/19

SOUTH MANCHESTER LEARNING TRUST

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 AUGUST 2019

	Notes	Unrestricted Funds £(000)	Restricted funds: General £(000)	Fixed asset £(000)	Total 2019 £(000)	Total 2018 £(000)
Income and endowments from:						
Donations and capital grants	3	-	25	520	545	(22)
Donations - transfer from existing academy		-	-	-	-	29,181
Charitable activities:						
- Funding for educational operations	4	266	10,850	-	11,116	10,931
Other trading activities	5	451	290	-	741	712
Investments	6	5	-	-	5	2
Total		<u>722</u>	<u>11,165</u>	<u>520</u>	<u>12,407</u>	<u>40,804</u>
Expenditure on:						
Charitable activities:						
- Educational operations	9	459	11,040	755	12,254	12,542
Exceptional expenditure	13	187	-	-	187	-
Total	7	<u>646</u>	<u>11,040</u>	<u>755</u>	<u>12,441</u>	<u>12,542</u>
Net income/(expenditure)		76	125	(235)	(34)	28,262
Transfers between funds	19	120	(45)	(75)	-	-
Other recognised gains/(losses)						
Actuarial (losses)/gains on defined benefit pension schemes	21	-	(1,932)	-	(1,932)	1,213
Net movement in funds		196	(1,852)	(310)	(1,966)	29,475
Reconciliation of funds						
Total funds brought forward		970	(1,493)	40,128	39,605	10,130
Total funds carried forward		<u>1,166</u>	<u>(3,345)</u>	<u>39,818</u>	<u>37,639</u>	<u>39,605</u>

SOUTH MANCHESTER LEARNING TRUST

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Comparative year information		Unrestricted	Restricted funds:		Total
Year ended 31 August 2018		Funds	General	Fixed asset	2018
	Notes	£(000)	£(000)	£(000)	£(000)
Income and endowments from:					
Donations and capital grants	3	7	15	(44)	(22)
Donations - transfer from local authority on conversion		142	(1,214)	30,253	29,181
Charitable activities:					
- Funding for educational operations	4	284	10,647	-	10,931
Other trading activities	5	435	277	-	712
Investments	6	2	-	-	2
Total		<u>870</u>	<u>9,725</u>	<u>30,209</u>	<u>40,804</u>
Expenditure on:					
Charitable activities:					
- Educational operations	9	<u>482</u>	<u>11,317</u>	<u>743</u>	<u>12,542</u>
Total	7	<u>482</u>	<u>11,317</u>	<u>743</u>	<u>12,542</u>
Net income/(expenditure)		388	(1,592)	29,466	28,262
Transfers between funds	19	(104)	(335)	439	-
Other recognised gains/(losses)					
Actuarial gains on defined benefit pension schemes	21	<u>-</u>	<u>1,213</u>	<u>-</u>	<u>1,213</u>
Net movement in funds		284	(714)	29,905	29,475
Reconciliation of funds					
Total funds brought forward		<u>686</u>	<u>(779)</u>	<u>10,223</u>	<u>10,130</u>
Total funds carried forward		<u>970</u>	<u>(1,493)</u>	<u>40,128</u>	<u>39,605</u>

SOUTH MANCHESTER LEARNING TRUST

BALANCE SHEET

AS AT 31 AUGUST 2019

		2019	2018
	Notes	£(000)	£(000)
Fixed assets			
Tangible assets	14	39,818	40,128
Current assets			
Debtors	15	478	338
Cash at bank and in hand		1,853	1,494
		2,331	1,832
Current liabilities			
Creditors: amounts falling due within one year	16	(683)	(727)
Net current assets		1,648	1,105
Total assets less current liabilities		41,466	41,233
Creditors: amounts falling due after more than one year	17	(99)	(135)
Net assets before defined benefit pension scheme liability		41,367	41,098
Defined benefit pension scheme liability	21	(3,728)	(1,493)
Total net assets		37,639	39,605
Funds of the academy trust:			
Restricted funds	19		
- Fixed asset funds		39,818	40,128
- Restricted income funds		383	-
- Pension reserve		(3,728)	(1,493)
Total restricted funds		36,473	38,635
Unrestricted income funds	19	1,166	970
Total funds		37,639	39,605

The accounts were approved by the trustees and authorised for issue on 9-12-19 and are signed on their behalf by:



S Wildman
Chair of trustees

Company Number 08137701

SOUTH MANCHESTER LEARNING TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2019

	Notes	2019 £(000)	2018 £(000)
Cash flows from operating activities			
Net cash provided by operating activities	22	291	368
Cash funds transferred on conversion		-	452
		<u>291</u>	<u>820</u>
Cash flows from investing activities			
Dividends, interest and rents from investments		5	2
Capital grants from DfE Group		520	(44)
Purchase of tangible fixed assets		(446)	(395)
		<u>79</u>	<u>(437)</u>
Net cash provided by/(used in) investing activities			
		79	(437)
Cash flows from financing activities			
New long term bank loan		-	146
Repayment of long term bank loan		(11)	-
		<u>(11)</u>	<u>146</u>
Net cash (used in)/provided by financing activities			
		(11)	146
Net increase in cash and cash equivalents in the reporting period		<u>359</u>	<u>529</u>
Cash and cash equivalents at beginning of the year		1,494	965
Cash and cash equivalents at end of the year		<u>1,853</u>	<u>1,494</u>

SOUTH MANCHESTER LEARNING TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

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

1.1 Basis of preparation

The accounts of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2018 to 2019 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

South Manchester Learning Trust meets the definition of a public benefit entity under FRS 102.

1.2 Going concern

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charitable company to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the accounts 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 accounts.

1.3 Income

All incoming resources are recognised when the academy trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

Grants

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 meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the statement of financial activities in the period for which it is receivable, and any abatement in respect of the period is deducted from income and recognised as a liability

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

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 are no performance-related conditions), where the receipt is probable and it can be measured reliably.

Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable 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 academy trust has provided the goods or services.

SOUTH MANCHESTER LEARNING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

Donated goods, facilities and services

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the accounts until they are sold. This income is recognised within 'Income from other trading activities'.

Donated fixed assets

Donated fixed assets are measured at fair value unless it is impractical to measure this reliably, in which case the cost of the item to the donor is used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy trust's accounting policies.

Transfer of assets on conversion

Where assets and liabilities are received by the academy trust on conversion to an academy, the transferred net assets are measured at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to the academy trust. Income equal to the net assets transferred on conversion is recognised within donations and capital grant income.

1.4 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges are allocated on the portion of the asset's use.

All resources expended are inclusive of irrecoverable VAT.

Expenditure on raising funds

This includes all expenditure incurred by the academy trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

Charitable activities

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

1.5 Tangible fixed assets and depreciation

Assets costing £1,000 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. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the statement of financial activities and carried forward in the balance sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the statement of financial activities 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. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

SOUTH MANCHESTER LEARNING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

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

Land and buildings	50 years
Short term property	20 years
Computer equipment	3 years
Fixtures, fittings & equipment	7 years

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

1.6 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.

1.7 Leased assets

Rentals payable under operating leases are charged on a straight line basis over the period of the lease.

1.8 Financial instruments

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

Financial assets

Trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost. Prepayments are not financial instruments.

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

Financial liabilities

Trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost. Taxation and social security are not included in the financial instruments disclosure definition.

Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

1.9 Taxation

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

1.10 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.

SOUTH MANCHESTER LEARNING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

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. The TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions are recognised in the period to which they relate.

The LGPS is a funded multi-employer 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.

1.11 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 trustees.

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

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

1.12 Agency arrangements

The academy trust acts as an agent in distributing 16-19 bursary funds from the ESFA. Payments received from the ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The funds received and paid and any balances held are disclosed in note 26.

2 Critical accounting estimates and areas of judgement

Accounting 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.

SOUTH MANCHESTER LEARNING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

2 Critical accounting estimates and areas of judgement

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 or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2019. 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.

3 Donations and capital grants

	Unrestricted funds £(000)	Restricted funds £(000)	Total 2019 £(000)	Total 2018 £(000)
Capital grants	-	520	520	(44)
Other donations	-	25	25	22
	<u>-</u>	<u>545</u>	<u>545</u>	<u>(22)</u>

4 Funding for the academy trust's educational operations

	Unrestricted funds £(000)	Restricted funds £(000)	Total 2019 £(000)	Total 2018 £(000)
DfE / ESFA grants				
General annual grant (GAG)	-	9,695	9,695	9,714
Other DfE group grants	-	1,023	1,023	853
	<u>-</u>	<u>10,718</u>	<u>10,718</u>	<u>10,567</u>
Other government grants				
Local authority grants	-	132	132	80
	<u>-</u>	<u>132</u>	<u>132</u>	<u>80</u>
Other funding				
Other incoming resources	266	-	266	284
	<u>266</u>	<u>-</u>	<u>266</u>	<u>284</u>
Total funding	<u>266</u>	<u>10,850</u>	<u>11,116</u>	<u>10,931</u>

The academy trust received £132,000 (2018; £80,000) from local authorities in the year, £34,000 (2018; £13,000) being pupil premium funding and £111,000 (2018; £100,000) being High Needs funding. There were also clawbacks for excluded pupils of £13,000 (2018; £33,000). There were no unfulfilled conditions or other contingencies relating to the grants in the year.

SOUTH MANCHESTER LEARNING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

5 Other trading activities

	Unrestricted funds £(000)	Restricted funds £(000)	Total 2019 £(000)	Total 2018 £(000)
Hire of facilities	78	-	78	72
Catering income	-	290	290	277
Educational trips	173	-	173	143
Other income	200	-	200	220
	<u>451</u>	<u>290</u>	<u>741</u>	<u>712</u>

6 Investment income

	Unrestricted funds £(000)	Restricted funds £(000)	Total 2019 £(000)	Total 2018 £(000)
Short term deposits	<u>5</u>	<u>-</u>	<u>5</u>	<u>2</u>

7 Expenditure

	Staff costs £(000)	Non Pay Expenditure		Total 2019 £(000)	Total 2018 £(000)
		Premises £(000)	Other £(000)		
Academy's educational operations					
- Direct costs	7,392	260	1,006	8,658	8,791
- Allocated support costs	1,568	1,237	791	3,596	3,751
Exceptional expenditure	-	-	187	187	-
	<u>8,960</u>	<u>1,497</u>	<u>1,984</u>	<u>12,441</u>	<u>12,542</u>

Net income/(expenditure) for the year includes:

	2019 £(000)	2018 £(000)
Fees payable to auditor for:		
- Audit	15	16
- Other services	4	3
Operating lease rentals	64	34
Depreciation of tangible fixed assets	755	743
Net interest on defined benefit pension liability	<u>44</u>	<u>61</u>

8 Central services

No central services were provided by the academy trust to its academies during the year and no central charges arose.

SOUTH MANCHESTER LEARNING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

9 Charitable activities

	Unrestricted funds £(000)	Restricted funds £(000)	Total 2019 £(000)	Total 2018 £(000)
Direct costs				
Educational operations	177	8,481	8,658	8,791
Support costs				
Educational operations	282	3,314	3,596	3,751
	<u>459</u>	<u>11,795</u>	<u>12,254</u>	<u>12,542</u>
Analysis of costs			2019	2018
			£(000)	£(000)
Direct costs				
Teaching and educational support staff costs			7,392	7,578
Staff development			28	30
Depreciation			260	186
Technology costs			180	185
Educational supplies and services			374	336
Examination fees			164	187
Educational consultancy			97	116
Other direct costs			163	173
			<u>8,658</u>	<u>8,791</u>
Support costs				
Support staff costs			1,568	1,639
Depreciation			495	557
Maintenance of premises and equipment			249	256
Cleaning			124	116
Energy costs			207	200
Rent, rates and other occupancy costs			86	81
Insurance			73	41
Security and transport			37	34
Catering			434	449
Net interest on defined benefit pension scheme			44	61
Other support costs			240	260
Governance costs			39	57
			<u>3,596</u>	<u>3,751</u>

SOUTH MANCHESTER LEARNING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

10 Staff

Staff costs

Staff costs during the year were:

	2019 £(000)	2018 £(000)
Wages and salaries	6,754	7,014
Social security costs	663	671
Pension costs	1,323	1,365
Amounts paid to employees	8,740	9,050
Agency staff costs	189	138
Staff restructuring costs	31	29
Amounts paid to staff	8,960	9,217
Staff development and other staff costs	28	30
Total staff expenditure	8,988	9,247
Staff restructuring costs comprise:		
Redundancy payments	29	29
Severance payments	2	-
	31	29

Non statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £2,000 (2018: £nil). Individually, one payment of £2,000 was made.

Staff numbers

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

	2019 Number	2018 Number
Teachers	118	127
Administration and support	133	133
Management	15	14
	266	274

Higher paid staff

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

	2019 Number	2018 Number
£60,001 - £70,000	3	3
£70,001 - £80,000	2	1
£80,001 - £90,000	1	1
£100,000 - £110,000	-	1

SOUTH MANCHESTER LEARNING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

10 Staff

Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £1,049,982 (2018: £1,015,000).

11 Trustees' remuneration and expenses

The principal and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff, and not in respect of their services as trustees. Other trustees did not receive any payments, other than expenses, from the academy trust in respect of their role as trustees. During the year, no expenses were reimbursed to trustees.

The value of trustees' remuneration was as follows:

P Brooks (CEO)

Remuneration: £50,001 - £55,000 (2018: £105,001-£110,000)

Employers Pension Contributions: £6,001 - £10,000 (2018: £15,001-£20,000)

Other related party transactions involving the trustees are set out within the related parties note.

12 Trustees and officers insurance

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

13 Exceptional item

The exceptional item relates to payments totalling £187,338 paid by the academy trust to the LGPS. This was assessed on the academy trust due to the early retirement through illness of long term employees of the academy.

SOUTH MANCHESTER LEARNING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

14 Tangible fixed assets

	Land and buildings	Short term property	Computer equipment	Fixtures, fittings & equipment	Total
	£(000)	£(000)	£(000)	£(000)	£(000)
Cost					
At 1 September 2018	42,946	369	376	861	44,552
Additions	67	26	29	324	446
At 31 August 2019	43,013	395	405	1,185	44,998
Depreciation					
At 1 September 2018	3,612	80	269	463	4,424
Charge for the year	581	19	41	115	756
At 31 August 2019	4,193	99	310	578	5,180
Net book value					
At 31 August 2019	38,820	296	95	607	39,818
At 31 August 2018	39,334	289	107	398	40,128

The net book value of land and buildings comprises:

	2019 £(000)	2018 £(000)
Freeholds	29,382	29,754
Long leaseholds (over 50 years)	9,438	9,580
	38,820	39,334

15 Debtors

	2019 £(000)	2018 £(000)
Trade debtors	9	25
VAT recoverable	61	14
Other debtors	-	71
Prepayments and accrued income	408	228
	478	338

SOUTH MANCHESTER LEARNING TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

16	Creditors: amounts falling due within one year	2019	2018
		£(000)	£(000)
	Government loans	36	11
	Trade creditors	457	82
	Other creditors	23	214
	Accruals and deferred income	167	420
		<u>683</u>	<u>727</u>
17	Creditors: amounts falling due after more than one year	2019	2018
		£(000)	£(000)
	Government loans	99	135
		<u>99</u>	<u>135</u>
	Analysis of loans		
	Wholly repayable within five years	135	146
	Less: included in current liabilities	(36)	(11)
		<u>99</u>	<u>135</u>
	Amounts included above	99	135
		<u>99</u>	<u>135</u>
	Loan maturity		
	Debt due in one year or less	36	11
	Due in more than one year but not more than two years	36	36
	Due in more than two years but not more than five years	58	78
	Due in more than five years	5	21
		<u>135</u>	<u>146</u>

The funding for CIF projects was part-funded through two Condition Improvement Funding (CIF) loans with interest rates of 1.56% per annum. Loan funding is calculated up to a maximum of a three year payback and is recovered by a reduction in the monthly General Annual Grant payments issued by the Education Funding Agency.

The Salix loans also included are in the above totals are interest free and repayable over eight years.

18	Deferred income	2019	2018
		£(000)	£(000)
	Deferred income is included within:		
	Creditors due within one year	37	326
		<u>37</u>	<u>326</u>
	Deferred income at 1 September 2018	326	192
	Released from previous years	(326)	(192)
	Resources deferred in the year	37	326
		<u>37</u>	<u>326</u>
	Deferred income at 31 August 2019	37	326

SOUTH MANCHESTER LEARNING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

18 Deferred income

At the balance sheet date, the academy trust was holding funds received in advance for the following purposes:

- Catering income received in advance - £1,404
- TMBC Exclusion Clawback income - £9,639
- Clawback exclusions BM - £5,492
- Microphone contributions- £558
- Grants not spent - £4,307
- Rates Relief - £13,348
- School Meals balance - £2,748

19 Funds

	Balance at 1 September 2018 £(000)	Income £(000)	Expenditure £(000)	Gains, losses and transfers £(000)	Balance at 31 August 2019 £(000)
Restricted general funds					
General Annual Grant (GAG)	-	9,695	(9,267)	(45)	383
Other DfE / ESFA grants	-	1,023	(1,023)	-	-
Other government grants	-	132	(132)	-	-
Other restricted funds	-	315	(315)	-	-
Pension reserve	(1,493)	-	(303)	(1,932)	(3,728)
	<u>(1,493)</u>	<u>11,165</u>	<u>(11,040)</u>	<u>(1,977)</u>	<u>(3,345)</u>
Restricted fixed asset funds					
Inherited on conversion	38,019	-	(548)	(325)	37,146
DfE group capital grants	1,617	520	(63)	240	2,314
Capital expenditure from GAG	492	-	(144)	10	358
	<u>40,128</u>	<u>520</u>	<u>(755)</u>	<u>(75)</u>	<u>39,818</u>
Total restricted funds	<u>38,635</u>	<u>11,685</u>	<u>(11,795)</u>	<u>(2,052)</u>	<u>36,473</u>
Unrestricted funds					
General funds	970	722	(646)	120	1,166
Total funds	<u>39,605</u>	<u>12,407</u>	<u>(12,441)</u>	<u>(1,932)</u>	<u>37,639</u>

SOUTH MANCHESTER LEARNING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

19 Funds

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

Restricted general funds are those resources that have been designated restricted by the grant provider in meeting the objectives of the academy trust.

Restricted fixed asset funds are those funds relating to the long term assets of the academy trust used in delivering the objectives of the academy trust.

Unrestricted funds are those funds which the board of trustees may use in the pursuance of the academy trust's objectives and are expendable at the discretion of the trustees.

The transfer from unrestricted general funds to restricted fixed asset funds is to meet the cost of fixed asset additions for which there was no specific capital funding in the year.

In Reddish Vale High School £44,000 has been transferred to GAG which represents the spending of DFC income on non-capitalised items.

£42,000 transferred between GAG and unrestricted funds represent the claw-back from the ESFA on capital grants received in previous years.

£325,000 has been transferred between fixed asset funds and represents a reallocation of assets to agree the academy trust's fixed asset register carry forward values.

The transfer from unrestricted general funds to restricted GAG funds is to cover the overspend in the year.

SOUTH MANCHESTER LEARNING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

19 Funds

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 2019.

Comparative information in respect of the preceding period is as follows:

	Balance at 1 September 2017 £(000)	Income £(000)	Expenditure £(000)	Gains, losses and transfers £(000)	Balance at 31 August 2018 £(000)
Restricted general funds					
General Annual Grant (GAG)	-	9,714	(9,350)	(364)	-
Other DfE / ESFA grants	-	853	(1,083)	-	(230)
Other government grants	-	80	(109)	29	-
Other restricted funds	-	522	(292)	-	230
Pension reserve	(779)	(1,444)	(483)	1,213	(1,493)
	<u>(779)</u>	<u>9,725</u>	<u>(11,317)</u>	<u>878</u>	<u>(1,493)</u>
Restricted fixed asset funds					
Transfer on conversion	9,766	28,900	(647)	-	38,019
DfE group capital grants	(152)	1,309	(96)	556	1,617
Private sector capital sponsorship	609	-	-	(117)	492
	<u>10,223</u>	<u>30,209</u>	<u>(743)</u>	<u>439</u>	<u>40,128</u>
Total restricted funds	<u>9,444</u>	<u>39,934</u>	<u>(12,060)</u>	<u>1,317</u>	<u>38,635</u>
Unrestricted funds					
General funds	<u>686</u>	<u>870</u>	<u>(482)</u>	<u>(104)</u>	<u>970</u>
Total funds	<u>10,130</u>	<u>40,804</u>	<u>(12,542)</u>	<u>1,213</u>	<u>39,605</u>
Total funds analysis by academy				2019 £(000)	2018 £(000)
Fund balances at 31 August 2019 were allocated as follows:					
Reddish Vale High School				1,041	388
Altrincham College				507	582
Total before fixed assets fund and pension reserve				<u>1,548</u>	<u>970</u>
Restricted fixed asset fund				39,818	40,128
Pension reserve				<u>(3,728)</u>	<u>(1,493)</u>
Total funds				<u>37,638</u>	<u>39,605</u>

SOUTH MANCHESTER LEARNING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

19 Funds

Total cost analysis by academy

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

	Teaching educational support £(000)	Other Educational staff costs £(000)	Other costs educational supplies depreciation £(000)	excluding £(000)	Total 2019 £(000)	Total 2018 £(000)
Reddish Vale High School	3,344	768	297	685	5,094	5,492
Altrincham College	4,065	712	904	609	6,290	6,342
	<u>7,409</u>	<u>1,480</u>	<u>1,201</u>	<u>1,294</u>	<u>11,384</u>	<u>11,834</u>

20 Analysis of net assets between funds

	Unrestricted Funds £(000)	Restricted funds: General £(000)	Fixed asset £(000)	Total Funds £(000)
Fund balances at 31 August 2019 are represented by:				
Tangible fixed assets	-	-	39,818	39,818
Current assets	1,948	383	-	2,331
Creditors falling due within one year	(683)	-	-	(683)
Creditors falling due after one year	(99)	-	-	(99)
Defined benefit pension liability	-	(3,728)	-	(3,728)
Total net assets	<u>1,166</u>	<u>(3,345)</u>	<u>39,818</u>	<u>37,639</u>
	Unrestricted Funds £(000)	Restricted funds: General £(000)	Fixed asset £(000)	Total Funds £(000)
Fund balances at 31 August 2018 are represented by:				
Tangible fixed assets	-	-	40,128	40,128
Current assets	1,832	-	-	1,832
Creditors falling due within one year	(727)	-	-	(727)
Creditors falling due after one year	(135)	-	-	(135)
Defined benefit pension liability	-	(1,493)	-	(1,493)
Total net assets	<u>970</u>	<u>(1,493)</u>	<u>40,128</u>	<u>39,605</u>

SOUTH MANCHESTER LEARNING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

21 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 Tameside Metropolitan Borough Council. Both are defined-benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2016.

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

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

The key elements of the valuation and subsequent consultation are:

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

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

The pension costs paid to the TPS in the period amounted to £791,616 (2018: £773,103).

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

SOUTH MANCHESTER LEARNING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

21 Pension and similar obligations

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are 16.2% in Reddish Vale High School and 18.1% in Altrincham College for employers and 5.5%-12.5% for employees.

The estimated value of employer contributions for the coming year is £266,000.

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.

Total contributions made	2019 £(000)	2018 £(000)
Employer's contributions	409	299
Employees' contributions	94	103
Total contributions	503	402
Principal actuarial assumptions	2019	2018
	%	%
Rate of increase in salaries	3.1	3.1-3.2
Rate of increase for pensions in payment/inflation	2.3	2.3-2.4
Discount rate for scheme liabilities	1.8-1.9	2.8
The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:		
	2019 Years	2018 Years
Retiring today		
- Males	20.6	21.5
- Females	23.1	24.1
Retiring in 20 years		
- Males	22	23.7
- Females	24.8	26.2

SOUTH MANCHESTER LEARNING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

21 Pension and similar obligations

Sensitivity analysis

Changes in assumptions at 31 August 2019 for Altrincham College	Approximate % increase to employer liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	13%	585
0.5% increase in the Salary Increase Rate	2%	99
0.5% increase in the Pension Increase Rate	11%	472

Changes in assumptions at 31 August 2019 for Reddish Vale High School	Approximate % increase to employer liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	14%	1,219
0.5% increase in the Salary Increase Rate	2%	179
0.5% increase in the Pension Increase Rate	12%	1,015

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

	2019 Fair value £(000)	2018 Fair value £(000)
Equities	6,262	5,693
Bonds	1,381	1,339
Property	736	585
Other assets	830	754
Total market value of assets	9,209	8,371

The actual return on scheme assets was £412,000 (2018: £424,000).

Amount recognised in the Statement of Financial Activities	2019 £(000)	2018 £(000)
Current service cost	562	721
Past service cost	106	-
Interest income	(240)	(195)
Interest cost	284	256
Total operating charge	712	782

SOUTH MANCHESTER LEARNING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

21 Pension and similar obligations

Changes in the present value of defined benefit obligations	2019 £(000)	2018 £(000)
At 1 September 2018	9,864	9,836
Current service cost	562	721
Interest cost	284	256
Employee contributions	94	103
Actuarial loss/(gain)	2,104	(984)
Benefits paid	(77)	(68)
Past service cost	106	-
At 31 August 2019	12,937	9,864

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

	2019 £(000)	2018 £(000)
At 1 September 2018	8,371	7,613
Interest income	240	195
Actuarial gain	172	229
Employer contributions	409	299
Employee contributions	94	103
Benefits paid	(77)	(68)
At 31 August 2019	9,209	8,371

22 Reconciliation of net (expenditure)/income to net cash flow from operating activities

	2019 £(000)	2018 £(000)
Net (expenditure)/income for the reporting period (as per the statement of financial activities)	(33)	28,262
Adjusted for:		
Net surplus on conversion to academy	-	(29,181)
Capital grants from DfE and other capital income	(520)	44
Investment income receivable	(5)	(2)
Defined benefit pension costs less contributions payable	259	422
Defined benefit pension scheme finance cost	44	61
Depreciation of tangible fixed assets	755	743
(Increase) in debtors	(140)	(154)
(Decrease)/increase in creditors	(69)	253
Stocks, debtors and creditors transferred on conversion	-	(80)
Net cash provided by operating activities	291	368

SOUTH MANCHESTER LEARNING TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

23 Commitments under operating leases

At 31 August 2019 the total of the academy trust's future minimum lease payments under non-cancellable operating leases was:

	2019	2018
	£(000)	£(000)
Amounts due within one year	58	59
Amounts due in two and five years	35	87
	<u>93</u>	<u>146</u>

24 Related party transactions

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

Carpets and flooring were purchased from A Barker Carpets & Flooring; this company is owned by the Business Manager's spouse. The goods and services cost £2,650 (2018: £Nil). In entering into the transaction the academy trust has complied with the requirements of the Academies Financial Handbook 2018. No transactions were outstanding at the year end.

No other related party transaction took place in the period of account, other than certain trustees' remuneration already disclosed in note 11.

25 Members' liability

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

26 Agency arrangements

The academy trust distributes 16-19 bursary funds to students as an agent for the ESFA. In the accounting period ending 31 August 2019 the academy trust received £12,015 (2018: £11,157) and disbursed £12,015 (2018: £11,157) from the fund. An amount of £nil (2018 - £nil) is included in other creditors relating to undistributed funds that are repayable to the ESFA.