



Smailes Goldie
Chartered Accountants

Smailes Goldie
Copy

The Education Alliance

Financial Statements

31st August 2017



The Education Alliance

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The Education Alliance

Reference and Administrative Details for the Year Ended 31 August 2017

Members

Mr S Nicholson
Mr L Whiting
Mr A Bradley
Mr R Swain
Mr J Buckley (Lead member)

Trustees

Mr R Swain (Chair)
Mr P Ness #
Mr P Hall (Vice Chair)
Miss N Hornsby #
Mr P Nicholson
Mrs N Clark
Mrs T Beasley (resigned 3.2.2017)
Mr S Whittaker (appointed 20.7.2017)
Mr A M Steele
Mrs A Barker
Mrs L Killelay

members of the audit committee
All of the above are members of the Board of Trustees

Accounting Officer

Miss C Abbott

Company Secretary

Mrs L Pipes

Senior Leadership Team

Chief Executive Officer
Executive Principal
Head of School
Head of School
Head of School
Finance Director
Human Resources Director
Director of TSA
Director of TSA

Miss C Abbott
Mr J Uttley
Mr P Sprakes
Miss D Pickering
Mrs L Hudson
Mrs J Jewitt
Mrs L Pipes
Mrs J Maund
Mrs A Fletcher

Company Registration Number

07542211 (England and Wales)

Registered Office:

South Hunsley School & 6th Form College
East Dale Road
Melton
North Ferriby
East Yorkshire
HU14 3HS

Independent Auditors:

Smailes Goldie
Chartered Accountants
Regent's Court
Princess Street
Hull
HU2 8BA

Bankers:

HSBC Bank plc
Merit House
Priory Park
West Saxon Way
Hessle
HU13 9PB

Solicitors:

Rollits Solicitors LLP
Citadel House
58 High Street
Hull
HU1 1QE

Eversheds Sutherland (International) LLP
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

The Education Alliance

Report of the Trustees for the year ended 31 August 2017

The Trustees, who are also Directors of the Academy Trust for the purposes of the Companies Act 2006, present their annual report with the financial statements of the Academy Trust for the year ended 31st August 2017. The annual report serves the purpose of both a Trustees' report (including a strategic report), and a Directors' report under company law.

The Trustees have adopted the provisions of 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) (effective 1 January 2015) and the Academies Accounts Direction issued by the Education Funding Agency.

The Trust operates four academies;

- South Hunsley School and Sixth Form College for pupils aged 11 to 18 serving a catchment area in the East Riding of Yorkshire. It had a roll of 2143 in the school census on 5 October 2017;
- Malet Lambert for pupils aged 11 to 16 serving a catchment area in the east of Kingston upon Hull. It had a roll of 1485 in the school census on 5 October 2017;
- Hunsley Primary School for pupils aged 4 to 11 which does not currently have a catchment area as it is a Free School currently in temporary accommodation. It had a roll of 85 in the school census on 6 October 2017.
- Driffield School and Sixth Form (converted to academy and joined the Trust on 1 February 2017) for pupils aged 11 to 18 serving a catchment area in the East Riding of Yorkshire. It had a roll of 1404 in the school census on 5 October 2017.

OBJECTIVES AND ACTIVITIES

Objectives and aims

The Academy Trust's objectives are set to reflect the educational aims and ethos of each Trust school. In setting the objectives and planning the activities, the Trustees have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education and on fee-charging.

The main objects of the Academy Trust are:

- (a) Advancing education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum; and
- (b) Promoting for the benefit of the inhabitants of each Trust school's local and surrounding area the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of life of the said inhabitants.

The main objectives between 1 September 2016 and 31 August 2017 were

- Clearly articulate and demonstrate the trust's strategic vision.
- Develop coherent geographical clusters.
- Review all Trust and school policies.
- Develop working relationships with high performing strategic partners.
- Develop common IT, Estates, Financial and HR structures and systems across the Trust.
- Establish a curriculum and staffing model for secondary and primary schools.
- Meet SCITT recruitment targets.
- Develop Leadership and Management programmes through the TSA.

Public benefit

We have referred to the public benefit guidance contained in the Charity Commission general guidance when reviewing the Academy Trust's aims and objectives and in planning future activities. The availability and access to the public of the Academy Trust's facilities is a key object within the Articles of Association.

Equal Opportunities

The Trustees recognise that equal opportunities should be an integral part of good practice within the workplace. The Academy Trust aims to maintain 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.

The Education Alliance

Report of the Trustees for the year ended 31 August 2017

OBJECTIVES AND ACTIVITIES

Disabled Persons

The policy of the Academy Trust is to support recruitment and retention of students and employees with disabilities. The Academy Trust supports this by adapting the physical environment wherever possible, by making support resources available and through training and career development. New buildings and improvements to existing buildings all recognise the need to be fully DDA compliant.

STRATEGIC REPORT

Achievement and performance

South Hunsley School and Sixth Form College

GCSE results in the summer of 2017 were outstanding and a continuation of a longstanding trend of excellent outcomes. 85% of students achieved GCSEs graded 9-4 English and maths and 66% achieved grades 9-5. Using the Department for Education's new gold standard Progress 8 measure, results were exceptionally good. The school achieved a score of 0.58 meaning all students achieved, on average, more than half a grade higher than expected nationally across 8 GCSE subjects placing the school in the top 5% of all schools nationally.

At A-level, the 2017 results were also outstanding. The students taking A Levels achieved a 100% pass rate, the percentage of A* and A grades was 32%; and 74% of students achieved at least one A*-B grade. The average points per entry were 37.2, which is significantly above both national and the local authority average. The progress students made from the end of key stage 4 places the Sixth Form College in the top 10% of A level providers nationally.

Malet Lambert

For the second academic year consecutively, Malet Lambert gained a positive Progress 8 score, currently standing at +0.09. The basics figure at 9-4 was 62% and improved by 3% on 2016 results and is above the national average of 59%. English attainment was good and many subjects saw an improvement on attainment from the previous academic year, including Food, Graphics, Music, Creative Media and Additional Science.

In terms of comparison to other local schools, Malet Lambert was 2nd in the Local Authority for basics measure (4+) and 3rd in the Local Authority for the EBacc measure (4+). We were delighted that a handful of our pupils received some grade 9's, the new top grade, above the old A* grade. Destinations measures continue to be strong, with 96% of pupils staying in education or employment, which is higher than England (91%) and Local Authority (94%).

Driffield School and Sixth Form

Driffield School joined the Education Alliance in February 2017 as a school that had previously been judged to be "inadequate" by Ofsted and placed in Special Measures. In the short time it was part of the Trust, some progress was made in terms of student performance. 62% of students achieved the 9-4 Basics measure in English and maths (compared to 59% in 2016) and 41% achieved grades 9-5. Overall progress for students remained below the national average.

Students in the sixth form performed very well. 62% of students achieved at least one A*-B grade and in terms of progress from GCSE to A level, sixth form students were in the top 40% of all students nationally.

Hunsley Primary School

The target set for EYFS Good Level of Development in 2017 was achieved with 82% of children working at the expected level by the end of Reception, which is significantly above the national average of 71%. The percentage of boys achieving a Good Level of Development was also above national average at 69% and for girls a similar result was seen with 100% achieving a Good Level of Development. The average point score was 36. All disadvantaged pupils achieved a Good Level of Development.

The number of pupils in Year 1 passing the Phonics Screening Check also was well above the national average at 96%, and also exceeded the school target of 90%, based on achievement at EYFS in 2016. The school exceeded the national percentage pass rate of 81% and the LA pass rate of 82%. The average mark for the school was 36, compared to the national and Local Authority average marks of 34. All disadvantaged pupils passed the screening check, with an average mark of 37, compared to the national average for all other pupils of 34. Children with SEND and EAL also performed at least as well as the national average. All children took the test.

Key Financial Performance Indicators

The Academy Trust produces monthly budget to actual reports to monitor its on-going progress against target. For the year ended 31 August 2017 income was 2% higher than expected, staff costs as expected and overheads were 4% more than expected.

The Academy Trust understands that its biggest expense is staff costs and that this must be carefully monitored. The Academy Trust expects that staff costs should be less than 80% of income in order to remain efficient. In the year to 31 August 2017 staff costs were 72.7% (2016: 71.4%) of incoming resources.

The Education Alliance

Report of the Trustees for the year ended 31 August 2017

STRATEGIC REPORT

Financial review

Financial position

The financial results for the year were as expected.

The Academy Trust's main source of income (the General Annual Grant (GAG)) consists mainly of the funding for pupils aged between 4 and 16. This income is based on the "replication model" of the Local Authority's funding formula; the funding for post 16 pupils which is based on a formula administered by the EFA; and ESGG (Education Services Grant) which is a grant to cover responsibilities transferred from the Local Authority to the Academy Trust.

In addition to the educational operations of the Academy Trust, four other related operations have been performed, these are:

- A Teaching School Alliance (including outreach work at other schools) and a SCITT
- A Catering Service, which provides meals to students and staff
- Sports facilities, which when not used by the Academy Trust, are made available to the public, and
- Hosting of three Public Sector Frameworks with Value Added Portal Limited t/a PAGABO

Careful financial management had enabled the Academy Trust to operate with a surplus balance. At 31 August 2017 balances on the restricted and unrestricted funds of £2,208,000 surplus (2016: £2,683,000 surplus) and £3,978,000 surplus (2016: £2,396,000 surplus) were carried forward.

The Academy Trust's non-teaching staff are entitled to membership of the Local Government Pension Scheme (LGPS). The balance at 31 August 2017 was a net liability of £7,179,000. This had increased from the balance 31 August 2016 which was £6,447,000. We are currently reviewing our long term LGPS position and what safeguards, if any, we would be able to adopt to reduce the effect that current market volatility is having on the financial results. The employers' contribution rate is currently 21.9% at South Hunsley School and Sixth Form College, 34.8% at Malet Lambert, 19.2% at Driffield School and Sixth Form and 19.2% at Hunsley Primary School. The LGPS pension liability is underwritten by the DfE.

Investment policy and objectives

The Academy Trust aims to manage its cash balances to provide for the day-to-day working capital requirements of its operations, whilst protecting the real long term value of any surplus cash balances against inflation. In addition, the Academy Trust aims to invest surplus cash funds to optimise returns, but ensuring the investment instruments are such that there is minimal risk to the loss of these cash funds.

The main purpose of the Academy Trust's investment policy is to;

- ensure adequate cash balances are maintained in the current account to cover day to day working capital requirements
- ensure there is no risk of loss in the capital value of any cash funds invested
- protect the capital value of any invested funds against inflation
- optimise returns on invested funds

Reserves policy

The Trustees review the reserve levels of the Academy Trust annually. The review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The educational obligations that the Academy Trust has on a day-to-day basis are funded from its restricted reserves that were provided for this purpose. The Trustees need to ensure that the Academy Trust has sufficient working capital to cover delays between receipt of grants and spending, and are able to deal with unexpected emergencies that may arise such as emergency maintenance. The Academy Trust's current level of general reserves (Restricted and Unrestricted reserves excluding Fixed Asset and Pension Funds) is £6,186,000 (2016: £5,079,000). Taking into account the nature of the Academy Trust's income streams, the Trustees are of the view that reserves at this level are sufficient to cover its working capital needs. The current bank and cash balances equate to approximately 5 months of Trust wages, the Trustees believe this to be reasonable.

Going concern

After making appropriate enquiries on the Academy Trust's ability to continue to operate as a going concern is required as best practice, the Trustee body 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.

Principal risks and uncertainties

The Academy Trust has identified principal risks and uncertainties including:

- Recruitment and retention of students and Driffield School and Sixth Form and Malet Lambert School
- On-going national curriculum changes and educational reforms

The Education Alliance

Report of the Trustees for the year ended 31 August 2017

STRATEGIC REPORT

Principal risks and uncertainties

- Provision of a permanent school for Hunsley Primary School
- Quality of provision at Driffield School and Sixth Form
- Significant growth in projected student numbers at South Hunsley School and Sixth Form College over the next 10 years due to housing developments within the catchment area and potential effects on education provision
- Succession planning for senior positions over the next 18 months
- SCITT targets not being met in first year of operation

The Trustees have introduced systems and internal financial controls in order to minimise risk. The Trust has a Risk Policy and a Risk register that is reviewed and updated at least three times per year. Where significant financial risk still remains they have ensured they have adequate insurance cover. The Academy Trust has an effective system of internal financial controls and this is explained in more detail in the following statement.

The Trustees have reviewed current examples of best practice and have:

- Set policies on internal controls which cover the following:
 - the type of risks the Academy Trust faces
 - the level of risks which they regard as acceptable;
 - the likelihood of the risks materialising;
 - the Academy Trust's ability to reduce the incidence and impact on the Academy Trust's operations of risks that do materialise;
 - the costs of operating particular controls relative to the benefits obtained.
- Continued to build further capacity in leadership teams across the Trust;
- Revised Trust and school level policies and procedures;
- Explained to employees that they have responsibility for internal control as part of their accountability for achieving objectives;
- Embedded the control system in the Academy Trust's operations so that it becomes part of the culture of the Academy Trust and
- Included procedures for reporting failings immediately to appropriate levels of management and the Trustees together with details of corrective action being undertaken.

Future plans

In 2017, the development plan included:

- Develop coherent geographical clusters around the secondary schools in the Trust and fulfill the Northern Fund objectives.
- The Trust clearly articulates and demonstrates its strategic vision and what it is aiming to achieve to members, partners and external audiences through its website and literature.
- Trust and school policies are reviewed and in place. Review dates are agreed and implemented.
- The Trust develops working relationships with high-performing strategic partners both within and outside the region.
- A strategic plan for IT is developed for the Trust.
- Establish a curriculum and staffing model for both primary and secondary schools.

The Education Alliance has also successfully transferred Driffield School and Sixth Form into its Academy Trust. The Academy Trust is in negotiations with Hull City Council to transfer Cavendish Primary School into its Academy Trust in Spring 2018.

The Education Alliance has developed, and is continuing to develop, the knowledge, skills and expertise of its central team to ensure there is capacity for the Trust to expand in both the primary and secondary education sectors

STRUCTURE, GOVERNANCE AND MANAGEMENT

Charity constitution

The Academy Trust is a private company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Academy Trust. The Trustees are also the Directors of the charitable company for the purposes of company law. The charitable company is known as the The Education Alliance and trades as South Hunsley School and Sixth Form College, Malet Lambert, The Wolds Teaching Alliance, Hunsley Primary School, Driffield School and Sixth Form (which converted to academy and joined the Academy Trust in February 2017) and Yorkshire Wolds Teacher Training (which opened in September 2017).

Details of the Members and Trustees who served throughout the year are included in the Reference and Administrative Information details on page 1.

The Education Alliance

Report of the Trustees for the year ended 31 August 2017

STRUCTURE, GOVERNANCE AND MANAGEMENT

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 whilst 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.

Trustees' Indemnities

During the year the Academy Trust had in place third party indemnity provisions for the benefit of the Academy Trust's Members and Trustees.

Recruitment and appointment of new Trustees

As stated above all new Trustees are appointed by the Members and current Trustees and are responsible for the day to day management of the Academy Trust, exercising all the powers of the Members as stated in Article 94. Any changes to Trustees are listed on page 1.

Full details relating to the appointment and removal of Trustees are contained in the Articles of Association with a brief summary given below.

The Members may appoint up to 10 Trustees with their term of office being 4 years. Subject to remaining eligible any Trustee may be re-appointed or re-elected.

A minimum of 2 Parent Trustees shall, if necessary, be appointed according to articles 53-56. The Trustees may appoint Co-opted Trustees including employees of the Academy Trust providing that the number of Staff Trustees does not exceed one third of the total number of Trustees (including the CEO).

The Secretary of State may also appoint additional Trustees if he feels it appropriate and ultimately has the power to in effect take over the Governance of the Academy Trust. The Secretary of State has not appointed any additional Trustees.

During the academic year, at least eight formal Board meetings are held

Organisational structure

The Trustee Body has established Academy Local Governing Bodies to help it carry out its work effectively. The Local Governing Bodies are delegated responsibility for holding the Heads of School to account and providing support and challenge to improve the educational outcomes for all students at each Trust school. The Trustee Body retains responsibility for monitoring Academy educational and financial performance and ensuring the effective management and governance of the Trust.

In addition a number of ad-hoc Committees and Panels meet to deliver specific tasks as set out in the Trust's Scheme of Delegation.

Arrangements for Setting Pay and Remuneration of Key Management Personnel

The Academy Trust's HR Director performs annual remuneration benchmarking and works with the CEO to prepare a report of recommendations for the pay and remuneration of key management personnel.

The Remuneration Committee meet annually to review and set the pay and remuneration of key management personnel using the report of recommendations. The Academy Trust also has a pay policy that is regularly reviewed by the Board of Trustees.

Policies and Procedures Adopted for the Induction and Training of Trustees

All new Trustees are inducted into their role by the Chair of the Board of Directors and the CEO along with the support of the Secretary to the Board of Directors and the Trust HR Director (who at date of signing the accounts was the same individual) to ensure that they understand their Trustee responsibilities and duties as a Director.

Trustee training is provided as required either on request by the Directors or on the recommendation of the CEO, or by agreement of the Chair of the Board of Directors.

Connected Organisations, including Related Party Relationships

The Academy Trust currently has no connected organisations or related party relationships.

The Education Alliance

**Report of the Trustees
for the year ended 31 August 2017**

AUDITORS

Insofar as the governors are aware:

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

The auditors, Smailes Goldie, will be proposed for re-appointment at the forthcoming Annual General Meeting.

Approved by the Board of Trustees on 14 December 2017 and signed on the its behalf by:

A handwritten signature in black ink, appearing to read 'R Swain', with a long horizontal flourish extending to the right.

Mr R Swain - Trustee

The Education Alliance

Governance Statement for the Year Ended 31 August 2017

Scope of Responsibility

As Trustees we acknowledge we have overall responsibility for ensuring that The Education Alliance 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 CEO, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Education Alliance and the Secretary of State for Education. They are also responsible for reporting to the governing body any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of the Trustees' Responsibilities. The Board of Trustees has formally met 8 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
Mr R Swain	8	8
Mr P Nicholson	6	8
Mr P Ness	5	8
Mr P Hall	7	8
Miss N Hornsby	5	8
Mrs N Clark	6	8
Mr A Steele	7	8
Mr S Whittaker	1	1
Mrs A Barker	7	8
Mrs L Killelay	5	8

There is no separate Finance Committee and therefore all financial oversight of the Trust is through the Board of Directors or the Audit Committee (see below).

The Board of Trustees established a separate Audit Committee to maintain oversight of the Trust's governance, risk management, internal control and value for money framework. The membership of the Audit Committee includes Mr P Ness (Chair) and Ms Hornsby as Trustees of The Education Alliance along with Mr C Wicks as an external representative to the Trust and Mrs M Wright, Governor of Malet Lambert Local Governing Body. This committee will meet at least three times per year.

Trustee/individual	Meetings attended	Out of a possible
J P Ness	3	3
C Wicks	1	3
N Hornsby	3	3
M Wright	3	3

A Governance Handbook for The Education Alliance has been produced. The full governance membership has been reviewed during the year to ensure appropriate representation and segregation at all levels of the Trust.

Review of Value for Money

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

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

- Completing a detailed tendering process for the appointment of Professional Services connected to the redevelopment of the outdoor space following demolition of the Technology Block at South Hunsley School
- Aligning policies, procedures, systems and contracts where possible within the Academy Trust
- Continually reviewing staffing costs and structures and monitoring staff costs as a percentage of income
- Moving to an in-house payroll provision for the Academy Trust

**Governance Statement
for the Year Ended 31 August 2017**

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at The Education Alliance for the year ended 31 August 2017 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 Academy 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 Academy Trust's significant risks that has been in place for the 1 September 2016 to 31 August 2017 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Audit Committee and the Board of Trustees.

The Risk and Control Framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the governing body;
- regular reviews by the Board of Directors of reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

East Coast Audit Consortium are the current internal auditors. The internal auditor's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems.

On a quarterly basis, the internal auditors produce a report to the Board of Trustees and the Audit Committee regarding the operation of the systems of control and on the discharge of the governing body's financial responsibilities. There have been no material control issues identified by the internal auditors during the year. Any non-material recommendations have been addressed on a timely basis by the Academy Trust's Finance Director.

Review of Effectiveness

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

- the work of the internal auditor;
- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the senior leadership team and executive board 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 Board of Directors and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by the Board of Trustees on 14 December 2017 and signed on its behalf by:



Mr R Swain - Trustee

C Abbott - Accounting Officer




The Education Alliance

Statement on Regularity, Propriety and Compliance for the year ended 31 August 2017

As accounting officer of The Education Alliance I have considered my responsibility to notify the Academy Trust Board of Trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2016.

I confirm that I and the Academy Trust Board of Trustees are able to identify any material irregular or improper use of all funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's funding agreement and the Academies Financial Handbook 2016.

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



C Abbott - Accounting Officer

14 December 2017

The Education Alliance

Statement of Trustees Responsibilities for the year ended 31 August 2017

The Trustees (who act as governors of The Education Alliance Multi Academy 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 Skills and 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 its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to:

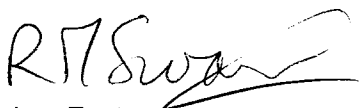
- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charity SORP 2015 and the Academies Accounts Direction 2016 to 2017
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards [FRS 102] have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

The 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 with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the ESFA/DfE have been applied for the purposes intended.

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

Approved by the Board of Trustees on 14 December 2017 and signed on its behalf by:



Mr R Swain - Trustee

Report of the Independent Auditors to the Members of The Education Alliance

Opinion

We have audited the financial statements of The Education Alliance Multi Academy Trust (the 'Academy Trust') for the year ended 31st August 2017 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency (ESFA).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy Trust and the Academy Trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 2017 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, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland';
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2016 to 2017.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Report of the Independent Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Trustees has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Academy Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Trustees.

Report of the Independent Auditors to the Members of The Education Alliance

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.

Responsibilities of Trustees


As explained more fully in the Statement of Trustees Responsibilities set out on page eleven, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Academy Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Academy Trust or to cease operations, or have no realistic alternative but to do so.

Our responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Independent Auditors.



Peter Duffield LLB FCA (Senior Statutory Auditor)
for and on behalf of Smailes Goldie
Chartered Accountants
Statutory Auditor
Regent's Court
Princess Street
Hull
East Yorkshire
HU2 8BA

14 December 2017

Independent Reporting Accountant's Assurance Report on Regularity to The Education Alliance and the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 1 November 2016 and further to the requirements of the Education and Skills Funding Agency (ESFA), as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Education Alliance during the period 1 September 2016 to 31 August 2017 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 Education Alliance and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Education Alliance and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Education Alliance and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Education Alliance's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of The Education Alliance's funding agreement with the Secretary of State for Education dated 1 April 2011 and the Academies Financial Handbook, extant from 1 September 2016, 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 2016 to 2017. 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 2016 to 31 August 2017 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 2016 to 2017 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw our conclusion includes:

- Ensuring value for money is sought for all goods/services procured by the academy, including those procured from related parties of the academy.
- Ensuring that fixed asset additions are made in line with the terms of the funding received and that fixed asset disposals are properly authorised by the DfE
- Ensuring that expenditure incurred through the academy bank account and debit card is appropriate for the purposes of the academy and that there has been no personal expenditure from the academy's funds.
- Ensuring pension contributions are paid to the respective schemes in a timely manner.
- Ensuring returns required by regulatory or funding authorities are completed on a timely basis.

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 2016 to 31 August 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Smailes Goldie
Chartered Accountants
Regent's Court
Princess Street
Hull
East Yorkshire
HU2 8BA

14 December 2017

The Education Alliance

Statement of Financial Activities
for the year ended 31 August 2017

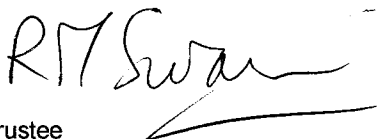
				2017	2016
	Notes	Unrestricted fund £'000	Restricted Fixed Asset Fund £'000	Restricted Funds £'000	Total funds £'000
INCOME AND ENDOWMENTS FROM					
Donations and capital grants	2	39	105	-	31,563
Transfer from Local Authority on conversion	25	1,530	55,987	(1,865)	-
Charitable activities					
Funding for the academy's educational operations	3	1,283	-	23,222	15,522
Teaching schools		-	-	204	203
Other trading activities	4	347	-	-	382
Investment income	5	26	-	-	32
Total		3,225	56,092	21,561	47,702
EXPENDITURE ON					
Raising funds		1,548	-	-	1,438
Charitable activities					
Academy's educational operations		95	1,947	24,150	15,805
Teaching schools		-	-	112	93
Total	6	1,643	1,947	24,262	17,336
NET INCOME/(EXPENDITURE)		1,582	54,145	(2,701)	30,366
Transfers between funds	21	-	221	(221)	-
Other recognised gains/(losses)					
Actuarial gains/losses on defined benefit schemes		-	-	1,715	(1,840)
Net movement in funds		1,582	54,366	(1,207)	28,526
RECONCILIATION OF FUNDS					
Total funds brought forward		2,396	51,239	(3,764)	21,345
TOTAL FUNDS CARRIED FORWARD		<u>3,978</u>	<u>105,605</u>	<u>(4,971)</u>	<u>49,871</u>

All of the Academy Trust's activities derive from acquisitions in the current year.

Balance Sheet
At 31 August 2017

	Notes	2017 £'000	2016 £'000
FIXED ASSETS			
Intangible assets	13	17	13
Tangible assets	14	<u>105,588</u>	<u>51,226</u>
		105,605	51,239
CURRENT ASSETS			
Stocks	15	12	8
Debtors	16	580	1,552
Cash at bank and in hand		<u>8,178</u>	<u>6,277</u>
		8,770	7,837
CREDITORS			
Amounts falling due within one year	17	<u>(2,488)</u>	<u>(2,662)</u>
NET CURRENT ASSETS			
		<u>6,282</u>	<u>5,175</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		111,887	56,414
CREDITORS			
Amounts falling due after more than one year	18	(96)	(96)
PENSION LIABILITY	22	<u>(7,179)</u>	<u>(6,447)</u>
NET ASSETS			
		<u>104,612</u>	<u>49,871</u>
FUNDS			
Unrestricted funds	21	3,978	2,396
Restricted funds		<u>100,634</u>	<u>47,475</u>
TOTAL FUNDS			
		<u>104,612</u>	<u>49,871</u>

The financial statements were approved by the Board of Trustees on 14 December 2017 on its behalf by:



Mr R Swain -Trustee

The Education Alliance

**Cash Flow Statement
for the year ended 31 August 2017**

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities:			
Cash generated from operations	26	581	2,242
Interest paid		<u>(15)</u>	<u>(9)</u>
Net cash provided by (used in) operating activities		<u>566</u>	<u>2,233</u>
Cash flows from investing activities:			
Purchase of intangible fixed assets		(26)	(20)
Purchase of tangible fixed assets		(300)	(2,404)
Capital grants from DfE/ESFA		105	70
Cash inherited on transfer to MAT		-	851
Cash transferred on conversion		1,530	-
Interest received		<u>26</u>	<u>32</u>
Net cash provided by (used in) investing activities		<u>1,335</u>	<u>(1,471)</u>
Change in cash and cash equivalents in the reporting period		<u>1,901</u>	<u>762</u>
Cash and cash equivalents at the beginning of the reporting period		<u>6,277</u>	<u>5,515</u>
Cash and cash equivalents at the end of the reporting period		<u>8,178</u>	<u>6,277</u>

The notes form part of these financial statements

**Notes to the Financial Statements
for the year ended 31 August 2017**

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

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.

The financial statements of the Academy Trust, which is a public 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 in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2016 to 2017 issued by the ESFA, the Charities Act 2011 and the Companies Act 2006.

The Education Alliance meets the definition of a public benefit entity under FRS 102.

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, when the receipt is probable and when the amount can be measured reliably.

Grants

Grants are included in the Statement of Financial Activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

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

Donations

Donations are recognised on a receivable basis (where there are no performance related conditions), where it is probable that the income will be received and the amount can be measured reliably.

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'.

Transfer on conversion

Where assets are received by the trust on conversion to an academy, the transferred assets are measured at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to the trust, which is on signing of the transfer agreement with the transferring trust. An equal amount of income is recognised as transfer on conversion within Donations and capital grant income.

Transfer of Driffield School & Sixth form

On 1 February 2017, Driffield School became a part of The Education Alliance, a Multi-Academy Trust and all of its assets and liabilities were transferred on that date. Further details of the transaction are set out in note 25.

**Notes to the Financial Statements - continued
for the year ended 31 August 2017**

1. ACCOUNTING POLICIES – continued

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated 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 apportioned between those activities on the basis of time spent, and depreciation charges are allocated on the portion of the asset's use.

Raising funds

Raising funds 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 by 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

Intangible fixed assets

Intangible assets costing £1,000 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment. Amortisation is provided on intangible fixed assets calculated to write off the cost of each asset on a straight line basis over its expected useful life, as follows:

Software	Over the life of the licence
----------	------------------------------

Tangible fixed assets

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

Depreciation is provided on all tangible fixed assets, 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	125 years
Long leasehold buildings	Between 40 and 50 years
Fixtures, fittings and equipment	Between 3 and 10 years
ICT equipment	Between 3 and 6 years
Motor vehicles	Between 3 and 6 years

Assets in the course of construction are included at cost but depreciation is not charged on them until they are brought into use.

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

**Notes to the Financial Statements - continued
for the year ended 31 August 2017**

1. ACCOUNTING POLICIES – continued

Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the Academy Trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

Leased assets

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

Financial Instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 16. Prepayments are not financial instruments.

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

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 17 and 18. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

Stocks

Unsold education supplies and catering stocks are valued at the lower of cost or net realisable value.

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 the notes, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust in separate Trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of the 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.

**Notes to the Financial Statements - continued
for the year ended 31 August 2017**

1. ACCOUNTING POLICIES – continued

Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to a specific capital purpose 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 and Skill Funding Agency and the Department for Education.

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. 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.

Notes to the Financial Statements - continued
for the year ended 31 August 2017

2. DONATIONS AND CAPITAL GRANTS

	Unrestricted funds £'000	Restricted funds £'000	2017 Total funds £'000	2016 Total funds £'000
Donations	39	-	39	28
Capital grants	-	105	105	70
Transferred to the Multi Academy Trust	-	-	-	31,465
	<u>39</u>	<u>105</u>	<u>144</u>	<u>31,563</u>

3. FUNDING FOR THE ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds £'000	Restricted funds £'000	2017 Total funds £'000	2016 Total funds £'000
General Annual Grant (GAG)	-	21,487	21,487	13,497
Other DfE/ESFA grants	-	738	738	442
Other grants and income	<u>1,283</u>	<u>997</u>	<u>2,280</u>	<u>1,583</u>
	<u>1,283</u>	<u>23,222</u>	<u>24,505</u>	<u>15,522</u>

4. OTHER TRADING ACTIVITIES

	Unrestricted funds £'000	Restricted funds £'000	2017 Total funds £'000	2016 Total funds £'000
Catering income	111	-	111	102
Sports centre	199	-	199	274
Letting income	<u>37</u>	-	<u>37</u>	<u>6</u>
	<u>347</u>	<u>-</u>	<u>347</u>	<u>382</u>

5. INVESTMENT INCOME

	Unrestricted funds £'000	Restricted funds £'000	2017 Total funds £'000	2016 Total funds £'000
Deposit account interest	<u>26</u>	<u>-</u>	<u>26</u>	<u>32</u>

Notes to the Financial Statements - continued
for the year ended 31 August 2017

6. EXPENDITURE

		Non-pay expenditure		2017	2016
	Staff costs	Premises	Other costs	Total	Total
	£'000	£'000	£'000	£'000	£'000
Raising funds					
Costs of fundraising	436	18	1,094	1,548	1,438
Charitable activities					
Academies educational operations					
Direct costs	15,166	1,765	1,755	18,686	11,069
Allocated support costs	<u>2,739</u>	<u>3,468</u>	<u>1,299</u>	<u>7,506</u>	<u>4,736</u>
	18,341	5,251	4,148	27,740	17,243
Teaching schools	-	-	112	112	93
	<u>18,341</u>	<u>5,251</u>	<u>4,260</u>	<u>27,852</u>	<u>17,336</u>

Net income/(expenditure) is stated after charging/(crediting):

	2017	2016
	£'000	£'000
Depreciation - owned assets	1,925	915
Computer software amortisation	22	7
Auditors Remuneration	8	7
Auditors Remuneration - non audit services	2	2
Operating leases	<u>31</u>	<u>21</u>

7. CHARITABLE ACTIVITIES - ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds	Restricted funds	2017 Total funds	2016 Total funds
	£'000	£'000	£'000	£'000
Direct costs	81	18,605	18,686	11,069
Support costs	<u>14</u>	<u>7,492</u>	<u>7,506</u>	<u>4,736</u>
	<u>95</u>	<u>26,097</u>	<u>26,192</u>	<u>15,805</u>

	2017 Total	2016 Total
	£'000	£'000
Analysis of support costs		
Support staff costs	2,739	1,814
Depreciation	185	194
Technology costs	212	88
Premises costs	3,468	1,634
Other support costs	885	989
Governance costs	<u>17</u>	<u>17</u>
Total support costs	<u>7,506</u>	<u>4,736</u>

Notes to the Financial Statements - continued
for the year ended 31 August 2017

8. TRUSTEES' REMUNERATION AND BENEFITS

One or more Trustees has been paid remuneration or has received other benefits from an employment with the Academy Trust in the prior year. The CEO and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of CEO and staff members under their contracts of employment.

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

C Abbott (CEO and Trustee until resignation on 1 March 2016)
- Remuneration £nil (2016: £85,000 - £90,000)
- Employer's pension contributions paid £nil (2016: £10,000 - £15,000)

Trustees' expenses

During the period ended 31 August 2017, travel and subsistence expenses totalling £146 were reimbursed or paid directly to Trustees (2016: £340).

9. STAFF COSTS

	2017	2016
	£'000	£'000
Wages and salaries	13,667	8,945
Social security costs	1,267	727
Operating costs of defined benefit pension schemes	2,810	1,754
Apprenticeship levy	<u>23</u>	<u>-</u>
	17,767	11,426
Supply teacher costs	485	158
Staff restructuring costs	<u>89</u>	<u>9</u>
	<u>18,341</u>	<u>11,593</u>

Staff restructuring costs comprise:

Redundancy payments	8	-
Severance payments	81	9

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £80,590 (2016: £8,800). Individually, the payments were: £4,000, £6,000, £12,500, £24,469 and £33,621.

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

	2017	2016
Teachers	290	178
Administration and support	324	327
Management	<u>20</u>	<u>7</u>
	<u>634</u>	<u>512</u>

Notes to the Financial Statements - continued
for the year ended 31 August 2017

9. STAFF COSTS
- continued

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

	2017	2016
£60,001 - £70,000	3	1
£70,001 - £80,000	1	-
£80,001 - £90,000	1	1
£100,001 - £110,000	1	-
£160,001 - £170,000	-	1
£190,001 - £200,000	1	-
	<u>7</u>	<u>3</u>

Executive Principal (EP) / CEO Pay

	EP 2012-13	EP 2013-14	EP 2014-15	EP 1.9.15- 5.6.16	CEO 6.6.16- 31.8.16	CEO 1.9.16- 31.8.17
Basic	129,558	120,547	121,753	97,462	40,338	171,532
Bonus (Notes)	23,653	24,350	24,594	25,084	-	-
Total Gross Salary	153,211	144,897	146,347	122,546	40,338	171,532

Notes

- Performance review cycles end 31 October every year, therefore subsequent pay reviews occur November/December each year. This means that any bonus payments for the academic year are paid the following year. Whilst it is acknowledged that for accounting purposes the bonus payment would show in the following year's accounts, for the purposes of understanding the actual payments made for that academic year, the above chart details the basic salary the CEO was paid alongside bonus payments received whilst in the role of Executive Principal.
- The CEO role does not attract a bonus payment. The Executive Principal became the CEO in June 2016, hence the split during the 2015-16 academic year, as she was Executive Principal until June 2016.
- The 2015/16 bonus payment was paid in December 2016 and is therefore reflected in the banding above. The banding of £195,000 - £200,000 is made up of £171,532 salary for 2016/17 and the £25,084 bonus for 2015/16, however, please note that the actual salary for this period is therefore £171,532.

In 2015-16:

- Hunsley Primary opened in September 2015
- Wolds TSA was launched in September 2015
- The Executive Principal (CEO) became Executive Lead and Acting Head for Malet Lambert in September 2015 and then transferred Malet Lambert into the Trust in February 2016
- The Education Alliance was established in January 2016
The Executive Principal (CEO) became the Acting Head of Driffield, a school in special measures without a Head teacher, with her support commencing April 2016 (Driffield subsequently transferred into the Trust in February 2017)

Key management personnel

The key management personnel of the Academy Trust comprise of the Trustees and the Senior Leadership Team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Academy Trust was £799,139 (2016: £641,688).

Notes to the Financial Statements - continued
for the year ended 31 August 2017

10. 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 whilst on Academy business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the period ended 31 August 2017 was £3,865 (2016: £2,450).

11. COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted fund £'000	Restricted Fixed Asset Fund £'000	Restricted Funds £'000	Total funds £'000
INCOME AND ENDOWMENTS FROM				
Donations and capital grants	(18)	32,625	(1,044)	31,563
Charitable activities				
Funding for the academy's educational operations	1,132	-	14,390	15,522
Teaching schools	-	-	203	203
Other trading activities	382	-	-	382
Investment income	32	-	-	32
Total	1,528	32,625	13,549	47,702
EXPENDITURE ON				
Raising funds	1,438	-	-	1,438
Charitable activities				
Academy's educational operations	55	922	14,828	15,805
Teaching schools	-	-	93	93
Total	1,493	922	14,921	17,336
NET INCOME/(EXPENDITURE)	35	31,703	(1,372)	30,366
Transfers between funds	-	501	(501)	-
Other recognised gains/(losses)				
Actuarial gains/losses on defined benefit schemes	-	-	(1,840)	(1,840)
Net movement in funds	35	32,204	(3,713)	28,526
RECONCILIATION OF FUNDS				
Total funds brought forward	2,361	19,035	(51)	21,345
TOTAL FUNDS CARRIED FORWARD	<u>2,396</u>	<u>51,239</u>	<u>(3,764)</u>	<u>49,871</u>

Notes to the Financial Statements - continued
for the year ended 31 August 2017

12. CENTRAL SERVICES

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

- human resources
- financial services
- legal services
- educational support services
- others as arising

The Trust charges for these services as a flat percentage of GAG income at 4%.

The actual amounts charged during the year were as follows:

	2017 £'000
South Hunsley Secondary School and Sixth Form	366
Hunsley Primary School	14
Malet Lambert School	297
Driffield School and Sixth Form	173
	<hr/>
	850

13. INTANGIBLE FIXED ASSETS

	Computer software £'000
COST	
At 1 September 2016	20
Additions	<u>26</u>
At 31 August 2017	<u>46</u>
AMORTISATION	
At 1 September 2016	7
Charge for year	<u>22</u>
At 31 August 2017	<u>29</u>
NET BOOK VALUE	
At 31 August 2017	<u><u>17</u></u>
At 31 August 2016	<u><u>13</u></u>

Notes to the Financial Statements - continued
for the year ended 31 August 2017

14. TANGIBLE FIXED ASSETS

	Long leasehold £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Totals £'000
COST					
At 1 September 2016	52,605	704	28	534	53,871
Additions	153	41	-	106	300
Inherited on conversion	<u>55,866</u>	<u>75</u>	<u>18</u>	<u>28</u>	<u>55,987</u>
At 31 August 2017	<u>108,624</u>	<u>820</u>	<u>46</u>	<u>668</u>	<u>110,158</u>
DEPRECIATION					
At 1 September 2016	1,746	591	23	285	2,645
Charge for year	<u>1,764</u>	<u>49</u>	<u>8</u>	<u>104</u>	<u>1,925</u>
At 31 August 2017	<u>3,510</u>	<u>640</u>	<u>31</u>	<u>389</u>	<u>4,570</u>
NET BOOK VALUE					
At 31 August 2017	<u>105,114</u>	<u>180</u>	<u>15</u>	<u>279</u>	<u>105,588</u>
At 31 August 2016	<u>50,859</u>	<u>113</u>	<u>5</u>	<u>249</u>	<u>51,226</u>

On 1st February 2017, the Multi Academy Trust inherited leasehold land and buildings with a fair value of £55,865,811 from East Riding of Yorkshire Council in relation to Driffield School and Sixth Form joining the Multi Academy Trust.

15. STOCKS

	2017 £'000	2016 £'000
Education supplies	8	5
Catering	<u>4</u>	<u>3</u>
	<u>12</u>	<u>8</u>

16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Sundry debtors	95	182
VAT recoverable	125	305
Other debtors	39	908
Prepayments and accrued income	<u>321</u>	<u>157</u>
	<u>580</u>	<u>1,552</u>

Notes to the Financial Statements - continued
for the year ended 31 August 2017

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£'000	£'000
Trade creditors	835	763
Social security and other taxes	356	245
Other creditors	376	303
Accruals and deferred income	<u>921</u>	<u>1,351</u>
	<u>2,488</u>	<u>2,662</u>
Deferred income	2017	2016
	£'000	£'000
Deferred income at 1 September 2016	692	30
Resources deferred in the year	63	692
Released from previous years	<u>(282)</u>	<u>(30)</u>
Deferred income at 31 August 2017	<u>473</u>	<u>692</u>

At the balance sheet date the Academy Trust was holding funds received in advance for educational activities for the 2017/18 academic year of £33,463, rates relief of £29,579 and Northern Humber Hub funding of £410,051,

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

	2017	2016
	£'000	£'000
Other creditors	<u>96</u>	<u>96</u>

Included within other creditors is a loan of £95,755 from Salix which is provided interest free, over an 8 year payback period.

19. MEMBERS' LIABILITY

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

20. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted		2017		2016	
	Unrestricted	Fixed Asset	Restricted	Total	Total	Total
	fund	Fund	Funds	funds	funds	funds
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets	-	105,605	-	105,605	-	51,239
Current assets	4,147	-	4,623	8,770	-	7,837
Current liabilities	(169)	-	(2,319)	(2,488)	-	(2,662)
Long term liabilities	-	-	(96)	(96)	-	(96)
Pension liability	-	-	<u>(7,179)</u>	<u>(7,179)</u>	<u>(6,447)</u>	<u>(6,447)</u>
	<u>3,978</u>	<u>105,605</u>	<u>(4,971)</u>	<u>104,612</u>	<u>49,871</u>	<u>49,871</u>

Notes to the Financial Statements - continued
for the year ended 31 August 2017

21. MOVEMENT IN FUNDS

	At 1.9.16 £'000	Net movement in funds £'000	Transfers between funds £'000	At 31.8.17 £'000
Unrestricted funds				
General fund	2,396	1,582	-	3,978
Restricted funds				
DfE/ESFA Capital Grants	2,642	47	-	2,689
Capital Expenditure from GAG	2,597	(190)	221	2,628
Inherited from Local Authority	46,000	54,288	-	100,288
General Annual Grant	2,683	(254)	(221)	2,208
Pension Fund	(6,447)	(732)	-	(7,179)
	47,475	53,159	-	100,634
TOTAL FUNDS	49,871	54,741	-	104,612

Net movement in funds, included in the above are as follows:

	Incoming resources £'000	Resources expended £'000	Gains and losses £'000	Movement in funds £'000
Unrestricted funds				
General fund	3,225	(1,643)	-	1,582
Restricted funds				
DfE/ESFA Capital Grants	105	(58)	-	47
Capital Expenditure from GAG	-	(190)	-	(190)
Inherited from Local Authority	55,987	(1,699)	-	54,288
General Annual Grant	21,486	(21,740)	-	(254)
Other DfE/ESFA Grants	1,940	(1,940)	-	-
Pension Fund	(1,865)	(582)	1,715	(732)
	77,653	(26,209)	1,715	53,159
TOTAL FUNDS	80,878	(27,852)	1,715	54,741

Notes to the Financial Statements - continued
for the year ended 31 August 2017

21. MOVEMENT IN FUNDS – continued

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

General Annual Grant (GAG) must be used for the normal running costs of the Academy. Under the funding agreement with the Secretary of State, the Academy Trust was not subject to a limit on the amount of GAG that it could carry forward as at 31 August 2017.

Other DfE/EFA grants must be used for the specific purpose for which they are given. These grants are given to fulfil the charitable objects of the Trust.

Restricted Pension Fund relates to the deficit on the Local Government Pension Scheme.

Restricted Fixed Assets Funds include Inherited from Local Authority Fund, DfE/EFA Capital Grants Fund and Capital Expenditure from GAG Fund. These funds represent fixed assets transferred on conversion to an academy, assets funded by capital grants and assets purchased from brought forward reserves.

The transfer of funds of £221,000 from GAG has been used to acquire tangible fixed assets.

Total funds analysis by academy

Funds balances at 31 August 2017 were allocated as follows:

	Total 2017 £'000	Total 2016 £'000
South Hunsley Secondary and Sixth Form Academy	2,917	4,495
Hunsley Primary Academy	157	64
Malet Lambert Academy	692	521
Driffield School and Sixth Form	1,697	-
Central Services	723	-
	<hr/>	<hr/>
Total before fixed assets and pension reserve	6,186	5,080
Restricted fixed asset fund	105,605	51,239
Pension reserve	(7,179)	(6,447)
	<hr/>	<hr/>
Total	<u>104,612</u>	<u>49,872</u>

Total cost analysis by academy

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

	Teaching and Educational Support Staff Costs £'000	Other Support Staff Costs £'000	Educational Supplies £'000	Other Costs (Excluding depreciation) £'000	Total 2017 £'000	Total 2016 £'000
South Hunsley Secondary and Sixth Form Academy	6,206	1,542	380	4,206	12,334	11,645
Hunsley Primary Academy	236	42	13	21	312	243
Malet Lambert Academy	5,138	759	474	1,377	7,748	4,523
Driffield School and Sixth Form	3,104	614	164	883	4,765	-
Central Services	484	220	-	41	745	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>15,168</u>	<u>3,177</u>	<u>1,031</u>	<u>6,528</u>	<u>25,904</u>	<u>16,411</u>

**Notes to the Financial Statements - continued
for the year ended 31 August 2017**

22. PENSION COMMITMENTS

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

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £313,645 were payable to the schemes at 31 August 2017 (2016: £139,912) and are included within creditors.

Teachers' pension scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

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

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

The employer's pensions costs paid to TPS in the period amounted to £1,532,127 (2016: £954,298).

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

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

Notes to the Financial Statements - continued
for the year ended 31 August 2017

22. PENSION COMMITMENTS
- continued

Local government pension scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate Trustee-administered funds. The total contribution made for the year ended 31 August 2017 was £1,066,000 (2016: £1,100,429) of which employer's contributions totalled £870,000 (2016: £624,921) and employees' contributions totalled £196,000 (2016: £475,508). The agreed contribution rates for future years are between 21.9 per cent and 34.8 per cent for employers and between 5.5 per cent and 12.5 per cent for employees.

As described in note 25 the LGPS obligation transferred to the Multi Academy Trust relates to the employees of Driffield School and Sixth Form, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the Scheme in the year/period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the Academy Trust at the balance sheet date.

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 2017	At 31 August 2016
Rate of increase in salaries	2.60%	2.30%
Rate of increase for pensions in payment/inflation	2.40%	2.10%
Discount rate for scheme liabilities	2.50%	2.10%

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 2017	At 31 August 2016
Retiring Today		
Males	21.7	21.9
Females	24.2	24.1
Retiring in 20 years		
Males	23.7	24.2
Females	26.4	26.7

Sensitivity analysis

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

Changes in assumptions at 31 August 2017 expressed as weighted averages	At 31 August 2017 £'000	At 31 August 2016 £'000
0.5% increase in discount rate	2,376	1,104
0.5% increase in salary increase rate	481	388
0.5% increase in pension increase rate	1,852	686

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

	Fair value at 31 August 2017 £'000	Fair value at 31 August 2016 £'000
Equities	7,958	5,102
Bonds	1,457	748
Property	1,233	748
Cash	561	174
Total market value of assets	11,209	6,802

Notes to the Financial Statements - continued
for the year ended 31 August 2017

22. PENSION COMMITMENTS
- continued

Local government pension scheme

The actual return on the scheme assets was £421,000 (2016: (£773,000)).

Amounts recognised in the statement of financial activities

	2017 £'000	2016 £'000
Current service cost	1,282	750
Net interest cost	170	191
	<u>1,452</u>	<u>941</u>

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

	2017 £'000	2016 £'000
At 1 September	13,249	7,155
Inherited on conversion	4,685	-
Transferred into the MAT	-	2,822
Current service cost	1,282	750
Interest cost	370	395
Employee contributions	196	159
Actuarial (gain)/loss	(1,294)	2,003
Benefits paid	(100)	(35)
	<u>18,388</u>	<u>13,249</u>

Changes in fair value of academy's share of scheme assets:

	2017 £'000	2016 £'000
At 1 September	6,802	4,356
Inherited on conversion	2,820	-
Transferred into the MAT	-	582
Interest income	200	204
Actuarial gain/(loss)	421	773
Employer contributions	870	763
Employee contributions	196	159
Benefits paid	(100)	(35)
	<u>11,209</u>	<u>6,802</u>

23. OTHER FINANCIAL COMMITMENTS

Operating leases

At 31 August 2017 the total Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	2017 £000	2016 £000
Amounts due within one year	26	18
Amounts due between one and five years	25	4
	<u>51</u>	<u>22</u>

**Notes to the Financial Statements - continued
for the year ended 31 August 2017**

24. RELATED PARTY DISCLOSURES

No related party transactions took place in the period of account, other than certain Trustees' remuneration and expenses already disclosed in note 8.

25. CONVERSION TO AN ACADEMY

On 1 February 2017 Driffield Secondary School & Sixth form converted to academy status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to The Education Alliance Multi Academy Trust from the East Riding of Yorkshire Council Local Authority for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the Statement of Financial Activities as Donations - transfer from local authority on conversion.

The following tables set out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the SOFA.

Driffield School & Sixth Form	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total £'000
Tangible fixed assets				
- Freehold land and buildings	-	-	55,866	55,866
- Other tangible fixed assets	-	-	121	121
Budget surplus/(deficit) on LA funds	1,530	-	-	1,530
LGPS pension surplus/(deficit)	-	(1,865)	-	(1,865)
Net assets/(liabilities)	<u>1,530</u>	<u>(1,865)</u>	<u>55,987</u>	<u>55,652</u>

26. RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2017 £'000	2016 £'000
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	53,026	30,366
Adjustments for:		
Depreciation	1,947	922
Capital grants from DfE/ESFA	(105)	(70)
Transfer from Local Authority on conversion	(55,652)	-
Interest received	(26)	(32)
Interest paid	15	9
Inherited on transfer to MAT	-	(30,925)
Cash transferred to MAT	-	(851)
LGPS service cost less contribution paid	412	(13)
LGPS net finance cost	170	191
(Increase)/decrease in stocks	(4)	2
Decrease in debtors	972	1,194
(Decrease)/increase in creditors	(174)	1,449
Net cash provided by (used in) operating activities	<u>581</u>	<u>2,242</u>