

# Bay Education Trust

(A company limited by guarantee)

Annual Report and Financial Statements

for the Year Ended 31 August 2016

Registration number: 9299975



# Bay Education Trust

## Contents

Reference and Administrative Details	1 to 2
Directors' Report	3 to 19
Governance Statement	20 to 22
Statement on Regularity, Propriety and Compliance	23
Statement of Directors' Responsibilities	24
Independent Auditor's Report on the Financial Statements	25 to 26
Independent Reporting Accountant's Report on Regularity	27 to 28
Statement of Financial Activities incorporating Income and Expenditure Account	29 to 30
Balance Sheet	31
Statement of Cash Flows	32
Notes to the Financial Statements	33 to 57

# Bay Education Trust

## Reference and Administrative Details

<b>Members</b>	Ms S Livesey Mr M Lock Mr P Maunder
<b>Trustees (Directors)</b>	Mr R G Davey Ms M J English, (Accounting Officer) Mr S E Kings Ms G Battye Ms L Finn (Resigned 30 June 2016) Ms S J Livesey Ms C Talbot (appointed 1 October 2015) Mr G Jones (appointed 17 March 2016) Ms M L Harding (appointed 26 January 2016)
<b>Company Secretary</b>	Ms G M Gribbins
<b>Senior Management Team</b>	Ms M J English, Principal (Paignton Community & Sports Academy) Ms S Franklin, Head Teacher (Kings Ash Primary School) Ms J Humphrey, Head Teacher (Curledge Street Academy) Mr M Smith, Deputy Principal (Paignton Community & Sports Academy) Mr J Trevarthen, Deputy Principal (Paignton Community & Sports Academy)
<b>Principal and Registered Office</b>	Paignton Community & Sports Academy Waterleat Road Paignton Devon TQ3 3WA
<b>Company Registration Number</b>	9299975
<b>Independent Auditors</b>	PKF Francis Clark Chartered Accountants & Statutory Auditor Sigma House Oak View Close Edginswell Park Torquay Devon TQ2 7FF
<b>Bankers</b>	Lloyds Bank plc 2 Palace Avenue Paignton Devon TQ3 3ER

## **Bay Education Trust**

### **Reference and Administrative Details (continued)**

<b>Solicitors</b>	Kitsons LLP Minerva House Orchard Way Edginswell Park Torquay Devon TQ2 7FA
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# **Bay Education Trust**

## **Directors' Report for the Year Ended 31 August 2016**

The Directors present their annual report together with the financial statements and auditors' report of the charitable company for the year ended 31 August 2016. The annual report serves the purposes of both a Trustees' report, and a Directors' report under company law.

The Trust operates two primary academies and one secondary academy in Paignton, Devon. Its academies have a combined pupil capacity of 2,935 and had a roll of 2,076 in the school census on 1st October 2015.

### **Structure, governance and management**

#### ***Constitution***

The Trust is a company limited by guarantee (No. 9299975) and an exempt charity. The charitable company was incorporated on 7th November 2014. The charitable company's Memorandum and Articles of Association are the primary governing documents of the Trust.

The Directors act as trustees for the charitable activities of the Trust and are also the directors of the charitable company for the purpose of company law. The charitable company is known as Bay Education Trust.

Details of the Directors who served throughout the year are included in the Reference and Administrative Details on page 1.

#### ***Members' liability***

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

#### ***Directors' indemnities***

Directors benefit from indemnity insurance purchased at the Trust's expense to cover the liability of the Directors which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of trust or breach of duty of which they may be guilty in relation to the Trust. Any such insurance shall not extend to any claim arising from an act or omission which the Directors knew to be a breach of trust or breach of duty or which was committed by the reckless disregard to whether it was a breach of trust or breach of duty or not and also that any such insurance shall not extend to the costs of unsuccessful defence to a criminal prosecution brought against the Directors in their capacity as Directors of the Trust. The limit of this indemnity is unlimited other than for libel and slander where the limit £500,000.

# Bay Education Trust

## Directors' Report for the Year Ended 31 August 2016 (continued)

### **Directors**

The Directors are trustees of the charitable company. The term of office for a Director is four years but this will not apply to the Chief Executive Officer. There is no limit to the number of times a Director can be re-appointed or re-elected.

The Directors serving through the year are set out below:

Miss Margaret Jane English  
Miss Sara Livesey  
Mr Stephen Kings  
Ms Gill Battye  
Ms Lisa Finn (Resigned 30th June 2016)  
Mr Rhodri Davey  
Mr Gavin Jones (Appointed 17th March 2016)  
Ms Maria Harding (Appointed 26th January 2016)  
Ms Clare Talbot (Appointed 1st October 2015)

During the year under review the Directors held 7 full board meetings, 3 meetings of the Finance, Audit & Personnel committee and 4 meetings of the Performance & Standards committee.

### **Principal Activities**

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

The Trust has adopted the School Teachers Pay and Conditions 2015/16 for the setting of teachers pay, together with the recommendations of the National Joint Council relating to pay awards for all support staff. The Torbay Council Job Evaluation scheme is used to determine pay grades for support staff. Remuneration of Key Management Personnel is determined by benchmarking with similar organisations within the sector.

We believe that the principal activity of the Trust is to ensure that every student has the best possible educational experience. They should have the opportunity to reach their full potential not only academically but also physically and socially whilst in a safe environment. This can only be achieved with a happy, committed teaching workforce and we are committed to the welfare and continuing professional development of our staff as evidenced through our employment policies.

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

The recruitment of Directors is set out in the Articles of Association. The Members may appoint up to twelve Directors to include at least one but up to three staff Directors including the Chief Executive Officer.

The Members appoint Directors through such process as they determine, to ensure a broad range of complimentary skills to further the aims of the Trust.

# Bay Education Trust

## Directors' Report for the Year Ended 31 August 2016 (continued)

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

The training and induction provided for new Directors depends upon their existing experience. If necessary, induction will provide training on charity, educational, legal and financial matters. All Directors are required to complete the following:

- DBS check
- self-declaration forms
- related parties and additional director's details forms.

Training is arranged to ensure Directors are familiar with topics such as analysing academy data, health and safety and risk management. All new Directors are encouraged to visit the Trust academies and to take the opportunity to meet with staff and students. All Directors are provided with copies of policies, procedures, minutes, accounts, educational data, budgets, plans and other documents that they will need to undertake their role as Directors.

### *Organisational structure*

Up until 31st August 2016, Bay Education Trust Board had 3 members and 9 directors. As a Board they are responsible for:

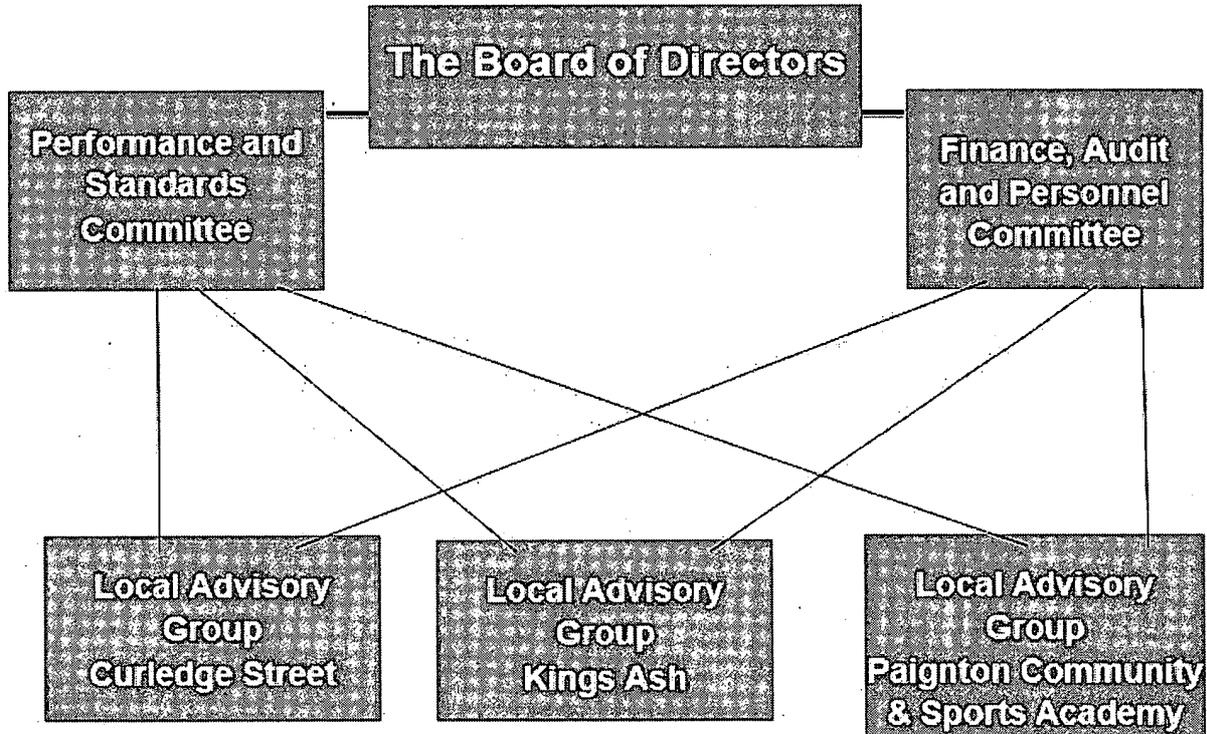
- Providing strategic direction to the Trust
- Providing support for school improvement across the Trust
- Monitoring the budget delivery and ensuring financial accountability across the Trust is secure
- Holding the Headteachers to account for delivery of objectives and pupil outcomes
- Holding the Chief Executive Officer to account for performance across the Trust
- Compliance and implementation of Health and Safety Policy
- Safeguarding across the Trust
- Appointing and performance managing the Local Governing Bodies

The Trust Board effects some of these functions through sub-committees of the Board and will periodically review the number and nature of these sub committees.

# Bay Education Trust

## Directors' Report for the Year Ended 31 August 2016 (continued)

Governance Structure 1<sup>st</sup> September 2015 – 31<sup>st</sup> August 2016



The Board of Directors has approved a Scheme of Delegation that devolved roles and responsibilities to the Local Governing Bodies and to individual Trust academy headteachers/principals.

The effective day to day running of each academy is delegated to the headteacher or principal and their senior leadership teams. They are responsible for implementing the Trust's agreed strategy and improving outcomes for pupils.

Following the formation of the multi-academy Trust, the role of the Local Governing Body was to ensure that the schools delivered good outcomes for the students.

### ***Risk management***

The Trust has taken steps to review the key risks to which the Academy Trust is exposed. This includes putting in place financial and compliance policies and control to mitigate those risks. The Directors recognise and fully support the need for informed and effective systems of internal control and risk management. Directors regularly review and strengthen the policy and approach adopted for risk management.

## Bay Education Trust

### Directors' Report for the Year Ended 31 August 2016 (continued)

#### ***Related parties and other connected charities and organisations***

Rhodri Davey, Director of Bay Education Trust, is a partner in Kitsons law firm.

Curledge Street academy has a parents association whose objectives are to raise funds to be donated to the academy to support the education of the pupils.

Kings Ash academy has a parents association whose objectives are to raise funds to be donated to the academy to support the education of the pupils.

#### **Objectives and activities**

##### ***Objects and aims***

The objectives of Bay Education Trust are to provide high quality education for the children of Paignton. It is well placed to work in close partnership, as the three academies are all located within a 3 mile radius of each other enabling the sharing of facilities and resources and allowing the effective centralisation of many services.

The Trust believes that education is about more than academic achievement and looks to provide young people with a range of opportunities and experiences which prepare them well to take their place in local, national and international society. The Trust also seeks to be a key member of the community it serves by contributing to the health and wellbeing of the community particularly through the use of the sporting facilities.

##### ***Objectives, strategies and activities***

1. To take both personal and collective responsibility to provide the best educational experiences for the children and young people who attend the academies either as a pupil or as a member of the local community.
2. To ensure high quality teaching leading to exceptional progress and achievement in each academy within the Trust.
3. To support each other by working together to achieve shared goals for mutual benefit whilst recognising the unique ethos and individuality of each part of the Trust.
4. To pursue academic excellence to enable all academies to be consistently judged Outstanding.
5. To further develop cross-phase working (3 years to 19 years) to engage pupils, staff and parents in partnership in the pursuit of academic excellence.
6. To ensure every student on their learning journey understands how to progress and achieve their full potential.
7. To provide opportunities for all young people in the academies to develop British values and high quality life skills enabling them to be a credit to themselves, their families and their academy.
8. To develop an aspirational culture amongst pupils and parents across the individual academies by having a culture of intellectual curiosity and enthusiasm to learn.
9. To provide a cross-phase Careers Education and Guidance programme to include vocational experiences.
10. To promote high standards of behaviour, safety and community engagement.
11. To maximise efficiency and value for money by sharing business systems and processes.
12. To provide opportunities for leadership development in our pupils.

# Bay Education Trust

## Directors' Report for the Year Ended 31 August 2016 (continued)

### Key Priorities

1. Improve attainment and progress within all three academies
2. Develop leadership capacity across all three academies and collaborative work to improve outcomes for pupils.
3. Introduce provision for 2 year olds within both primary schools to support a good start in nursery provision.
4. Improve the building stock making them fit for purpose in all three academies.
5. Develop cross phase work in Maths and English to ensure smooth transition and high expectations.
6. Ensure a sustainable financial model
7. Increase collaborative work which impacts on pupil outcomes

### ***Equal opportunities policy***

The Directors recognise that equal opportunities should be an integral part of good practice within the workplace. The Trust has established equal opportunity policies and practices in all areas of its activities, including creating a working and learning environment in which the contribution and needs of all people are fully valued. The Trust is committed to offering equal employment and learning opportunities and its' polices are designed to attract, retain and motivate the best staff regardless of gender, race, religion, age or disability.

### *Disabled Employees*

The company gives full consideration to applications for employment from disabled persons providing the requirements of the job can be adequately fulfilled.

### *Employee Involvement*

Information about the activities of the company is discussed with employees throughout the year during internal management and departmental meetings. Feedback occurs through middle managers to the senior leadership teams.

### ***Public benefit***

The Directors confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charitable company's aims and objectives and in planning future activities for the year, in order to ensure that the Trust acts entirely in accordance with that guidance.

# **Bay Education Trust**

## **Directors' Report for the Year Ended 31 August 2016 (continued)**

### **Strategic Report**

#### **Achievements and performance**

The Directors have reviewed the activities undertaken by the charitable company during its first year of operation to further its charitable purposes for the public benefit. Below is a review of these significant activities.

#### **Key Achievements**

- The consolidation of Bay Education Trust
- Change in Governance structure from Primary Governing Bodies to Primary Local Advisory Groups and further change to be implemented for September 2016 to a joint Primary local advisory group.
- Improving Primary Academy outcomes.
- Improving Secondary Academy outcomes
- The centralising of Sites, Buildings and Estates across all academies
- Centralisation of the Finance and Personnel services across all academies.

## **Bay Education Trust**

### **Directors' Report for the Year Ended 31 August 2016 (continued)**

#### **Strategic Report**

##### ***Academy Overview***

###### ***PAIGNTON COMMUNITY AND SPORTS ACADEMY (Secondary)***

Paignton Community and Sports Academy is a secondary 11-18 split site school in Devon. There were 1300 pupils on roll but with significant transient movement of pupils during the year. The population of secondary school children has reduced due to demographic changes over the past 10 years but is now on the increase with the Year 7 intake for 2016/17 being close to 300.

Paignton is one of nine secondary schools in Torbay, three of which are Grammar Schools. The percentage of white British children is 97% and well above national average, as is the percentage of disadvantaged pupils and pupils with special needs. New pupils are admitted to the academy most weeks, giving a significant number of transient pupils across all year groups. The percentage of High Band pupils is much lower than the national average because of the three Grammar Schools in Torbay.

The Principal was nominated for a Pearson's Life Time Achievement Award and received a Silver award in June and went on to be the National overall Gold winner in October 2016.

The academy has maintained its reputation as a sports academy, playing a key role in supporting young people's healthy lifestyles and community sporting activities.

Paignton Community and Sports Academy is within walking distance of the two primary schools which are part of the Trust.

#### **OFSTED**

5th-6th June 2014 (whilst part of Prospects Academy Trust)

Overall effectiveness - Requires Improvement - 3

Achievement of Pupils - Requires Improvement - 3

Teaching and Learning - Good - 2

Behaviour and Safety - Good - 2

Leadership and Management - Good - 2

Paignton Community & Sports Academy has been subsequently re-inspected on 8th and 9th November 2016 with the following outcome.

Overall Effectiveness - Good - 2

Effectiveness of leadership and management - Good - 2

Quality of teaching, learning and assessment - Good - 2

Personal development, behaviour and welfare - Good - 2

Outcomes for pupils - Good - 2

# Bay Education Trust

## Directors' Report for the Year Ended 31 August 2016 (continued)

### Strategic Report

#### PERFORMANCE

Post 16 – 2016 results	
2016 Average point score per academic entry expressed as a grade	E+
2016 Average point score per vocational entry expressed as a grade	Distinction +
2016 Predicted Vocational Progress Value Added Score	+0.68
2016 results	
2016 Expected School Value Added Score	1010.4 (NA 2015 – 1000)
2016 Expected Value Added Score High pupils	1002.6 (NA 2015 - 999.9)
2016 Expected Value Added Score Disadvantaged pupils	1007.0 (NA 2015 – 976.3)
2016 Progress 8 All pupils	0.05 *
2016 Progress 8 High pupils	0 *
2016 Progress 8 Disadvantaged pupils	-0.04 *
2016 Progress 8 SEN Support	0
2016 Attainment 8 All pupils	C-
2016 Attainment 8 High pupils	B+
2016 Attainment 8 Disadvantaged pupils	C-
2016 Attainment 8 other pupils	C
2016 Percentage achieving A*-C in both English and Maths	48%
2016 % achieving the EBacc	10%

Group (2016 cohort)	Cohort	Progress 8	Attainment 8
All students	206	0.05	C-
Boys	113	-0.02	C-
Girls	93	0.13	C-
Disadvantaged	65	-0.04	C-
Other	141	0.09	C-
CLA	1	-1.18	D-
Not CLA	205	0.05	C-
Low	52	0.35	E+
Middle	119	-0.07	C
High	30	0.00	B+
Non SEN	121	0.15	C+
SEN Support	76	-0.12	D
SEN with statement or EHC plan	8	0.00	D-

# Bay Education Trust

## Directors' Report for the Year Ended 31 August 2016 (continued)

### Strategic Report

#### CURLEDGE STREET ACADEMY (Primary)

Curledge Street is a larger than average primary academy, including a nursery, for children aged 2-11. It has 445 pupils on roll and a significant transient population of pupils with high numbers of disadvantaged pupils who live in some of the most deprived wards in Torbay and in England.

Curledge Street has successfully planned and implemented 2 year old provision which began in September 2016.

It is a school which is very inclusive having a high number of children with special educational needs for whom it provides an excellent education. Despite Victorian buildings and limited outdoor space it promotes sport and healthy lifestyles linking well with the secondary academy that is just a short walk away.

#### OFSTED

20th-21st May 2014 (whilst part of Prospects Academy Trust)

Overall effectiveness - Good - 2

Achievement of Pupils - Good - 2

Quality of teaching - Good - 2

Behaviour and Safety of Pupils - Good - 2

Leadership and Management - Good - 2

#### PERFORMANCE

Key Stage 2

Attainment was lower than the provisional national figures

KS2 Performance 2016		
Subject	Academy	National
Reading	57%	66%
Writing	32%	74%
Maths	62%	70%
RWM	30%	53%
SPAG	65%	72%

KS2 Progress	
Reading	+2.5
Writing	-6.8
Maths	+0.8

Year 1 has children with the highest percentage of children working at age related expectation (ARE), due to high quality teaching being taught the new curriculum from the start. These were:

## Bay Education Trust

### Directors' Report for the Year Ended 31 August 2016 (continued)

#### Strategic Report

End of KS1	
Reading	69%
Writing	62%
Maths	50%
Combined	37.5%

#### KINGS ASH ACADEMY (Primary)

Kings Ash is a larger than average primary academy for children aged 2-11 years. It has a significant transient population of pupils and high numbers of disadvantaged pupils many of whom live in wards with high levels of deprivation. There are a high number of children with additional educational needs.

Kings Ash has successfully planned and implemented 2 year old provision which began in the summer term 2016.

The academy is housed in new accommodation which was built following the amalgamation of the previous Foxhole nursery and primary school. This academy makes good use of the facilities available to its pupils at the secondary academy.

#### OFSTED

12th & 13th July 2016

Overall effectiveness - Requires Improvement - 3

Effectiveness of leadership and management - Good - 2

Quality of teaching learning and assessment - Requires Improvement - 3

Personal development, behaviour and welfare - Good - 2

Outcomes for pupils - Requires Improvement - 3

Early years provision - Good - 2

#### PERFORMANCE

End Key Stage 2 outcomes (Y6):

Attainment

KS2 Performance 2016		
Subject	Academy	National
Reading	46%	66%
Writing	36%	74%
Maths	50%	70%
RWM	24%	53%
SPAG	68%	72%

## Bay Education Trust

### Directors' Report for the Year Ended 31 August 2016 (continued)

#### Strategic Report

##### Progress

New Government progress measures compare pupils' results to those of other pupils nationally with similar prior attainment. Although our pupils made less progress than other pupils nationally with similar starting points, we are closing the gap and we met the Government floor standards in all three subjects (to be above the floor standard for progress the school needs to have sufficient progress scores in all 3 subjects).

KS2 Progress	
Reading	-1.8
Writing	-6.4
Maths	-2.8

##### End of Key Stage 1 (Y2) outcomes:

##### Attainment

Pupils who received targeted intensive intervention during the summer term made good progress and therefore the % of pupils reaching the expected standard at the end of Key Stage 1 was higher than previously predicted.

End of KS1	
Reading	67%
Writing	55%
Maths	60%
Combined	52%

There was no difference in the attainment of disadvantaged pupils in reading and only a slight difference in writing and maths.

#### **Key Financial Performance Indicators**

##### Pupil Numbers

	October 2013	October 2014	October 2015	October 2016
Paignton Community and Sports Academy (11-19 years)	1390	1328	1296	1331
Curledge Street Academy (4-11 years)	391	408	415	415
Kings Ash Academy (4-11 years)	411	382	365	344

# Bay Education Trust

## Directors' Report for the Year Ended 31 August 2016 (continued)

### Strategic Report

#### *Going concern*

The board of directors are mindful of the overall deficit on uncommitted reserves but has a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. A cashflow forecast has been produced which demonstrates that the profile of both income and expenditure will provide sufficient cash balances for the Trust to be able to pay salaries, suppliers and all other liabilities within the required time constraints.

The following action has been agreed to ensure deficit recovery.

- The board have confirmed to each academy that they cannot spend their individual reserves until such time that the Trust is in a positive reserves position.
- Each academy must set an in year balanced budget, with Paignton Community & Sports Academy setting an in year surplus sufficient in each year to reduce its deficit by the end of 2018/19.
- No Academy to spend over and above budget without a business case approved by the Board and rigorous and robust budget monitoring is in place to ensure delivery of the budget forecasts.
- The board is actively looking to expand the multi academy trust to achieve further economies of scale, shared resources and personnel. It will look for opportunities to generate further cost savings through joint procurement and the review of service contracts and service level agreements at a trust level.

There is a 3 year budget plan which projects full recovery of the consolidated deficit by the end of 2016/17.

The 3 year budget plan has been constructed on the basis of improved pupil numbers at the secondary school, pupil numbers at Curledge Street to remain consistent and a small improvement in pupil numbers at Kings Ash. Both rising rolls are on the basis of the Local Authority's estimate for primary and secondary places within Paignton and the secondary school is working closely with the Local Authority to help them address the shortage of places. Staffing levels to remain consistent at both primary schools but an increase in staffing levels at the secondary school to reflect, and in proportion to, the rising pupil numbers. The budget plan has assumed expansion of the trust by March 2017 with further expansion possible in future years but not assumed at this stage.

For this reason the board continues to adopt the going concern basis in preparing the financial statements.

#### **Financial review**

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

Most of the Trust's income is obtained from the Education Funding Agency (EFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the EFA during the year ended 31st August 2015 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities. The main purpose of the general annual grant is to deliver a broad curriculum for all pupils from age 4 to 19 in order that they achieve their maximum potential.

# Bay Education Trust

## Directors' Report for the Year Ended 31 August 2016 (continued)

### Strategic Report

#### UNRESTRICTED FUNDS

Unrestricted funds include:

- Bank interest - £1,092
- Hire of facilities - £173,538

#### CAPITAL GRANTS

Paignton Community and Sports Academy

- Devolved Formula Capital £26,725
- Torbay Council £65,645
- Sport England £7,725

Curledge Street Academy

- Devolved Formula Capital £8,868
- Growing Together - Local Authority £15,000

Kings Ash Academy

- Devolved Formula Capital £8,529
- Growing Together - Local Authority £10,000

During the year ended 31st August 2016, total income received was £12,403k (excluding capital) with total expenditure of £12,620k of which 86% was staff costs.

The excess over income for the year was £217k (excluding restricted fixed asset funds and the actuarial losses on defined benefit pension funds).

At 31st August 2016 the net book value of fixed assets was £28,149k and movements in tangible fixed assets are shown in Note 14 to the financial statements. The assets were used primarily for providing education and the associated support services to the students of the Trust academies. They were also used, particularly the sports facilities, by many community groups and other schools outside this Trust.

The balance sheet also reflects the LGPS pension scheme deficit of £6,166k.

#### **Reserves policy**

The Directors review the reserve levels of the Trust annually. This includes income and expenditure streams and an assurance that there is sufficient cash availability to meet all commitments. In view of the reduction in reserves during 2015/16, the Directors are preserving the reserves held by both primary schools until such time that the overall reserve position of the trust has improved, at which time the directors will form a reserves policy.

## **Bay Education Trust**

### **Directors' Report for the Year Ended 31 August 2016 (continued)**

#### **Strategic Report**

##### ***Investment policy***

Due to the nature of its funding, the Trust may at times hold cash balances surplus to its short term requirements. The Directors have authorised the opening of additional short term bank investments to take advantage of higher interest rates.

# Bay Education Trust

## Directors' Report for the Year Ended 31 August 2016 (continued)

### Strategic Report

#### *Principal risks and uncertainties*

The Trust has inherited a cash balance which provides some financial security in the event of unexpected events with significant financial implications. It has inherited buildings and facilities that are of variable condition and suitability and recognises that these represent financial risks that need to be covered in the future.

The principal risks and uncertainties facing the Trust are:

**Financial** – the Trust has considerable reliance on continued Government funding and whilst this level is expected to continue, there is no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The Trust has cash balances and other working capital balances. The main risk arising from the use of financial instruments is liquidity risk.

**Liquidity risk** – the Bay Education Trust manages its cash resources, including appropriate working capital balances. Surplus cash is invested in line with the Investment policy with the objective of maximising interest income without incurring undue risk. Trade debtors and trade creditors are managed within the credit terms agreed with suppliers and debtors.

**Interest rate risk** – In the absence of borrowings with low prevailing interest rates, the Trust is not exposed to significant rate risk.

**Other risks** – The Trust is exposed to price risks, but is funded by government on the same basis as other academies and managed budgets accordingly. The majority of funding comes from government therefore credit risk is considered to be negligible.

**Failures in governance and/or management** – the risk in this area arises from potential failure to effectively manage the Trust's finances, internal controls, compliance with regulations and legislation, statutory returns etc. The Directors continue to review and ensure that appropriate measures are in place to mitigate these risks.

**Ofsted** – the risk of one or more of the Academies falling into a lower Ofsted category. This is mitigated by a constant review of the academy performance data, teaching and learning and behaviour statistics. The Directors have had training on the new Ofsted assessment criteria.

**Reputational** – the continuing success of the Trust is dependent on continuing to attract students in sufficient numbers by maintaining the highest educational standards. To mitigate the risk Directors ensure that student's progress and achievement are closely monitored and reviewed.

**Safeguarding and child protection** – the Directors continue to ensure that the highest standards are maintained in the selection and monitoring of staff, the operation of child protection policies and procedures, health and safety and discipline.

**Staffing** – the success of the Trust is reliant on the quality of its staff. Directors monitor and review policies and procedures to ensure continued development and training of staff as well as ensuring there is clear succession planning. Recruitment of high quality staff is increasingly difficult particularly in maths and science representing a significant risk to achievement of performance targets.

**Fraud and mismanagement of funds** – the Trust has appointed a Chief Financial Officer to carry out checks on financial records as required. All finance staff receive training to keep them up to date with financial requirements and develop their skills.

# Bay Education Trust

## Directors' Report for the Year Ended 31 August 2016 (continued)

### Strategic Report

#### *Plans for future periods*

The Trust will continue to strive to deliver high quality education and improve the performance of all its pupils in each academy. The Trust aims to attract high quality teachers and support staff in order to deliver its objectives.

Full details of the Trust's plans for the future are given in the Academy Development Plans, which are available from the PA to the Chair and CEO – Miss C Medhurst.

#### **Funds held as Custodian Trustee on behalf of others**

The Trust and its Directors do not act as the Custodian Trustees of any other charity.

#### **Auditor**

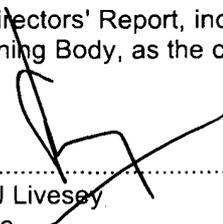
In so far as the Directors are aware:

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

#### ***Reappointment of auditor***

The auditors, PKF Francis Clark, are willing to continue in office and a resolution to appoint them will be proposed at a the next Board meeting.

The Directors' Report, incorporating a Strategic Report, was approved by order of the members of the Governing Body, as the company directors, on 12.12.16 and signed on its behalf by:

  
.....  
Ms S J Livesey  
Trustee

# Bay Education Trust

## Governance Statement

### Scope of responsibility

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

The Governing Body has delegated the day-to-day responsibility to Ms M J English, (Accounting Officer), as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Bay Education Trust and the Secretary of State for Education. They are also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

### Governance

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

<b>Trustee</b>	<b>Meetings attended</b>	<b>Out of a possible</b>
Ms M J English	5	7
Ms S J Livesey	7	7
Mr S E Kings	6	7
Ms G Battye	5	7
Ms L Finn	3	5
Mr R G Davey	5	7
Mr G Jones	4	4
Ms C Talbot	6	7
Ms M L Harding	3	5

The finance, audit and personnel committee is a sub-committee of the Trust Board. Its purpose is to assist the decision making of the Board of Directors, by enabling more detailed consideration to be given to the best means of fulfilling the Board of Directors' responsibility in ensuring sound management of the Trust's finances and resources, including proper planning, monitoring and probity in order to achieve best value for the Trust. Attendance at meetings during the year was as follows:

<b>Trustee</b>	<b>Meetings attended</b>	<b>Out of a possible</b>
Ms M J English	3	3
Ms S Livesey	3	3
Mr R G Davey	2	3
Ms L Finn	3	3
Mr S E Kings	2	3

# Bay Education Trust

## Governance Statement (continued)

### Review of value for money

The accounting officer has responsibility for ensuring that the Academy Trust delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

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

- Procurement of ICT broadband across the Trust – resulting in a cost effective and robust IT solution for the Trust.
- Centralising support staff – reducing back office service costs
- Procurement Policy – providing a basis for ensuring systems of financial control and value for money.
- Review of contracts across the Trust to achieve economies of scale.
- Procurement of photocopying solution across the trust.

### The purpose of the system of internal control

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

### Capacity to handle risk

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

### The risk and control framework

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

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

# Bay Education Trust

## Governance Statement (continued)

The Governing Body has considered the need for a specific internal audit function and has decided:

- not to appoint an internal auditor. However the Directors have appointed Devon Audit Partnership as responsible officer (RO)

The RO's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. In particular the checks carried out in the current period include:

- testing of payroll systems
- testing of purchase systems
- testing of control account/ bank reconciliations

On a regular basis, the RO reports to the Governing Body on the operation of the systems of control and on the discharge of the Governing Body' financial responsibilities.

There were no material control or other issues reported by the Responsible Officer to date.

### Review of effectiveness

As Accounting Officer, Ms M J English, (Accounting Officer) has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the responsible officer;
- the work of the external auditor;
- the financial management and governance self assessment process;
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the Governing Body on 12.12.16 and signed on its behalf by:

.....  
Ms S J Livesey  
Trustee

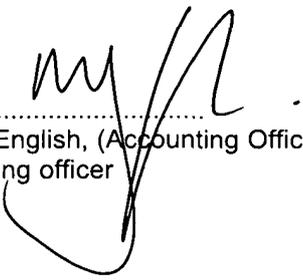
## Bay Education Trust

### Statement on Regularity, Propriety and Compliance

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

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

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

  
.....  
Ms M J English, (Accounting Officer)  
Accounting officer

Date:

# Bay Education Trust

## Statement of Directors' Responsibilities

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

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

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

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

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

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

Approved by order of the members of the Governing Body on 12.12.16 and signed on its behalf by:

.....  
Ms S J Livesey  
Trustee

## **Bay Education Trust**

### **Independent Auditor's Report on the Financial Statements to the Members of Bay Education Trust**

We have audited the financial statements of Bay Education Trust for the year ended 31 August 2016, which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, Balance Sheet, Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 charity'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 its Members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of Trustees and Auditors**

As explained more fully in the Statement of Directors' Responsibilities (set out on page 24), the Directors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

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

#### **Opinion on the financial statements**

In our opinion the financial statements:

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

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

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

## Bay Education Trust

### Independent Auditor's Report on the Financial Statements to the Members of Bay Education Trust (continued)

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

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

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

*PKF Francis Clark*

Sharon Austen (Senior Statutory Auditor)  
PKF Francis Clark  
Statutory Auditor

Sigma House  
Oak View Close  
Edginswell Park  
Torquay  
Devon  
TQ2 7FF

Date: *13 December 2014*

## **Bay Education Trust**

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

In accordance with the terms of our engagement letter dated 12 December 2016 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Bay Education Trust during the period 1 September 2015 to 31 August 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

#### **Respective responsibilities of the Governing Body's Accounting Officer and the reporting Accountant**

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

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

#### **Approach**

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

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

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

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

The work undertaken to draw to our conclusion includes:

- Inspection and review of documentation providing evidence of governance procedures;
- Evaluation of the system of internal controls for authorisation and approval;
- Performing substantive tests on relevant transactions.

## Bay Education Trust

### Independent Reporting Accountant's Report on Regularity to Bay Education Trust and the Education Funding Agency (continued)

#### Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year from 1 September 2015 to 31 August 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*PKF Francis Clark*  
Sharon Austen  
PKF Francis Clark, Chartered Accountants

Sigma House  
Oak View Close  
Edginswell Park  
Torquay  
Devon  
TQ2 7FF

Date: *13 December 2016*

## Bay Education Trust

### Statement of Financial Activities for the Year Ended 31 August 2016 (including Income and Expenditure Account)

	Note	Unrestricted Funds £ 000	Restricted General Funds £ 000	Restricted Fixed Asset Funds £ 000	Restricted Pension Funds £	Total 2016 £ 000
<b>Income and endowments from:</b>						
<i>Voluntary income</i>						
Donations and capital grants	2	-	10	572	-	582
<i>Charitable activities:</i>						
Funding for the Academy Trust's educational operations	3	10	12,141	-	-	12,151
Other trading activities	4	172	69	-	-	241
Investments	5	1	-	-	-	1
<b>Total</b>		<b>183</b>	<b>12,220</b>	<b>572</b>	<b>-</b>	<b>12,975</b>
<b>Expenditure on:</b>						
Raising funds	6	38	28	-	-	66
<i>Charitable activities:</i>						
Academy trust educational operations	7	145	12,409	429	345	13,328
<b>Total</b>		<b>183</b>	<b>12,437</b>	<b>429</b>	<b>345</b>	<b>13,394</b>
Net (expenditure)/income		-	(217)	143	(345)	(419)
Transfers between funds		-	8	(8)	-	-
<b>Other recognised gains and losses</b>						
Actuarial loss on defined benefit pension schemes	23	-	-	-	(2,763)	(2,763)
Net movement in (deficit)/funds		-	(209)	135	(3,108)	(3,182)
<b>Reconciliation of funds</b>						
Total funds/(deficit) brought forward at 1 September 2015		158	(63)	28,025	(3,058)	25,062
Total funds/(deficit) carried forward at 31 August 2016		158	(272)	28,160	(6,166)	21,880

## Bay Education Trust

### Statement of Financial Activities for the Period from 7 November 2014 to 31 August 2015 (including Income and Expenditure Account)

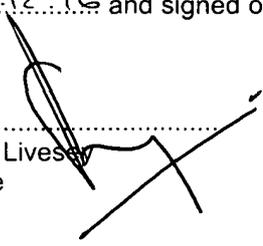
	Note	Unrestricted Funds £ 000	Restricted General Funds £ 000	Restricted Fixed Asset Funds £ 000	Restricted Pension Funds £ 000	Total 2015 £ 000
<b>Income and endowments from:</b>						
Voluntary income						
Donations and capital grants	2	3	4	150	-	157
Transfer from local authority on conversion		206	-	28,211	(2,767)	25,650
<i>Charitable activities:</i>						
Funding for the Academy Trust's educational operations	3	12	9,640	-	-	9,652
Other trading activities	4	167	22	-	-	189
Investments	5	1	-	-	-	1
<b>Total</b>		<b>389</b>	<b>9,666</b>	<b>28,361</b>	<b>(2,767)</b>	<b>35,649</b>
<b>Expenditure on:</b>						
Raising funds	6	58	22	-	-	80
<i>Charitable activities:</i>						
Academy trust educational operations	7	170	9,704	342	219	10,435
<b>Total</b>		<b>228</b>	<b>9,726</b>	<b>342</b>	<b>219</b>	<b>10,515</b>
Net income/(expenditure)		161	(60)	28,019	(2,986)	25,134
Transfers between funds		(3)	(3)	6	-	-
<b>Other recognised gains and losses</b>						
Actuarial loss on defined benefit pension schemes	23	-	-	-	(72)	(72)
Net movement in funds/(deficit)		158	(63)	28,025	(3,058)	25,062
<b>Reconciliation of funds</b>						
Total funds/(deficit) carried forward at 31 August 2015		158	(63)	28,025	(3,058)	25,062

# Bay Education Trust

## (Registration number: 9299975) Balance Sheet as at 31 August 2016

	Note	31 August 2016 £ 000	31 August 2015 £ 000
<b>Fixed assets</b>			
Tangible assets	13	28,149	27,904
<b>Current assets</b>			
Debtors	14	367	295
Cash at bank and in hand		254	1,028
		621	1,323
Creditors: Amounts falling due within one year	15	(724)	(1,107)
Net current (liabilities)/assets		(103)	216
Total assets less current liabilities		28,046	28,120
Net assets excluding pension liability		28,046	28,120
Defined benefit pension scheme liability	23	(6,166)	(3,058)
		21,880	25,062
<b>Funds of the Academy:</b>			
<b>Restricted funds</b>			
Restricted general fund		(272)	(63)
Restricted fixed asset fund		28,160	28,025
Restricted pension fund		(6,166)	(3,058)
		21,722	24,904
<b>Unrestricted funds</b>			
Unrestricted general fund		158	158
Total funds		21,880	25,062

The financial statements on pages 29 to 57 were approved by the Directors, and authorised for issue on 12.12.16 and signed on their behalf by:

  
 Ms S J Livesey  
 Trustee

## Bay Education Trust

### Statement of Cash Flows for the Year Ended 31 August 2016

	Note	31 August 2016 £ 000	31 August 2015 £ 000
<b>Cash flows from operating activities</b>			
Net cash (used in)/provided by operating activities	19	(101)	1,245
Cash flows from investing activities	20	<u>(673)</u>	<u>(217)</u>
Change in cash and cash equivalents in the year		(774)	1,028
Cash and cash equivalents at 1 September		<u>1,028</u>	-
Cash and cash equivalents at 31 August	21	<u><u>254</u></u>	<u><u>1,028</u></u>

# Bay Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2016

### 1 Accounting policies

#### Statement of accounting policies

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

#### Basis of preparation

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

Bay Education Trust meets the definition of a public benefit entity under FRS 102. These financial statements are the first financial statements of Bay Education Trust prepared in accordance with FRS 102. Refer to note 26 for more details on the first time adoption and explanation of transition to FRS 102.

#### Going concern

The Directors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The Directors make this assessment in respect of a period of one year from the date of approval of the financial statements. As set out on page 15, the Directors have concluded that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Academy Trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 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.

# Bay Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

### 1 Accounting policies (continued)

#### **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 year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

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

#### **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 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.

#### **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 financial statements until they are sold. This income is recognised within 'Income from other trading activities'.

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be 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.

# Bay Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

### 1 Accounting policies (continued)

#### Expenditure

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

All resources expended are inclusive of irrecoverable VAT.

#### 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.

#### Tangible fixed assets

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. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset over its expected useful lives, per the table below.

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

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

Asset class	Depreciation method and rate
Leasehold land and buildings	50 years
Furniture and equipment	5 years

# Bay Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

### 1 Accounting policies (continued)

Computer equipment 4 years

#### **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.

#### **Provisions**

Provisions are recognised when the Academy Trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

#### **Leased assets**

Rentals under operating leases are charged on a straight line basis over the lease term.

#### **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.

# Bay Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

### 1 Accounting policies (continued)

#### Pension benefits

Retirement benefits to employees of the Academy Trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes and the assets are held separately from those of the Academy Trust. The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in the notes to the financial statements, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

#### Fund accounting

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

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

#### Critical accounting estimates and areas of judgement

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

# Bay Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

### 1 Accounting policies (continued)

#### *Critical accounting estimates and assumptions*

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

#### **Agency accounting**

The Academy Trust acts as an agent in distributing 16-19 bursary funds from the EFA. Payments received from the EFA and subsequent disbursements to students are excluded from the statement of financial activities as the Academy Trust does not have control over the charitable application of the funds. The Academy Trust can use up to 5% of the allocation towards its own administration costs and this is recognised in the statement of financial activities. The funds received and paid and any balances held are disclosed in note 25.

### 2 Donations and capital grants

	<b>Restricted funds £ 000</b>	<b>Restricted fixed asset funds £ 000</b>	<b>Total 2016 £ 000</b>	<b>Total 31 August 2015 £ 000</b>
<b>Other voluntary income</b>				
Capital grants	-	572	572	150
Other donations	10	-	10	7
	<u>10</u>	<u>572</u>	<u>582</u>	<u>157</u>

## Bay Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

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

	Unrestricted funds £ 000	Restricted funds £ 000	Total 2016 £ 000	Total 31 August 2015 £ 000
<b>DfE/EFA revenue grants</b>				
Pupil premium	-	957	957	745
LA SEN	-	131	131	63
Year 7 catch up grant	-	27	27	29
Summer school	-	23	23	28
PE teacher grant	-	19	19	8
Start up grant	-	-	-	75
GAG	-	10,162	10,162	8,000
UIFSM	-	47	47	30
LACSEG	-	191	191	234
	<u>-</u>	<u>11,557</u>	<u>11,557</u>	<u>9,212</u>
<b>Other government grants</b>				
LA funding	-	371	371	241
Other government grants	10	-	10	12
Other government grant	-	-	-	71
	<u>10</u>	<u>371</u>	<u>381</u>	<u>324</u>
<b>Non-government grants and other income</b>				
Educational trips	-	88	88	116
Non-government grants	-	30	30	-
Non-government income	-	95	95	-
	<u>-</u>	<u>213</u>	<u>213</u>	<u>116</u>
Total grants	<u>10</u>	<u>12,141</u>	<u>12,151</u>	<u>9,652</u>

# Bay Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

### 4 Other trading activities

	Unrestricted funds £ 000	Restricted funds £ 000	Total 2016 £ 000	Total 31 August 2015 £ 000
Hire of facilities	172	2	174	118
School shop sales	-	5	5	19
Recharges and reimbursements	-	35	35	32
Other income	-	27	27	20
	<u>172</u>	<u>69</u>	<u>241</u>	<u>189</u>

### 5 Investment income

	Unrestricted funds £ 000	Total 2016 £ 000	Total 31 August 2015 £ 000
Short term deposits	<u>1</u>	<u>1</u>	<u>1</u>

### 6 Expenditure

	Non Pay Expenditure			Total 2016 £ 000	Total 31 August 2015 £ 000
	Staff costs £ 000	Premises £ 000	Other costs £ 000		
Expenditure on raising funds	-	38	28	66	80
<b>Academy's educational operations</b>					
Direct costs	9,129	429	960	10,518	8,152
Allocated support costs	<u>1,343</u>	<u>604</u>	<u>863</u>	<u>2,810</u>	<u>2,283</u>
	<u>10,472</u>	<u>1,071</u>	<u>1,851</u>	<u>13,394</u>	<u>10,515</u>

## Bay Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

#### 6 Expenditure (continued)

Net incoming/outgoing resources for the year include:

	31 August 2016 £ 000	31 August 2015 £ 000
Operating leases - other leases	37	24
Fees payable to auditor - audit	10	10
Fees payable to auditor - other services	<u>3</u>	<u>5</u>

#### 7 Charitable activities

	Total 2016 £ 000	Total 31 August 2015 £ 000
Direct costs - educational operations	10,518	8,152
Support costs - educational operations	<u>2,810</u>	<u>2,283</u>
	<u>13,328</u>	<u>10,435</u>

	Educational operations £ 000	Total 2016 £ 000	Total 31 August 2015 £ 000
<b>Analysis of support costs</b>			
Support staff costs	1,343	1,343	1,243
Technology costs	21	21	14
Premises costs	604	604	465
Other support costs	813	813	515
Governance costs	<u>29</u>	<u>29</u>	<u>46</u>
Total support costs	<u>2,810</u>	<u>2,810</u>	<u>2,283</u>

# Bay Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

### 8 Staff

#### Staff costs

	2016 £ 000	31 August 2015 £ 000
<b>Staff costs during the year were:</b>		
Wages and salaries	8,203	6,476
Social security costs	615	519
Pension costs	1,360	1,010
	<u>10,178</u>	<u>8,005</u>
Supply teacher costs	181	29
Staff restructuring costs	123	229
	<u>10,482</u>	<u>8,263</u>

	2016 £ 000	31 August 2015 £ 000
<b>Staff restructuring costs comprise:</b>		
Redundancy payments	102	203
Severance payments	21	26
	<u>123</u>	<u>229</u>

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

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £21,300 (2015: £26,100). Individually, the payments were:

- Non-contractual payments £5,700
- Non-contractual payments £5,600
- Non-contractual payments £10,000

#### Staff numbers

The average number of persons (including senior management team) employed by the Academy Trust during the year expressed as full time equivalents was as follows:

## Bay Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

#### 8 Staff (continued)

	31 August 2016 No	31 August 2015 No
<b>Charitable Activities</b>		
Teachers and Educational Support Staff	183	194
Administration and support	87	73
Management	17	13
	<u>287</u>	<u>280</u>

The number of employees for the year ended 31 August 2015 has been restated to give a accurate reflection of staff numbers.

#### Staff numbers

The average number of persons (including senior management team) employed by the Academy Trust during the year expressed as average headcount was as follows:

	31 August 2016 No	31 August 2015 No
<b>Charitable Activities</b>		
Teachers and Educational Support Staff	285	255
Adminstration and support	137	121
Management	17	13
	<u>439</u>	<u>389</u>

#### Higher paid staff

The number of employees whose emoluments exceeded £60,000 was:

	31 August 2016 No	31 August 2015 No
£60,001 - £70,000	2	4
£70,001 - £80,000	3	1
£110,001 - £120,000	-	1
£120,001 - £130,000	1	-
	<u>1</u>	<u>-</u>

The key management personnel of the Academy Trust comprise 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 £473,840 (2015: £358,253).

# Bay Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

### 9 Central services

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

- Accounting officer
- Financial services
- Educational support services
- Legal services
- Premises services

The Academy Trust charges for these services on the following basis:

- Flat percentage of central costs based on pupil numbers by academy (18% - 63%)
- Actual costs split by academy, where relevant

The actual amounts charged during the year were as follows:

	<b>31 August 2016 £ 000</b>
Paignton Community & Sports Academy	396
Kings Ash Academy	129
Curledge Street Academy	123
	<hr/> <b>648</b> <hr/>

### 10 Related party transactions - Director's remuneration and expenses

One or more Directors has been paid remuneration or has received other benefits from an employment with the Academy Trust. The principal and other staff Directors only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment, and not in respect of their role as Directors. The value of Directors' remuneration and other benefits was as follows:

Ms M J English (Principal):

Remuneration: £140,000 - £145,000 (2015 - £100,000 - £105,000)

Employer's pension contributions: £15,000 - £20,000 (2015 - £10,000 - £15,000)

During the year ended 31 August 2016, travel and subsistence expenses totalling £775 (2015 - £549) were reimbursed or paid directly to 2 Directors (2015 - 3).

Other related party transactions involving the Directors are set out in note 24.

## Bay Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

#### 11 Director's and officers' insurance

In the year, 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. In the year ended 31 August 2015, the insurance cost was £3,510, providing cover up to £5,000,000.

#### 12 Connected charities

The PTAs of Kings Ash Academy and Curledge Street Academy are connected charities and are related to the Academy Trust as follows: The PTAs are established for the general purpose of raising funds for the individual academies.

- The aggregate amount of their assets is £7,485
- The aggregate amount of their liabilities is £Nil
- The aggregate amount of their funds is £7,485
- The total turnover is £3,256
- The total expenditure is £5,071
- Loss for the year is £1,815

#### 13 Tangible fixed assets

	Leasehold land and buildings £ 000	Furniture and equipment £ 000	Computer equipment £ 000	Assets under construction £ 000	Total £ 000
<b>Cost</b>					
At 1 September 2015	27,893	189	115	48	28,245
Additions	570	37	67	-	674
Transfers	6	42	-	(48)	-
At 31 August 2016	<u>28,469</u>	<u>268</u>	<u>182</u>	<u>-</u>	<u>28,919</u>
<b>Depreciation</b>					
At 1 September 2015	287	29	25	-	341
Charge for the year	340	50	39	-	429
At 31 August 2016	<u>627</u>	<u>79</u>	<u>64</u>	<u>-</u>	<u>770</u>
<b>Net book value</b>					
At 31 August 2016	<u>27,842</u>	<u>189</u>	<u>118</u>	<u>-</u>	<u>28,149</u>

## Bay Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

#### 13 Tangible fixed assets (continued)

	Leasehold land and buildings £ 000	Furniture and equipment £ 000	Computer equipment £ 000	Assets under construction £ 000	Total £ 000
At 31 August 2015	<u>27,606</u>	<u>160</u>	<u>90</u>	<u>48</u>	<u>27,904</u>

The Academy Trust's transactions relating to land and buildings included:

- the acquisition of the freehold on mobile classrooms and science laboratories which was donated to the Academy Trust at a value of £401,000

#### 14 Debtors

	31 August 2016 £ 000	31 August 2015 £ 000
Trade debtors	11	9
Prepayments	75	77
Accrued grant and other income	222	162
VAT recoverable	28	25
Other debtors	31	22
	<u>367</u>	<u>295</u>

#### 15 Creditors: amounts falling due within one year

	31 August 2016 £ 000	31 August 2015 £ 000
Trade creditors	249	301
Other taxation and social security	179	170
Other creditors	47	247
Pension scheme creditor	136	132
Accruals	19	23
Deferred income	94	101
EFA creditor	-	133
	<u>724</u>	<u>1,107</u>

## Bay Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

#### 15 Creditors: amounts falling due within one year (continued)

	31 August 2016 £ 000
<b>Deferred income</b>	
Deferred income at 1 September 2015	101
Resources deferred in the period	94
Amounts released from previous periods	<u>(101)</u>
Deferred income at 31 August 2016	<u>94</u>

At the balance sheet date the Academy Trust was holding funds received in advance for rates relief, universal infant free school meals and educational trips.

#### 16 Funds

	Balance at 1 September 2015 £ 000	Incoming resources £ 000	Resources expended £ 000	Gains, losses and transfers £ 000	Balance at 31 August 2016 £ 000
<b>Restricted general funds</b>					
General annual grant	(112)	10,353	(10,568)	8	(319)
Pupil premium	-	957	(957)	-	-
Universal infant free school meals	-	47	(47)	-	-
Other government grants	29	119	(119)	-	29
Local authority funding	-	183	(183)	-	-
Year 7 grant	-	27	(27)	-	-
Educational trips	-	88	(88)	-	-
Summer school	-	23	(23)	-	-
PE grant	-	19	(20)	-	(1)
SEN	-	131	(131)	-	-
Nursery Funding	-	188	(189)	-	(1)
MAT start up grant	16	-	-	-	16
Donations	4	-	-	-	4
Recharges & reimbursements	-	62	(62)	-	-
Other income	-	23	(23)	-	-
	<u>(63)</u>	<u>12,220</u>	<u>(12,437)</u>	<u>8</u>	<u>(272)</u>

# Bay Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

### 16 Funds (continued)

	Balance at 1 September 2015 £ 000	Incoming resources £ 000	Resources expended £ 000	Gains, losses and transfers £ 000	Balance at 31 August 2016 £ 000
<b>Restricted fixed asset funds</b>					
Capital Improvement fund	65	-	(10)	(8)	47
Other LA capital	27,692	475	(385)	(18)	27,764
Devolved formula capital	42	44	(8)	(21)	57
Insurance	-	28	-	2	30
Other capital grants	38	25	(6)	(9)	48
Capital expenditure from GAG	3	-	(12)	117	108
Capital expenditure from unrestricted funds	3	-	(1)	-	2
Other capital grants on conversion	182	-	(7)	(71)	104
	<u>28,025</u>	<u>572</u>	<u>(429)</u>	<u>(8)</u>	<u>28,160</u>
<b>Restricted pension funds</b>					
Defined benefit pension liability	<u>(3,058)</u>	<u>-</u>	<u>(345)</u>	<u>(2,763)</u>	<u>(6,166)</u>
Total restricted funds	24,904	12,792	(13,211)	(2,763)	21,722
<b>Unrestricted funds</b>					
Unrestricted general funds	<u>158</u>	<u>183</u>	<u>(183)</u>	<u>-</u>	<u>158</u>
Total funds	<u>25,062</u>	<u>12,975</u>	<u>(13,394)</u>	<u>(2,763)</u>	<u>21,880</u>

### Analysis of academies by fund balance

Fund balances at 31 August 2016 were allocated as follows:

	<b>Total £ 000</b>
Paignton Community & Sports Academy	(326)
Kings Ash Academy	108
Curledge Street Academy	96
Central services	<u>8</u>
Total before fixed assets and pension reserve	(114)
Restricted fixed asset fund	28,160
Defined benefit pension liability	<u>(6,166)</u>
Total	<u>21,880</u>

## Bay Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

#### 16 Funds (continued)

Paignton Community & Sports Academy is carrying a net deficit of £326,000 on these funds because:

PCSA has reduced its net deficit by £149,000 to £326,000 during 2015/16 as a result of reduced staffing following significant redundancies at the end of 2014/15, together with the centralisation of back office services across the trust.

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

The Academy continues to strive to achieve cost savings through central procurement of services, review of all service contracts and service level agreements and review of all staffing vacancies and re-appointments. There is a 3 year budget plan which projects full recovery of the inherited deficit by 2018/19. Pupil numbers of the Year 7 intake have improved significantly which will generate increased funding for future years.

There are transfers from capital funds to restricted funds to cover previously purchased assets from restricted funds.

#### Analysis of academies by cost

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

	Teaching and Educational Support Staff Costs £ 000	Other Support Staff Costs £ 000	Educational Supplies £ 000	Other Costs (excluding Depreciation) £ 000	Total 2016 £ 000
Paignton Community & Sports Academy	5,366	644	55	1,393	7,458
Kings Ash Academy	1,864	82	50	468	2,464
Curledge Street Academy	1,613	95	46	327	2,081
Central services	286	305	-	26	617
Academy Trust	<u>9,129</u>	<u>1,126</u>	<u>151</u>	<u>2,214</u>	<u>12,620</u>

#### 17 Analysis of net assets between funds

Fund balances at 31 August 2016 are represented by:

## Bay Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

#### 17 Analysis of net assets between funds (continued)

	Unrestricted funds £ 000	Restricted general funds £ 000	Restricted fixed asset funds £ 000	Total funds £ 000
Tangible fixed assets	-	-	28,149	28,149
Current assets	158	452	11	621
Current liabilities	-	(724)	-	(724)
Pension scheme liability	-	(6,166)	-	(6,166)
Total net assets	<u>158</u>	<u>(6,438)</u>	<u>28,160</u>	<u>21,880</u>

#### 18 Financial commitments

##### *Operating leases*

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

	31 August 2016 £ 000	31 August 2015 £ 000
Amounts due within one year	23	58
Amounts due between one and five years	<u>14</u>	<u>36</u>
	<u>37</u>	<u>94</u>

## Bay Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

#### 19 Reconciliation of net (expenditure)/income to net cash inflow/(outflow) from operating activities

	31 August 2016 £ 000	31 August 2015 £ 000
Net (expenditure)/income	(419)	25,134
Depreciation	429	341
Capital grants from DfE and other capital income	-	(25,650)
Interest receivable	(1)	(1)
Defined benefit pension scheme cost less contributions payable	227	24
Defined benefit pension scheme finance cost	118	195
Increase in debtors	(72)	(61)
(Decrease)/increase in creditors	(383)	738
Cash transferred on conversion to an academy trust	-	525
Net cash (used in)/provided by Operating Activities	<u>(101)</u>	<u>1,245</u>

#### 20 Cash flows from investing activities

	31 August 2016 £ 000	31 August 2015 £ 000
Dividends, interest and rents from investments	1	1
Purchase of tangible fixed assets	<u>(674)</u>	<u>(218)</u>
Net cash used in investing activities	<u>(673)</u>	<u>(217)</u>

# Bay Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

### 21 Analysis of cash and cash equivalents

	At 31 August 2016 £ 000	At 31 August 2015 £ 000
Cash at bank and in hand	<u>254</u>	<u>1,028</u>
Total cash and cash equivalents	<u><u>254</u></u>	<u><u>1,028</u></u>

### 22 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 they are a member, or within one year after they cease to be a member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before they ceased to be a member.

### 23 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 Devon County Council. Both are multi-employer defined benefit schemes.

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

Contributions amounting to £(136,000) (2015 - £(132,000)) were payable to the schemes at 31 August and are included within creditors.

#### Teachers' Pension Scheme

##### Introduction

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

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

## Bay Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

#### 23 Pension and similar obligations (continued)

##### Valuation of the Teachers' Pension Scheme

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

The key elements of the valuation and subsequent consultation are:

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

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

The employer's pension costs paid to TPS in the period amounted to £770,056 (2015: £514,515).

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

Under the definitions set out in Financial Reporting Standard 102 (FRS 102), the TPS is a 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 contribution made for the year ended 31 August 2016 was £485,000 (2015 - £381,000), of which employer's contributions totalled £364,000 (2015 - £280,000) and employees' contributions totalled £121,000 (2015 - £101,000). The agreed contribution rates for future years are 14.7 per cent for employers and 8.5 per cent for employees.

# Bay Education Trust

## Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

### 23 Pension and similar obligations (continued)

#### Principal actuarial assumptions

	At 31 August 2016 %	At 31 August 2015 %
Rate of increase in salaries	4.10	4.50
Discount rate for scheme liabilities	2.20	4.00
Inflation assumptions (CPI)	<u>2.30</u>	<u>2.70</u>

#### Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	+ 0.1%	0.0%	- 0.1%
	£ 000	£ 000	£ 000
<b>Adjustment to discount rate</b>			
Present value of total obligation	10,683	10,954	11,232
Projected service cost	<u>817</u>	<u>838</u>	<u>859</u>
<b>Adjustment to pension increases and deferred revaluation</b>	+ 0.1%	0.0%	- 0.1%
	£ 000	£ 000	£ 000
Present value of total obligation	11,185	10,954	10,730
Projected service cost	<u>859</u>	<u>838</u>	<u>818</u>
	+ 0.1%	0.0%	- 0.1%
	£ 000	£ 000	£ 000
<b>Adjustment to rate of salary growth</b>			
Present value of total obligation	11,001	10,954	10,907
Projected service cost	<u>838</u>	<u>838</u>	<u>838</u>
	+ 1 Year	None	- 1 Year
	£ 000	£ 000	£ 000
<b>Adjustment to mortality age rating assumption</b>			
Present value of total obligation	11,246	10,954	10,670
Projected service cost	<u>859</u>	<u>838</u>	<u>817</u>

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

	At 31 August 2016	At 31 August 2015
<b>Retiring today</b>		
Males retiring today	22.90	22.80
Females retiring today	26.20	26.10
<b>Retiring in 20 years</b>		
Males retiring in 20 years	25.20	25.10
Females retiring in 20 years	<u>28.60</u>	<u>28.40</u>

The Academy Trust's share of the assets and liabilities in the scheme were:

## Bay Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

#### 23 Pension and similar obligations (continued)

	At 31 August 2016 £ 000	At 31 August 2015 £ 000
Equities	2,808	2,243
Gilts	156	194
Infrastructure	194	118
Other bonds	126	193
Property	472	420
Cash	81	91
Target return portfolio	678	588
Other	273	72
Total market value of assets	4,788	3,919
Present value of scheme liabilities - funded	(10,954)	(6,977)
Deficit in the scheme	(6,166)	(3,058)

The actual return on scheme assets was £563,000 (2015 - (£77,000)).

## Bay Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

#### 23 Pension and similar obligations (continued)

##### Amounts recognised in the statement of financial activities

	31 August 2016 £ 000	31 August 2015 £ 000
Current service cost	586	472
Past service cost	5	-
Total operating charge	<u>591</u>	<u>472</u>

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

	31 August 2016 £ 000	31 August 2015 £ 000
At 1 September	6,977	6,411
Current service cost	591	472
Interest cost	278	195
Employee contributions	121	101
Actuarial losses/(gains)	3,163	(173)
Benefits paid	<u>(176)</u>	<u>(29)</u>
At 31 August	<u>10,954</u>	<u>6,977</u>

##### Movements in the fair value of Academy Trust's share of scheme assets

	31 August 2016 £ 000	31 August 2015 £ 000
At 1 September	3,919	3,644
Interest income	160	168
Return on assets (excluding net interest on the defined pension liability)	400	(245)
Employer contributions	364	280
Employee contributions	121	101
Benefits paid	<u>(176)</u>	<u>(29)</u>
At 31 August	<u>4,788</u>	<u>3,919</u>

#### 24 Related party transactions

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

## Bay Education Trust

### Notes to the Financial Statements for the Year Ended 31 August 2016 (continued)

#### 24 Related party transactions (continued)

During the year the Academy Trust made the following related party transactions:

##### **Kitsons LLP**

(R G Davey is an equity partner of Kitsons LLP holding a minority interest.)

The trust purchased legal advice from Kitsons LLP totalling £400 (2015: £21,358) during the period.

The trust made the purchase at arms' length and Mr R G Davey neither participated in, nor influenced the purchase.

In entering into the transaction the trust has complied with the requirements of EFA's Academies Financial Handbook. At the balance sheet date the amount due to Kitsons LLP was £Nil (2015 - £Nil).

#### 25 Agency arrangements

The Academy Trust distributes 16-19 bursary funds to students as an agent for EFA. In the accounting period ending 31 August 2016 the trust received £27,000 and disbursed £27,000 from the fund. An amount of £Nil is included in other creditors relating to undistributed funds that is repayable to EFA.

#### 26 Transition to FRS 102

First time adoption of FRS 102

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

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

The Academy Trust transitioned to FRS102 and SORP 2015 from previously extant UK GAAP and SORP 2005 as at 1 September 2014. There were no changes to the previously stated funds as at 1 September 2014 and 1 September 2015 or in the net income/(expenditure) for the year ended 31 August 2015 as a result of the transition to FRS12 and SORP 2015.