

REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2016
THE LUTTERWORTH ACADEMIES TRUST
(A Company Limited by Guarantee)

Smith Hodge & Baxter
Chartered Accountants
& Statutory Auditors
Thorpe House
93 Headlands
KETTERING
Northamptonshire
NN15 6BL

THE LUTTERWORTH ACADEMIES TRUST

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FOR THE YEAR ENDED 31 AUGUST 2016

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THE LUTTERWORTH ACADEMIES TRUST (REGISTERED NUMBER: 08038063)

REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 AUGUST 2016

Members	Leicester Diocese Educational Trust Mrs Elisabeth Baines Rev'd Charlie Styles – Ex Officio Mrs Sheila Titterington (Resigned 21 March 2016) Mr John Warren
Trustees	Mrs Elisabeth Baines (Resigned 31 May 2016) Mr Ian Betteridge (Resigned 23 March 2016) Mrs Judith Briers Mr Mark Janssens (Appointed 23 March 2016) Ms Vivianne Lawson Rev'd Charlie Styles Chair Mr William Targett (Resigned 13 October 2015) Mr John Taylor Mrs Sheila Titterington Vice Chair Mr Vic Tuffen (Resigned 31 October 2015) Mrs Elaine Turner Mr John Warren Vice Chair Ms Nina Woodcock
Company Secretary	Mr Graeme Hornsby (Resigned 21 March 2016)
Executive Principal	Judith Briers
Heads of School Lutterworth College Sir Frank Whittle Studio School	Ben Solly Paul Hostead
Deputy Heads of School Lutterworth College Sir Frank Whittle Studio School	Matthew Nicolle (Acting Deputy Head of School) Nick Summers John Redmond
Assistant Principals Lutterworth College	Michelle Hadley Dominic Lane Abigail Lear
Finance and Operations Director	Laura Kendrick
Human Resources Director	Jo Molyneux
Principal and Registered office	Lutterworth College Bitteswell Road Lutterworth LE17 4EW
Company Registration Number	08038063 (England and Wales)
Independent Auditor	Smith Hodge & Baxter Chartered Accountants & Statutory Auditors Thorpe House 93 Headlands Kettering Northamptonshire NN15 6BL

THE LUTTERWORTH ACADEMIES TRUST (REGISTERED NUMBER: 08038063)

REFERENCE AND ADMINISTRATIVE DETAILS (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

Bankers Barclays Business Banking
Barclays House
Meridian Business Park
Leicester

Solicitors Browne Jacobson
Mowbray House
Castle Meadow Road
Nottingham
NG2 1BJ

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2016

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

The Trust is a mixed multi-academy trust. It operates a voluntary controlled (Church of England) mixed comprehensive school, Lutterworth College, for students aged 11+ serving a catchment area in South Leicestershire. The Trust also operates a studio school, Sir Frank Whittle Studio School, for students aged 14+, which first opened to students on 1 September 2014 and has no designated religious character. The Trust has a pupil capacity of 2347 and had a roll of 1567 in the October 2015 school census.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Lutterworth Academies Trust is a company, limited by guarantee and an exempt charity. The Charitable Company's memorandum and articles of association are the primary governing documents of the Trust. The trustees of The Lutterworth Academies Trust are also the directors of the charitable company for the purposes of company law.

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

Members' liability

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

Trustees' indemnities

In accordance with normal commercial practice the Academy has purchased professional indemnity insurance to protect Trustees from claims arising from negligent acts, errors or omissions occurring whilst on Academy business.

Principal activities

The Trust's object and principal activity, as set out in its articles of association and funding agreement is to advance, for the public benefit, education in the United Kingdom, in particular but without prejudice to the generality of the forgoing by establishing, maintaining, carrying on, managing and developing Academies which shall offer a broad and balanced curriculum and which shall include:

- Academies other than those designated Church of England, whether with or without a designated religious character; and
- Church of England academies designated as such which shall be conducted in accordance with the principles, practices and tenets of the Church of England both generally and in particular in relation to arranging for religious education and daily acts of worship, and in having regard to any advice and following any directives issued by the Diocesan Board of education,

but in relation to each of the Academies to recognise and support their individual ethos, whether or not designated Church of England.

This is performed through the operations of Lutterworth College and the Sir Frank Whittle Studio School.

Method of recruitment and appointment or election of trustees

The articles of association require no fewer than three nor greater than twelve trustees. On conversion from a single academy trust to a multi-academy trust the existing trustees either remained in post or resigned. Subsequent trustees of the multi-academy trust are to be appointed as follows:

- Up to eight trustees can be appointed by the members and the Diocesan Board of Education:
 - Members shall appoint up to six trustees
 - The Diocesan Board of Education shall appoint no fewer than two trustees provided that the number of trustees appointed by the Diocese does not exceed 25% of the total number of trustees.
- One staff trustee who shall be appointed following a secret ballot of all staff employed by the Trust (excluding the Executive Principal and the two heads of school)
- The Chief Executive Officer (being the Executive Principal)

The term of office for any trustee, shall be four years except the Executive Principal who remains as trustee whilst in post.

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 AUGUST 2016 (continued)

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Policies and procedures adopted for the induction and training of trustees

The training and induction provided for new trustees will depend on their existing experience. Any new trustees are supplied with an induction pack. Where necessary the induction process will provide training on charity, educational, legal and financial matters. All new trustees will be given a tour of the Academies and the chance to meet with staff and students. All trustees are given access to the intranet of both Academies where they can access copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as trustees. There is also the opportunity for mentoring by a more experienced trustee.

Organisational structure

The board of trustees retains overall responsibility for the management of the affairs of the trust.

The board of trustees meets six times during school term time. It continues to provide the strategic leadership of the trust. Financial, operational and staffing issues are reported directly to the board of trustees. There are local governing bodies for each of the two Academies, which focus on teaching and learning within each school. The chair of each local governing body is appointed by the board of trustees and is also appointed as vice chair of the board of trustees. Local governing bodies appoint their own vice chairs. The trustees have a separate Audit Committee which reports directly to the board of trustees.

There is a scheme of financial delegation to the Executive Principal who is the Accounting Officer with the Finance and Operations Director performing the role of Chief Finance Officer.

The Senior Leaders are the Executive Principal, Heads of Schools, Deputy Head of Schools, and, for Lutterworth College, the Assistant Principals. These managers control the two Academies at an executive level implementing the policies laid down by the trustees and reporting back to them. As a group, the Senior Leaders are responsible for the authorisation of spending within agreed budgets and the appointment of staff and are supported by the Human Resources Director and the Finance and Operations Director, both of whom work across the two Academies.

The Extended leadership team includes the Leadership team, Heads and Deputy Heads of Faculties. These leaders are responsible for the day to day operation of the faculties within each Academy.

Arrangements for setting pay and remuneration of key management personnel

The Trust has a pay policy which is reviewed annually and is relevant to all Teaching members of staff including Teaching Leadership Roles. Following completion of an annual appraisal, pay recommendations for these groups of staff can be made where applicable and when supported by the Head teacher (or relevant line manager if more senior) to the Pay Committee (a panel of 3 Directors). Support Staff (all levels) terms and conditions differ in that pay and performance are not linked and therefore not subject to the Pay Committee.

Related Parties and other Connected Charities and Organisations

LASA

Lutterworth College and Sir Frank Whittle Studio School are members of LASA (Lutterworth Area Schools Association); a group of schools from South Leicestershire. LASA aims to create an inclusive and productive partnership between Member Schools where all schools who are part of the association benefit from effective support to help pupils improve their learning outcomes and reach their full potential. Each school and academy within LASA contributes an amount based on pupil numbers each year to fund LASA, and Lutterworth College manages all the income and expenditure on behalf of LASA. Due to the level of surplus funds being carried forward from the previous year no contributions were made by the Trust to LASA during the year (2015: £Nil).

Lutterworth Upper School Endowment

The Lutterworth Upper School Endowment is a capital endowment fund held in a separate charity managed by Leicestershire County Council. The capital element of the endowment is held in the Education Trust Fund Pooling Scheme with funds from other charities relating to different schools and academies across the county, and then invested as part of this larger pooled sum to achieve maximum return on the capital. Income is credited to the individual charities in the pooling scheme based on the value of units each charity holds. Income of £Nil was received by the Lutterworth Upper School Endowment in the year to 31 March 2016 (2015 £Nil).

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

OBJECTIVES AND ACTIVITIES

Objects and aims

The Trust's object and principal activity, as set out in its articles of association and funding agreement is to advance, for the public benefit, education in the United Kingdom, in particular but without prejudice to the generality of the forgoing by establishing, maintaining, carrying on, managing and developing Academies which shall offer a broad and balanced curriculum and which shall include:

- Academies other than those designated Church of England, whether with or without a designated religious character; and
- Church of England academies designated as such which shall be conducted in accordance with the principles, practices and tenets of the Church of England both generally and in particular in relation to arranging for religious education and daily acts of worship, and in having regard to any advice and following any directives issued by the Diocesan Board of education,

but in relation to each of the Academies to recognise and support their individual ethos, whether or not designated Church of England.

This is performed through the operations of Lutterworth College and the Sir Frank Whittle Studio School.

Lutterworth College is a voluntary controlled (Church of England) mixed comprehensive school for students aged 11+. Formerly known as Lutterworth Grammar School, the Academy has a long tradition of providing a quality education with high expectations for all students both in and out of the classroom. Results are consistently above the national average; students benefit from an outstanding curriculum which offers extensive choice and meets their individual needs. The Academy promotes high quality teaching and learning. Staff are proud of the Academy which attracts talented, committed, and conscientious teachers who are "confident in their specialist subjects and provide interesting learning activities" (Ofsted) assisted by experienced support staff.

Sir Frank Whittle Studio School opened to students on 1 September 2014. It is a new school for 14-19 year-olds specialising in business and engineering and providing students with a distinctive academic and vocational education. Features of the school include a personal coach for every student and high quality work experience with prestigious business partners.

Both Academies are inclusive, attaching great importance to understanding each student's individual needs and helping all students to make the most of their abilities. Both Academies strive for students to achieve well in exams but also for them to become well rounded people through leadership opportunities and participating in activities outside the classroom, and outside school.

Objectives, strategies and activities

The main objectives of the Trust during the period ended 31 August 2016 are summarised below:

- to ensure that every child enjoys the same high quality education in terms of resourcing, tuition and care;
- to raise the standard of educational achievement of all pupils;
- to improve the effectiveness of the Academies by keeping the curriculum and organisational structure under continual review;
- to provide value for money for the funds expended;
- to comply with all appropriate statutory and curriculum requirements;
- to maintain close links with industry and commerce; and
- to conduct the Trust's business in accordance with the highest standards of integrity, probity and openness.

The Trust's main strategy for carrying out its objects is to provide education for pupils of different abilities, in a learning environment utilising the best possible teaching facilities and staff. To this end the activities provided include:

- offering the right mix of courses and learning opportunities for all students to attain appropriate academic qualifications;
- training opportunities for all staff, and especially teaching staff so that they can continue to teach well;
- additional expert support for students with learning difficulties and disabilities to enable them to achieve well;
- arranging work experience placements with industrial and commercial partners;
- a programme of extra-curricular opportunities for all students including sporting and after school leisure activities and clubs;
- guidance and advice to help students obtain employment or move on to higher education or other training; and
- extensive pastoral support and mentoring programmes for all students.

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 AUGUST 2016 (continued)

OBJECTIVES AND ACTIVITIES (continued)

Public Benefit

The trustees have regard to the Charity Commissions guidance on public benefit Section 4 of the Charities Act 2011. The trustees ensure that the Academies' activities, as described above, are undertaken in line with the charitable objects and aims. The Academies follow the school admissions criteria and policies of Leicestershire County Council to ensure that the basis for admissions is transparent and as fair as possible to all potential pupils applying to the Academies, and is comparable to other local state-funded Schools and Academies.

Employee engagement and consultation

There are regular staff announcements on the Academies' staff intranet sites to communicate a wide range of information to all employees on the Academies' activities. The trustees and Senior Leadership Teams value greatly any constructive feedback from all teaching and support staff, and employees have been encouraged to respond to the formal consultations managed by the Academies which have taken place during the year.

Equal opportunities policy

The trustees recognise that equal opportunities should be an integral part of good practice within the workplace. The Trust aims to establish equal opportunity in all areas of its activities including creating a working environment in which the contribution and needs of all people are fully valued.

Disabled persons

The policy of the Trust is to support recruitment and retention of students and employees with disabilities. The Trust does this by adapting the physical environment where practical, by making support resources available and through training and career development.

STRATEGIC REPORT

ACHIEVEMENTS AND PERFORMANCE

The Trust challenges all students to make the best of their considerable talents and abilities. The Academies strive to provide an excellent curriculum, good teaching by committed staff and a culture of high aspirations to ensure students of all abilities achieve well and enjoy their learning.

KEY PERFORMANCE INDICATORS

In 2016 Lutterworth College students achieved the following GCSE headlines:

- Progress 8 score of -0.12
- Average Attainment 8 score per pupil of 52.71 (equivalent grade is a C-)
- 66% 5+A*-C including English and Maths (2015: 75%)
- 66% achieved an A*-C in both English and Maths (2015: 61%)
- Biology grades were 94% A*-C (2015: 96%)
- Chemistry grades were 94% A*-C (2015: 99%)
- Physics grades were 98% A*-C (2015: 99%)
- Drama grades were 97% A*-C
- Sociology grades were 98% A*-C
- Over 85% A*-C grades in PE, Dance, Music, and RS

A-Levels

In 2016 Lutterworth College students achieved the following A-Level headlines:

- 44% A*-B grades (2015: 50%)
- 72% of all results were C grades and above (2015: 75%)

Many subjects achieved particularly strong results:

- 75% of all results were B grade or above in A Level PE, with 1 in 3 students gaining an A grade or better
- 71% of all results were B grade or above in Further Maths, with over 50% of students gaining an A grade or better
- 1 in 3 students gained an A grade in Religious Studies with 100% A*-C grades
- 100% of all results were A grade or above in Spanish
- 50%+ of all results were B grade and above in Engineering, Chemistry, Maths, History, Economics, Religious Studies, Government & Politics, Media Studies, D&T: Food, and D&T: Product Design
- 80%+ of all results were C grade or above in Engineering, Leisure, Further Maths, History, English Language, Media Studies, PE
- 100% of all results were Distinction* or Distinction in BTEC Performing Arts (Dance), with all but two students achieving a Distinction*
- 74% of all results were Distinction* or Distinction for BTEC Sports Studies

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 AUGUST 2016 (continued)

KEY PERFORMANCE INDICATORS (continued)

Sir Frank Whittle Studio School

GCSE results Summary August 2016

- 61% of students achieved 5A*-C including English and Maths. This would be above national figures from 2015 (56%), and above national data from 2015 for Studio Schools at 18%.

Post 16: Vocational statistics

Attainment in Level 3 BTEC qualifications (2 or more A Level equivalent)

- 100% of results were at least a Level 3 Pass.
- 57% of results were at Distinction* or Distinction level compared to a target based on prior attainment of 0% Distinction*/Distinction.

Attainment in Level 3 BTEC Extended Diploma in Engineering

- 100% pass rate in Engineering – all students achieved a qualification although two students did not achieve the full Level 3 Extended Diploma
- 60% of students met and exceeded their 'Target'
- 80% of students achieved the Level 3 Extended Diploma (3 A Level equivalent)
- 50% of students (5 students) achieved all Distinction*/Distinction grades

Attainment in Level 3 BTEC Extended Diploma in Business

- 100% pass rate
- 83% of students met or exceeded their 'Target'
- 50% of students exceeded their 'Target'
- 100% of students achieved the Level 3 Extended Diploma (3 A Level equivalent)
- Two students achieved all Distinction* grades

Progress 8 was +0.16, this is compared to a national average of -0.03 and a Leicestershire average of -0.11.

Based on GCSE results, Sir Frank Whittle Studio School is the 6th best secondary school in Leicestershire.

GOING CONCERN

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

FINANCIAL REVIEW

Financial performance for the year

Most of the Academy Trust's operating income is obtained from the Education Funding Agency (EFA)/Department of Education (DfE) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the EFA/DfE during the year ended 31 August 2016, totalling £8.6m, and the associated expenditure are shown as restricted general funds in the Statement of Financial Activities.

The Academy Trust also receives grants for fixed assets from the EFA/DfE. These totalled £0.7m in the period. In accordance with the Charities Statement of Recommended Practice (SORP 2015), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

The Academy Trust also generates additional income from catering, pupil trips and the hiring of school facilities to external parties. This income amounted to £0.7 m in the year.

Total expenditure in the year was £9.9 m, of which £7.6 m (77%) was staff costs.

The net income for the year was £0.1m.

Financial position

At 31 August 2016 the Academy Trust held fund balances of £9.58m comprising £9.23m of restricted funds and £0.35m of unrestricted funds. These funds are represented in the main by fixed assets of £14.4m, debtors of £0.5m, cash balances of £1.7m, creditors of £1.0m and a pension scheme liability of £6.0m.

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

FINANCIAL REVIEW (continued)

Fixed assets

At 31 August 2016 the net book value of tangible fixed assets was £14.4m and movements in tangible fixed assets are shown in note 12 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy Trust. The bulk of the value of the assets lies in the leasehold land and buildings. These were valued (on the basis of depreciated replacement cost) on transfer from the local authority by a RICS registered valuer employed by Leicestershire County Council.

Reserves policy

The Trustees continually review the reserve levels and reserves policy of the Academy Trust with a view to the requirements of the forthcoming year and beyond. This review encompasses the nature of income and expenditure streams, the need to match income with commitments, the nature of reserves, and the need to demonstrate regularity and propriety in the use of funds. The trustees' principal aim is to maintain a positive reserves position and avoid any deficit. The Academy Trust's unrestricted income funds were £0.35m at 31 August 2016, and restricted funds were £9.23m. The specific purposes of the restricted funds are detailed in note 16 to the financial statements.

The Trust has a restricted fund in deficit of £6.0m relating to the Local Government Pension Scheme. This does not mean that an immediate liability will crystallise. This deficit has arisen on transfer of the liability from the local authority on achieving Academy status. This deficit will likely result in a cash flow effect for the Trust in the form of increased employer pension contributions over future years.

Investment policy

The Trust does not hold any investments other than cash. The Trust's policy is to review, on a continuing basis, the short-term operational cash requirements so that any surplus can be held in a higher interest deposit account to maximise interest receipts. Due to very low interest rates during the accounting year ended 31 August 2016, interest receivable has totalled only £3,000.

PRINCIPAL RISKS AND UNCERTAINTIES

Financial and Risk Management Objectives and Policies

The trustees regularly review the risks faced by the Academy Trust and maintain a "Risk register" to identify the critical areas of concern. They have put in place reasonable and appropriate management controls to address these risks. Risk management is detailed further below in the Governance Statement.

The trustees also have established financial management objectives and policies. The principal objective of financial management is to use the incoming resources available to the Academy in the most efficient and effective way to best achieve the Trust's objectives and aims.

Key financial management policies include:

- Setting detailed operational budgets at the beginning of each academic year and monitoring and managing of these budgets throughout the year.
- Close monitoring of the number and nature of students to ensure the correct level of funding is being received from the Education Funding Agency (EFA)/Department for Education (DfE)
- Identifying and exploiting opportunities to raise additional income for the Academy, such as hire of premises and facilities to external parties
- Seeking competitive prices from suppliers
- Managing staff costs closely to ensure all staff are paid correctly
- Ensuring robust systems and controls are in place for cash handling across the organisation

Risk management

The trustees have a responsibility to identify and review the major risks to which the Trust is exposed and to ensure appropriate controls are in place to provide reasonable assurance against fraud and error.

The trustees have implemented an ongoing process to identify, evaluate and manage the significant risks to which the Trust is exposed, in particular those relating to teaching, provision of facilities, health and safety, other operational areas of the Trust, and in relation to the control of finance. In assessing the risks the trustees consider the nature of each risk along with the likelihood and impact of it arising. The trustees have developed systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of school grounds) and internal financial controls in order to address and manage appropriately the risks identified. The efficacy of the process for risk management is reviewed regularly by the trustees. Where significant financial risk still remains they have ensured they have adequate insurance cover. The Trust has an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

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

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Principal risks and uncertainties

The directors consider the following items to be the principal risks facing the Academy Trust:

- Operational:
 - Competition risk to the two Academies arising from Age Range Changes in feeder schools from 11-14 to 11-16
 - Changes to the local authority school transport policy which means that many potential students who would previously have received free transport to Lutterworth College no longer do so. This could have an impact on recruitment of new students.
- Financial:
 - Fluctuating student numbers year on year impact directly on funding received from the EFA. This, along with continuing change and instability in the formula for determining the funding at a county and national level, creates uncertainty around future income. This makes effective budgeting more challenging.
 - The defined benefit pension scheme liability stands at a deficit of £6.0m at 31 August 2016. Funding this deficit may lead to increased employer contributions from the Trust.
 - Other financial risks:
 - Credit risk – the Trust has healthy cash balances and is able to pay its suppliers in accordance with agreed credit terms. Therefore credit risk is considered to be low.
 - Cash flow and liquidity risks – Due to the front-loaded cash flow profile of funding received from the EFA, the cash flow and liquidity risks of the Trust are considered to be low. Cash is held on deposit where possible to maximise interest receipts.

PLANS FOR FUTURE PERIODS

Lutterworth College

The College will continue to nurture and support its existing and future students, providing a quality education with high expectations for all students both in and out of the classroom.

From the beginning of the 2015 autumn term Lutterworth College became an 11-19 school, admitting students in both years 7 and 10. This presented both challenges and opportunities for the school going forward, with the potential for fluctuating student numbers, especially during the three-year transition period until the 2018-19 academic year when we will have students in all year groups in Key Stages 3 and 4. The College is actively seeking to recruit students, investing in relationships with local feeder schools and investing in publicity and promotion of the school. To accommodate the new Year 7 students in 2015 the College refurbished a key building on site which has been renamed 'The Laurels' and became a base for these younger students.

Sir Frank Whittle Studio School

The Sir Frank Whittle Studio School opened on 1 September 2014 admitting students into Key Stage 4 (Year 10 students) and Key Stage 5 (Year 12 students). In December 2015 the School moved into a new building housing modern learning and IT facilities.

The directors of the Trust will continue to invest time and resources in supporting the school and growing the school in future years. As with Lutterworth College there is a continued focus on promoting the school and recruiting students.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Insofar as the trustees are aware:

- there is no relevant information of which the charitable company's auditor is unaware; and
- the trustees have taken all the 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.

Trustees' report, incorporating a strategic report, approved by order of the board of trustees, as the company directors, on 13 December 2016 and signed on the board's behalf by:

Rev'd Charlie Styles
Trustee

GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2016

Scope of Responsibility

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

The board of trustees has delegated the day-to-day responsibility to the Executive Principal, as Accounting Officer, for ensuring financial controls conform to the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Lutterworth Academies Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities.

The full Board of Trustees met 6 times. Attendance at these meetings of the board of trustees was as follows:

	Meetings attended	Out of a possible
Mrs Elisabeth Baines	4	6
Mr Ian Betteridge	2	4
Mrs Judith Briers	6	6
Mr Mark Janssens	2	2
Rev'd Charlie Styles	6	6
Ms Viv Lawson	5	6
Mr William Targett	0	1
Mr John Taylor	5	6
Mrs Sheila Titterington	4	6
Mr Vic Tuffen	1	1
Mrs Elaine Turner	5	6
Mr John Warren	6	6
Ms Nina Woodcock	6	6

The local governing body for Lutterworth College has met 7 times in the year. Attendance at these meetings was as follows:

	Meetings attended	Out of a possible
Mrs Elisabeth Baines	4	7
Mr Ian Betteridge	3	5
Ms Phillippa Denney	7	7
Ms Lorna Harratt-Jones	6	7
Mr Chris Oxley	5	7
Mr Chris Skelton	5	7
Mr Ben Solly	7	7
Rev'd Charlie Styles	5	7
Mr John Taylor	6	7
Mr Graham Thomas	6	7
Mr Vic Tuffen	1	2
Mr John Warren	5	7

In addition to the above the following directors also attended:

Mrs Judith Briers	3	N/A
Ms Viv Lawson	3	N/A
Mrs Sheila Titterington	1	N/A
Mrs Elaine Turner	2	N/A
Ms Nina Woodcock	5	N/A

GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2016 (continued)

Governance (continued)

The local governing body for Sir Frank Whittle Studio School has met 6 times in the year. Attendance at these meetings was as follows:

	Meetings attended	Out of a possible
Mr John Hibbard	3	6
Mr Paul Hostead	6	6
Ms Michelle Keatman	1	1
Mr Russ Murch	4	6
Ms Melanie Richmond	4	6
Mr William Targett	0	1
Mrs Sheila Titterington	6	6
Mrs Sophie Bird	4	4
Mrs Elaine Turner	2	6
Ms Nina Woodcock	5	6

In addition to the above the following directors also attended:

Mrs Judith Briers	2	N/A
Mr Ian Betteridge	2	N/A
Rev'd Charlie Styles	1	N/A
Mr John Taylor	1	N/A
Mr John Warren	1	N/A

The Audit Committee is a sub Committee of the main board of trustees. Its purpose is to review the Trust's management and statutory accounts, liaise with the external auditor and review their findings, monitor the efficacy of the system of internal control and ensure the Trust has adequate internal audit arrangements. The Committee makes recommendations to the board of trustees for approval as set out in the terms of reference, and reports to the trustees each year on the discharging of its duties.

Attendance during the year at meetings was as follows:

	Meetings attended	Out of a possible
Mrs Elisabeth Baines	3	3
Mr Ian Betteridge	2	3
Mr John Warren	3	3

Governance review

Leading up to, and since the establishment of the multi-academy trust the role of the board of trustees and the terms of reference of each local governing body and the audit committee have evolved to meet the continually changing needs of the Trust. Operational and financial policies and procedures have been reviewed and updated accordingly along with the systems and controls. The risk management policies and procedures have also been reviewed and updated to meet the changing risk environment. These updates have been made to ensure the Trust has robust policies in procedures in place to address current and future challenges and to meet all statutory and legal requirements.

Review of Value for Money

As accounting officer the Executive Principal 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.

GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2016 (continued)

Review of Value for Money (continued)

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

- Successful Condition Improvement Fund applications for phase two of replacement roof works across the site to ensure the areas are watertight and sufficiently insulated. This will alleviate the need for expensive short term repairs and provide energy savings opportunities.
- Closely monitoring staffing requirements to ensure the most efficient use of staff time aligned to group numbers.
- Working in collaboration with local educational establishments to review opportunities for joint procurement and conducted detailed cost comparisons with other organisations to benchmark key areas of spend.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of 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 The Lutterworth Academies Trust for the period 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The board of trustees has reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the Trust's significant risks that have been in place for the period 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

The risk and control framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees;
- regular reviews by the board of trustees 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 and investment guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

The board of trustees has considered the need for a specific internal audit function and has decided to appoint Smith Hodge & Baxter as internal auditor.

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

- testing of payroll systems
- testing of income systems
- testing of purchase systems
- testing of credit card payments
- testing of control account / bank reconciliations

On a quarterly basis the auditor reports to the board of the trustees, through the Audit committee on the operations of the systems of control and on the discharge of the board of trustees' financial responsibilities.

The trustees are responsible for the design and selection of the internal checks. During the year, the quarterly checks were conducted and reports showed no significant issues. Other findings have been addressed as part of usual committee and trustee business.

GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2016 (continued)

Review of effectiveness

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

- the work of the external auditor;
- the financial management and governance self assessment process;
- the work of the senior leadership team 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 board of trustee on 13 December 2016 and signed on its behalf by:

Rev'd Charlie Styles
Trustee

Judith Briers
Executive Principal and Accounting Officer

**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE
FOR THE YEAR ENDED 31 AUGUST 2016**

As accounting officer of The Lutterworth Academies Trust I have considered my responsibility to notify the Board of Trustees and the Educational Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Multi-Academy Trust and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

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

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

Judith Briers
Executive Principal and Accounting Officer

13 December 2016

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2016

The trustees, (who act as governors for charitable activities of The Lutterworth Academies Trust and are also the directors of the Charitable Company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction 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 trustees to prepare financial statements for each financial year. Under Company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016;
- make judgments and 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 operation.

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

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

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

Approved by order of the members of the board of trustees on 13 December 2016 and signed on its behalf by:

Rev'd Charlie Styles
Trustee

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS
OF THE LUTTERWORTH ACADEMIES TRUST
FOR THE YEAR ENDED 31 AUGUST 2016**

We have audited the financial statements of The Lutterworth Academies Trust for the year ended 31 August 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and the Academies Direction 2015 to 2016 issued by the Education Funding Agency.

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

As explained more fully in the Statement of Trustees’ Responsibilities, as set out on page 15, the trustees (who are also the directors of the academy trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Academy Trust’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees’ 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 financial statements

In our opinion the financial statements:

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Trustees’ Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 trustees’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Paul Tyler (Senior Statutory Auditor)
for and on behalf of Smith Hodge & Baxter
Chartered Accountants & Statutory Auditors
Thorpe House
93 Headlands
KETTERING
NN15 6BL

Date: 15 December 2016

THE LUTTERWORTH ACADEMIES TRUST (REGISTERED NUMBER: 08038063)

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY
TO THE LUTTERWORTH ACADEMIES TRUST AND THE EDUCATION FUNDING AGENCY
FOR THE YEAR ENDED 31 AUGUST 2016**

In accordance with the terms of our engagement letter dated 19 August 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 Southfield School 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 The Lutterworth Academies Trust and EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Lutterworth Academies Trust and 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 Lutterworth Academies Trust and EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Lutterworth Academies Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of The Lutterworth Academies Trust's funding agreement with the Secretary of State for Education dated 30 April 2014 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 period 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:

- Assessment of the internal audit work and reliance placed upon this work for the review of internal control procedures
- Further testing of the internal control procedures has been carried out in the following areas:
 - Sample test of delegated authority procedures
 - Enquiry and review of transactions with connected persons
 - Review of governance procedures including inspection of Trustee and relevant Board minutes
 - Sample test of procurement procedures
- Communication with the accounting officer

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 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.

Reporting Accountant
Smith Hodge & Baxter
Chartered Accountants & Statutory Auditors
Thorpe House
93 Headlands
KETTERING
Northamptonshire
NN15 6BL

Date: 15 December 2016

STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 AUGUST 2016

(Including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

		Unrestricted	Restricted	Restricted	Restricted		
	Note	Funds	Pension	General	Asset	Total	Total
		£000s	Reserve	Funds	Funds	2016	2015
		£000s	£000s	£000s	£000s	£000s	£000s
INCOME AND ENDOWMENTS FROM:							
Donations and capital grants	2	-	-	5	693	698	3,400
Charitable activities							
Funding for the academy trust's educational operations	3	501	-	8,770	-	9,271	9,847
Other trading activities	4	49	-	-	-	49	103
Investments	5	3	-	-	-	3	3
Total		553	-	8,775	693	10,021	13,353
EXPENDITURE ON:							
Raising funds	6	10	-	-	-	10	52
Charitable activities:							
Academy trust's educational operations	7	433	288	8,664	518	9,903	10,374
Total		443	288	8,664	518	9,913	10,426
Net income/(expenditure)		110	(288)	111	175	108	2,927
Transfers between funds		-	-	(238)	238	-	-
NET INCOME/(EXPENDITURE) FOR THE YEAR		110	(288)	(127)	413	108	2,927
Other recognised losses							
Actuarial losses on defined benefit pension schemes		-	(1,339)	-	-	(1,339)	(47)
Net movement in funds		110	(1,627)	(127)	413	(1,231)	2,880
RECONCILIATION OF FUNDS							
Total funds brought forward	16	239	(4,411)	444	14,542	10,814	7,934
Total funds carried forward	16	349	(6,038)	317	14,955	9,583	10,814

All of the Academy Trust's activities derive from continuing operations in the above two financial periods.

A statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities.

THE LUTTERWORTH ACADEMIES TRUST (REGISTERED NUMBER: 08038063)

BALANCE SHEET AS AT 31 AUGUST 2016

		<u>2016</u> £000s	<u>2015</u> £000s
	Notes		
FIXED ASSETS			
Tangible assets	12	14,433	12,498
CURRENT ASSETS			
Stocks	13	35	27
Debtors	14	492	2,106
Cash at bank and in hand		1,695	1,842
		-----	-----
		2,222	3,975
LIABILITIES			
Creditors: Amounts falling due within one year	15	(1,034)	(1,248)
		-----	-----
NET CURRENT ASSETS		1,188	2,727
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES/ NET ASSETS EXCLUDING PENSION LIABILITY		15,621	15,225
DEFINED BENEFIT PENSION SCHEME LIABILITY	25	(6,038)	(4,411)
		-----	-----
TOTAL NET ASSETS		9,583	10,814
		=====	=====
FUNDS OF THE ACADEMY TRUST	16		
Restricted funds:			
Fixed asset fund		14,955	14,542
Restricted income fund		317	444
Pension reserve		(6,038)	(4,411)
		-----	-----
Total restricted funds		9,234	10,575
Unrestricted income funds		349	239
		-----	-----
TOTAL FUNDS		9,583	10,814
		=====	=====

The financial statements on pages 18 to 36 were approved by the Board of Trustees and authorised for issue on 13 December 2016 and are signed on their behalf by:

Rev'd Charlie Styles
Trustee

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2016

	Notes	<u>2016</u> £000s	<u>2015</u> £000s
Cash flows from operating activities			
Net cash provided by operating activities	20	241	453
Cash flows from investing activities	21	(388)	184
		—	—
Change in cash and cash equivalents in the reporting period		(147)	637
		—	—
Cash and cash equivalents at 1 September 2015		1,842	1,205
		—	—
Cash and cash equivalents at 31 August 2016	22	1,695	1,842
		—	—

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

1. 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 mixed multi-Academy Trust operating a comprehensive school and a studio school in Lutterworth, 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.

The financial statements are presented in Sterling (£)

The Lutterworth Academies Trust meets the definition of a public benefit entity under FRS 102. The Academy Trust is a charitable company, limited by guarantee, incorporated and domiciled in England. The address of the registered office is Lutterworth College, Bitteswell Road, Lutterworth, LE17 4EW.

First time adoption of FRS 102

These financial statements are the first financial statements of The Lutterworth Academies 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 The Lutterworth Academies Trust for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') the 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.

Reconciliations to previous UK GAAP for the comparative figures are included in note 28.

Going Concern

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

Income

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

• **Grants**

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the year 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 (GAG) is recognised in full in the Statement of Financial Activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

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

• **Donations**

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

1. STATEMENT OF ACCOUNTING POLICIES (continued)

• **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.

Upon Lutterworth College's conversion the Academy Trust entered into a 125 year lease with Leicestershire County Council for the Academy Trust's land and buildings. The rental charge under this lease is a peppercorn. Substantially all the risks and rewards incidental to ownership are assumed by the Academy Trust and therefore the lease is treated as a finance lease and the asset capitalised and depreciated over the period of the lease, in accordance with the tangible fixed assets accounting policy below.

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

• **Expenditure on 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.

All resources expended are inclusive of irrecoverable VAT.

Tangible Fixed Assets

Assets costing £2,500 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 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 at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Long leasehold land and buildings	over the period of the 125 year lease
Leasehold improvements	10% of cost
Furniture and equipment	25% of cost
Computer equipment	33% of cost
Motor vehicles	25% of cost

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Tangible Fixed Assets (continued)

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.

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

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.

Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash that are subject to an insignificant risk of changes in value.

Stock

Stocks are valued at the lower of cost or net realisable value.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs and are measured subsequently at amortised cost using the effective interest method.

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 Part 11, Chapter 3 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.

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.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 25, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Pension Benefits (continued)

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

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

Fund Accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by 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.

Restricted pension reserve funds represent the Academy Trust's share of the assets and liabilities of the Local Government Pension Scheme.

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

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

Comparative information

Due to the adoption of the Statement of Recommended Practice (SORP): 'Accounting and Reporting by Charities' (FRS 102) and the presentational changes required by the Academies Accounts Direction 2015 to 2016, some of the comparative information for the year ended 31 August 2015 has been amended accordingly; however, except as disclosed in note 28, the total income, expenditure and movement in funds for the year ended 31 August 2015 remain unchanged.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

2. DONATIONS AND CAPITAL GRANTS

	Unrestricted Funds	Restricted Funds	Total 2016	Total 2015
	£000s	£000s	£000s	£000s
Capital grants	-	693	693	3,374
Other donations	-	5	5	26
	<hr/>	<hr/>	<hr/>	<hr/>
	-	698	698	3,400
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The income from donations and capital grants was £698,000 (2015: £3,400,000) of which £Nil was unrestricted (2015: £Nil), £5,000 restricted general funds (2015: £26,000) and £693,000 restricted fixed asset fund (2015: £3,374,000)

3. FUNDING FOR THE ACADEMY TRUST'S EDUCATIONAL OPERATIONS

	Unrestricted Funds	Restricted Funds	Total 2016	Total 2015
	£000s	£000s	£000s	£000s
DfE/EFA grants				
General Annual Grant (GAG)	-	8,412	8,412	8,897
Start Up grants	-	85	85	168
Other DfE/EFA grants	-	108	108	108
	<hr/>	<hr/>	<hr/>	<hr/>
	-	8,605	8,605	9,173
	<hr/>	<hr/>	<hr/>	<hr/>
Other Government grants				
Local authority grants	-	15	15	3
	<hr/>	<hr/>	<hr/>	<hr/>
Other income from the academy trust's educational operations	501	150	651	671
	<hr/>	<hr/>	<hr/>	<hr/>
	501	8,770	9,271	9,847
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The income from funding for the academy trust's educational operations was £9,271,000 (2015: £9,847,000) of which £501,000 was unrestricted (2015: £76,000) and £8,770,000 was restricted (2015: £9,771,000).

4. OTHER TRADING ACTIVITIES

	Unrestricted Funds	Restricted Funds	Total 2016	Total 2015
	£000s	£000s	£000s	£000s
Hire of facilities	49	-	49	103
	<hr/>	<hr/>	<hr/>	<hr/>
	49	-	49	103
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The income from other trading activities was £49,000 (2015: £103,000) of which £49,000 was unrestricted (2015: £103,000) and £Nil was restricted (2015: £Nil).

5. INVESTMENT INCOME

	Unrestricted Funds	Restricted Funds	Total 2016	Total 2015
	£000s	£000s	£000s	£000s
Bank deposits	3	-	3	3
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Investment income was £3,000 (2015: £3,000) of which £3,000 was unrestricted (2015: £3,000) and £Nil was restricted (2015: £Nil).

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

6. EXPENDITURE

	Staff Costs £000s	Non pay Premises £000s	Expenditure Other Costs £000s	Total 2016 £000s	Total 2015 £000s
Expenditure on raising funds	6	3	1	10	52
Academy's educational operations:					
Direct costs	6,029	518	740	7,287	7,430
Allocated support costs	1,594	460	562	2,616	2,944
	<u>7,629</u>	<u>981</u>	<u>1,303</u>	<u>9,913</u>	<u>10,426</u>

Expenditure was £9,913,000 (2015: £10,426,000) of which £7,629,000 was staff costs (2015: £7,918,000), £981,000 was premises (2015: £830,000) and £1,303,000 other costs (2015: £1,678,000)

Net income/(expenditure) for the period includes:

	2016 £000s	2015 £000s
Fees payable to auditor - audit	13	9
- other services	3	3
Depreciation - owned assets	315	202
- assets subject to finance leases	203	48
Operating leases rentals - other leases	49	49
Income from operating leases	18	18
Stocks recognised as an expense	348	383
	<u> </u>	<u> </u>

7. CHARITABLE ACTIVITIES

	Total 2016 £000s	Total 2015 £000s
Direct Costs - educational operations	7,287	7,430
Support Costs - educational operations	2,616	2,944
	<u>9,903</u>	<u>10,374</u>
	Total 2016 £000s	Total 2015 £000s
Analysis of Support Costs - educational operations		
Support staff costs	1,594	1,675
Premises costs	535	669
Other support costs	463	556
Governance costs	24	44
	<u>2,616</u>	<u>2,944</u>
Total support costs	<u>2,616</u>	<u>2,944</u>

Expenditure on charitable activities was £9,903,000 (2015: £10,374,000) of which £433,000 was unrestricted funds (2015: £Nil), £288,000 was restricted pension reserve (2015: £300,000), £8,664,000 was restricted general funds (2015: £9,752,000) and £518,000 restricted fixed asset funds (2015: £322,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

8. STAFF

a. Staff costs	Total 2016	Total 2015
	£000s	£000s
Staff costs during the year were:		
Wages and salaries	5,718	6,164
Social security costs	435	417
Operating costs of defined benefit pension schemes	1,182	1,184
	<hr/>	<hr/>
	7,335	7,765
Supply staff costs	15	36
Staff restructuring costs	279	117
	<hr/>	<hr/>
	7,629	7,918
	<hr/>	<hr/>

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

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £27,785 (2015: £34,279). Individually the payments were £15,785 and £12,000 (2015: £4,279 and £30,000).

c. Staff numbers

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

	2016	2015
	No.	No.
Charitable Activities		
Teachers	100	103
Administration and support	209	198
Management	11	10
	<hr/>	<hr/>
	320	311
	<hr/>	<hr/>

d. Higher paid staff

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

	2016	2015
	No.	No.
£60,001 - £70,000	2	-
£70,001 - £80,000	1	1
	<hr/>	<hr/>

e. Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team (Heads and Deputy Heads of School, Assistant Principals, Finance and Operations Director and Human Resources Director) 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 £774,000 (2015: £694,000).

f. Staff restructuring costs

	2016	2015
	£000s	£000s
Voluntary redundancy costs	231	83
Voluntary reduction in hours costs	20	-
Non statutory/non-contractual severance payments	28	34
	<hr/>	<hr/>
	279	117
	<hr/>	<hr/>

Creditors at 31 August 2016 include £231,000 (2015: £76,000) in respect of voluntary redundancy costs and £20,000 (2015: £Nil) in respect of voluntary reduction in hours costs.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

9. CENTRAL SERVICES

The academy trust has provided the following central services to The Sir Frank Whittle Studio School during the year ended 31 August 2016:

- Human resources
- Financial services
- Educational staff and support services
- IT services
- Estates
- Catering and hospitality
- Development and marketing
- Transport

The trust charges for these services on the following basis:

- As a percentage of relevant costs based upon a number of factors, including:
 - Pupil numbers
 - Staff numbers
 - Size of premises
 - Usage

The actual amounts charged during the period from September 2015 to August 2016 were as follows:

	2016	2015
	<u>£000s</u>	<u>£000s</u>
The Sir Frank Whittle Studio School	103	79

10. RELATED PARTY TRANSACTIONS - TRUSTEES' REMUNERATION AND EXPENSES

One or more trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The Executive Principal and staff trustees only receive remuneration in respect of services they provide undertaking the roles of Executive Principal and staff members under their contracts of employment.

The value of trustees' remuneration was as follows:

J Briers (Executive Principal and Trustee appointed 1 January 2015):

Remuneration	£65,000 - £70,000	(2015: £40,000 - £45,000) *
Employer's pension contribution	£ Nil	(2015: £ Nil)

V Lawson (Staff Trustee)

Remuneration	£40,000 - £45,000	(2015: £ 5,000 - £10,000)
Employer's pension contribution	£ 5,000 - £10,000	(2015: £ Nil - £5,000)

A Cooper (Former Executive Principal and Trustee, resigned 31 December 2014):

Remuneration	N/A	(2015: £40,000 - £45,000)
Employer's pension contribution	N/A	(2015: £ 5,000 - £10,000)

E Chapman, formerly E Warden (Staff trustee, resigned 31 May 2015):

Remuneration	N/A	(2015: £20,000 - £25,000)
Employer's pension contribution	N/A	(2015: £ Nil - £ 5,000)

* This remuneration is the pro-rated proportion of the full time equivalent at a rate of 60%.

During the year ended 31 August 2016 no expenses were reimbursed to Trustees.

During the year ended 31 August 2015 travel, subsistence and training expenses totalling £130 were reimbursed to 1 trustee.

Other related party transactions involving the trustees are set out in note 26.

11. TRUSTEES' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the Academy Trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy Trust business. The insurance provides cover up to £3,000,000 aggregate liability in any one year and the cost for the year ended 31 August 2016 was £2,409 (2015: £3,519). The cost of this insurance is included in the total insurance cost.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR TO 31 AUGUST 2016**

12. TANGIBLE FIXED ASSETS

	Assets in the Course of Construction £000s	Long Leasehold Land & Buildings £000s	Leasehold Improvements £000s	Furniture & Equipment £000s	Computer Equipment £000s	Motor Vehicles £000s	Totals £000s
COST							
At 1 September 2015	1,376	10,352	707	120	439	13	13,007
Additions	198	1,242	739	140	134	-	2,453
Transfers	(1,376)	958	418	-	-	-	-
At 31 August 2016	198	12,552	1,864	260	573	13	15,460
DEPRECIATION							
At 1 September 2015	-	158	97	33	217	4	509
Charged in the year	-	203	133	54	125	3	518
At 31 August 2016	-	361	230	87	342	7	1,027
NET BOOK VALUE							
At 31 August 2016	198	12,191	1,634	173	231	6	14,433
NET BOOK VALUE							
At 31 August 2015	1,376	10,194	610	87	222	9	12,498

The long leasehold land and buildings are held under a 125 year finance lease with Leicestershire County Council who are the legal owners of the property.

13. STOCKS

	2016 £000s	2015 £000s
Student supplies and equipment	16	16
Catering	15	7
Stationery	4	4
	35	27

14. DEBTORS

	2016 £000s	2015 £000s
Trade debtors	10	11
VAT recoverable	89	256
Other debtors	34	-
Prepayments and accrued income	359	1,839
	492	2,106

Prepayments and accrued income at 31 August 2016 include £249,000 (2015: £1,718,000) in respect of capital grants due to the Academy Trust.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £000s	2015 £000s
Trade creditors	207	488
Taxation and social security	121	116
EFA Creditor: abatement of GAG	94	101
Accruals and deferred income	298	335
Other creditors	314	208
	1,034	1,248

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

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)
Deferred income

	2016	2015
	£000s	£000s
Deferred income at 1 September 2015	15	-
Resources deferred in the year	18	15
Amounts released from previous periods	(15)	-
	<u>18</u>	<u>15</u>
Deferred income at 31 August 2016	<u>18</u>	<u>15</u>

At 31 August 2016 the Academy Trust deferred rates relief grant income of £18,000 which had been received in respect of the period September 2016 to March 2017.

16. FUNDS

	Balance at 1 September 2015	Incoming resources	Resources expended	Gains, losses and Transfers	Balance at 31 August 2016
	£000s	£000s	£000s	£000s	£000s
Restricted general funds					
General Annual Grant (GAG)	444	8,412	(8,301)	(238)	317
Start Up Grant	-	85	(85)	-	-
Pupil Premium	-	108	(108)	-	-
Other restricted general funds	-	170	(170)	-	-
Pension Reserve	(4,411)	-	(288)	(1,339)	(6,038)
	<u>(3,967)</u>	<u>8,775</u>	<u>(8,952)</u>	<u>(1,577)</u>	<u>(5,721)</u>
Restricted fixed asset funds					
DfE/EFA capital grants	3,903	693	(154)	-	4,442
Capital expenditure from own funds	876	-	(37)	238	1,077
Other capital grants	19	-	(1)	-	18
Assets transferred on conversion	9,744	-	(326)	-	9,418
	<u>14,542</u>	<u>693</u>	<u>(518)</u>	<u>238</u>	<u>14,955</u>
Total restricted funds	<u>10,575</u>	<u>9,468</u>	<u>(9,470)</u>	<u>(1,339)</u>	<u>9,234</u>
Total unrestricted funds	<u>239</u>	<u>553</u>	<u>(443)</u>	<u>-</u>	<u>349</u>
TOTAL FUNDS	<u>10,814</u>	<u>10,021</u>	<u>(9,913)</u>	<u>(1,339)</u>	<u>9,583</u>

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

Restricted General Funds represent unspent General Annual Grant (GAG), which must be used for the normal recurring costs of the Academy Trust together with other restricted general funds. Under the funding agreement with the Secretary of State, the Academy Trust was not subject to a limit on the amount of GAG that it should carry forward at 31 August 2016.

During the year a transfer of £238,000 was made from restricted funds to restricted fixed asset funds in respect of capital expenditure in the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

16. FUNDS (continued)

Restricted Fixed Asset Funds represent resources which have been applied to specific capital purposes imposed by the funder together with cash resources still to be expended.

Restricted Pension Reserve Funds represent the Academy's share of the assets and liabilities of the Local Government Pension Scheme.

Analysis of academies by fund balance:

Fund balances at 31 August 2016 were allocated as follows:

	Total £000s
Lutterworth College	568
The Sir Frank Whittle Studio School	98
	<hr/>
Total before fixed assets and pension reserve	666
Restricted fixed asset fund	14,955
Pension reserve	(6,038)
	<hr/>
TOTAL	9,583
	<hr/> <hr/>

Analysis of academies by cost

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

	Teaching and Educational Support Staff Costs £000s	Other Support Staff Costs £000s	Educational Supplies £000s	Other costs (excluding Depreciation) £000s	Total £000s
Lutterworth College	5,612	1,548	279	1,356	8,795
The Sir Frank Whittle Studio School	417	52	26	105	600
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Academy Trust	6,029	1,600	305	1,461	9,395
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

17. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 August 2016 are represented by:

	Unrestricted Funds £000s	Restricted Pension Reserve £000s	Restricted General Funds £000s	Restricted Fixed Asset Funds £000s	Total Funds 2016 £000s
Tangible fixed assets	-	-	-	14,433	14,433
Current assets	349	-	1,290	583	2,222
Current liabilities	-	-	(973)	(61)	(1,034)
Pension scheme liability	-	(6,038)	-	-	(6,038)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Net Assets	349	(6,038)	317	14,955	9,583
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

18. CAPITAL COMMITMENTS

	2016 £000s	2015 £000s
Contracted for, but not provided in the financial statements	464	1,797
	<hr/>	<hr/>

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

19. COMMITMENTS UNDER OPERATING LEASES

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

	2016	2015
	£000s	£000s
Amounts due within one year	35	48
Amounts due between one and five years	60	96
	<u>95</u>	<u>144</u>

20. RECONCILIATION OF NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2016	2015
	£000s	£000s
Net income for the reporting period (as per the statement of financial activities)	108	2,927
Adjusted for:		
Depreciation	518	250
Capital grants from DfE and other capital income	(693)	(3,374)
Interest receivable (note 5)	(3)	(3)
Defined benefit pension scheme cost less contributions payable (note 25)	122	147
Defined benefit pension scheme finance costs (note 25)	166	153
(Increase)/decrease in stocks	(8)	6
(Increase)/decrease in debtors	146	(207)
Increase/(decrease) in creditors	(115)	554
Net cash provided by Operating Activities	<u>241</u>	<u>453</u>

21. CASH FLOWS FROM INVESTING ACTIVITIES

	2016	2015
	£000s	£000s
Dividends, interest and rents from investments	3	3
Purchase of tangible fixed assets	(2,552)	(1,944)
Capital grants from DfE/EFA	2,161	2,125
Net cash (used in) / provided by investing activities	<u>(388)</u>	<u>184</u>

22. ANALYSIS OF CASH AND CASH EQUIVALENTS

	At 31 August 2016	At 31 August 2015
	£000s	£000s
Cash in hand and at bank	<u>1,695</u>	<u>1,842</u>
Total cash and cash equivalent	<u>1,695</u>	<u>1,842</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

23. CONTINGENT LIABILITIES

During the period of the Funding Agreement, in the event of the sale or disposal by other means, of any asset for which a Government capital grant was received, the Academy Trust is required, either to re-invest the proceeds, or to repay to the Secretary of State for Education the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State.

Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the Academy Trust serving notice, the Academy Trust shall repay to the Secretary of State sums determined by reference to:

- (a) the value at that time of the Academy Trust site and premises and other assets held for the purpose of the Academy Trust; and
- (b) the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement.

24. MEMBERS' LIABILITY

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

25. PENSION AND SIMILAR OBLIGATIONS

The Academy'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 Hymans Robertson LLP. 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 £108,762 (2015: £111,911) were payable to the schemes at 31 August 2016 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 contribution along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actual 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 (pension currently in payment and the estimate 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%.

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

**25. PENSION AND SIMILAR OBLIGATIONS (continued)
Teachers' Pension Scheme (continued)**

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4% which were 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 £585,000 (2015: £543,000).

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

Under the definitions set out in FRS102, the TPS is a multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £443,000 (2015: £441,000) of which employer's contributions totalled £354,000 (2015: £341,000) and employees' contributions totalled £89,000 (2015: £100,000). The agreed contribution rates for future years are 21.47% for employers for the year to 31 March 2017 and between 5.5% and 12.5% for employees.

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

Principal Actuarial Assumptions	At 31 August 2016	At 31 August 2015
Rate of increase in salaries	3.1%	4.5%
Rate of increase for pensions in payment/inflation	2.1%	2.6%
Discount rate for scheme liabilities	2.0%	3.7%
Inflation assumption (CPI)	2.1%	2.6%
Commutation of pensions to lump sums - Pre April 2008 service	50%	50%
- Post April 2008 service	75%	75%

Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at year ended 31 August 2016:	Approximate % increase to Employer Liability	Approximate monetary amount £000s
0.5% decrease in Real Discount Rate	13%	1,292
1 year increase in member life expectancy	3%	303
0.5% increase in the Salary Increase Rate	4%	423
0.5 % increase in the Pension Increase Rate	8%	830

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

	At 31 August 2016	At 31 August 2015
<i>Retiring today</i>		
Males	22.2	22.2
Females	24.3	24.3
<i>Retiring in 20 years</i>		
Males	24.2	24.2
Females	26.6	26.6

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

25. PENSION AND SIMILAR OBLIGATIONS (continued)
Local Government Pension Scheme (continued)

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

	Fair value at 31 August 2016	Fair value at 31 August 2015
	£000s	£000s
Equity instruments	2,916	1,963
Debt instruments	729	624
Property	364	327
Cash	41	59
	<hr/>	<hr/>
Total market value of assets	4,050	2,973
	<hr/> <hr/>	<hr/> <hr/>

The actual return on scheme assets was £117,000 (2015: £105,000).

Amounts recognised in the statement of financial activities	2016	2015
	£000s	£000s
Current service cost (net of employee contributions)	(476)	(488)
Net interest cost	(166)	(153)
	<hr/>	<hr/>
Total operating charge	(642)	(641)
	<hr/> <hr/>	<hr/> <hr/>

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

	2016	2015
	£000s	£000s
At 1 September	7,384	6,541
Current service cost	476	488
Interest cost	283	252
Employee contributions	89	100
Actuarial loss	1,900	53
Benefits paid	(44)	(50)
	<hr/>	<hr/>
At 31 August	10,088	7,384
	<hr/> <hr/>	<hr/> <hr/>

Changes in the fair value of Academy's share of scheme assets:

	2016	2015
	£000s	£000s
At 1 September	2,973	2,477
Interest income	117	99
Actuarial (loss)/gain	561	6
Employer contributions	354	341
Employee contributions	89	100
Benefits paid	(44)	(50)
	<hr/>	<hr/>
At 31 August	4,050	2,973
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

26. RELATED PARTY TRANSACTIONS

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

Pure Point of Sale Limited - a company in which Russell Murch (a local governor of Sir Frank Whittle Studio School) has a majority interest:

- The Academy Trust purchased printed material and wall fixtures from Pure Point of Sale Limited totalling £11,921 (2015: £Nil) during the year. There were no amounts outstanding at 31 August 2016 (2015: £Nil).
- The Academy Trust made the purchases at arms' length following a cost comparison exercise in accordance with its financial regulations, which Mr Murch neither participated in, nor influenced.
- In entering into the transaction the Academy Trust has complied with the requirements of the Academies Financial Handbook 2015.

No related party transactions took place in the previous period of account, other than certain Trustees' remuneration and expenses already disclosed in note 10.

27. ULTIMATE CONTROLLING PARTY

The Academy Trust is under the control of the trustees.

28. EXPLANATION OF TRANSITION TO FRS 102

It is the first year that the Academy Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

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

Reconciliation of total funds	1 September 2014 £000's	31 August 2015 £000's
Total funds under previous UK GAAP	7,934	10,814
Total funds reported under FRS 102	7,934	10,814
Reconciliation of net income		31 August 2015 £000's
Net income previously reported under UK GAAP		2,975
Change in recognition of LGPS interest cost		(48)
Net income reported under FRS 102		2,927
Change in recognition of LGPS interest cost		

Under previous UK GAAP the trust recognised an expected return on defined benefit plan assets in income/expense. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in income/expense. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to increase the debit to expense by £48,000 and decrease the debit in other recognised gains and losses in the SoFA by an equivalent amount.