Company Registration Number: 08021855 (England & Wales)

SOUTHMOOR MULTI ACADEMY TRUST

(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019

SOUTHMOOR MULTI ACADEMY TRUST

(A Company Limited by Guarantee)

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SOUTHMOOR MULTI ACADEMY TRUST
(A Company Limited by Guarantee)

REFERENCE AND ADMINISTRATIVE DETAILS

Members

Dr JW Brown
M Crow
Dr A Green
C Witt

Director

Dr J W Brown, Chair[1]
A Lawson, Vice Chair
J Alder (appointed 28 November 2018)
H Catcherside
R Edmonds[1]
S Garrett, (CEO / Principal / Accounting Officer) (resigned 31 August 2019)[1]
J Purdy (appointed 28 November 2018)[1]
H Shields (appointed 28 November 2018)
E Young

[1] Members of the Finance and General Purpose Committee

Company registered number

08021855

Company name

Southmoor Multi Academy Trust

Principal and registered office

Ryhope Road
Sunderland
Tyne & Wear
SR2 7TF

Company secretary

Muckle Secretary Limited

Senior Leadership Team

S F Garrett, Chief Executive Officer and Principal
J Maw, Head Teacher at Sandhill View Academy
P Davison, Head of Trust Finance and Operations
T Garner, Vice Principal of Southmoor Academy
J Dodd, Deputy Head Teacher of Sandhill View Academy
P Ingram, CEO until 31 August 2018

REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2019

Independent auditors

Clive Owen LLP
Chartered Accountants
Statutory Auditors
Kepier House
Belmont Business Park
Durham
DH1 1TW

Bankers

NatWest
Fawcett Street
Sunderland
SR1 1SB

Solicitors

Muckle LLP
Time Central
32 Gallowgate
Newcastle
NE1 4BF

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2019

The Directors present their annual report together with the financial statements and auditor's report of the charitable company for the period 1 September 2018 to 31 August 2019. The annual report serves the purposes of both a Directors' report, and a directors' report under company law.

The academy trust operates two academies for pupils aged 11-18 serving a catchment area in Sunderland. It has a pupil capacity of 2270 and had a roll of 2067 in the school census on October 2018.

Structure, Governance and Management

Constitution

The academy trust is a company limited by guarantee and an exempt charity. The charitable company's Memorandum and Articles of Association are the primary governing documents of the academy trust. The Directors of Southmoor Multi Academy Trust are also the directors of the charitable company for the purposes of company law. The charitable company is known as Southmoor Multi Academy Trust. Details of the Directors who served during the year are included in the Reference and Administrative Details on page 1.

Members' Liability

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

Directors' Indemnities

The academy trust has become a member of the Department of Education's Risk Protection Arrangement which provides unlimited protection for the Directors from claims arising against negligent acts, errors or omissions occurring whilst on academy trust business.

Method of Recruitment and Appointment or Election of Directors

The term of office for any Director shall be 4 years, save that this time limit shall not apply to the Principal or any post held ex officio. Subject to remaining eligible to be a particular type of Director, any Director may be re-appointed or re-elected.

Policies and Procedures Adopted for the Induction and Training of Directors

The training and induction provided for new Directors depends on their existing experience. Where necessary, induction and training is provided on charity, educational, legal and financial matters. All Directors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Directors. As new appointments are not a regular occurrence, induction tends to be done informally and is tailored specifically to the individual. Three new Directors were appointed during the academic year 2018-19.

Organisational Structure

During the year the academy trust continued to operate a unified management structure. The structure consists of 4 levels: the Members, the Directors (Directors), Local Governors (a separate body at each academy) and the Trust Senior Leadership Team (Trust SLT).

The Directors are responsible for setting general policy, adopting an annual plan and budget, monitoring the academy trust by use of the budgets and making major decisions about the direction of the academies within the academy trust, capital expenditure and senior staff appointments. Much of the detailed work is done by the sub committees of the Directors, each served by a member of the Trust SLT.

Structure, Governance and Management (continued)

Organisational Structure (continued)

Directors' sub committees are:

- Directors' Finance and General Purpose Committee (including the functions of the Finance, Personnel, Audit and Premises Committees) served by the CEO and Head of Trust Finance and Operations
- Directors' Standards Committee served by the CEO

The Southmoor Local Governing Body do not have delegated functions / responsibilities for sub committees to meet.

The Sandhill View Local Governing Body do not have delegated functions / responsibilities for sub committees to meet.

Arrangements for setting pay and remuneration of key management personnel

Directors are unpaid.
The CEO is paid according to the Trust Pay Policy which is reviewed on an annual basis and which says:

Chief Executive Officer

On appointment, the Chief Executive Officer will be appointed to a spot salary decided by the Board of Directors taking into account:

- the nature of the post – (i.e. is the academy causing concern, Multi Academy Trust, Single Academy Trust)
- the level of qualifications, skills and experience required
- market conditions
- the wider school context.

The Board of Directors may also consider additional payments in respect of additional responsibilities and activities due to, or in respect of, the provision of services by the Chief Executive Officer relating to the raising of educational standards to one or more additional schools including where the Chief Executive Officer is appointed as a temporary Chief Executive Officer for one or more schools, not included as a permanent factor of the ISR. The additional payment will be time limited and not exceed 25%.

In wholly exceptional circumstances the Board of Directors may consider a payment in excess of 25%.

In such circumstances the Board of Directors will seek external independent advice.

Progression of the Chief Executive Officer will be subject to a review of the Chief Executive Officer performance set against the annual appraisal review and the Directors' leadership skills level descriptors.

The CEO will not move from Band 1 to Band 2, or from Band 2 to Band 3 on the ISR until all the elements of the Directors' leadership skills level descriptors for the post for either Band 2 or band 3 respectively have been met.

Related Parties and other Connected Charites and Organisations

No Related Parties or Other Connected Charities and Organisations.

Trade union facility time
The academy trust did not employ any union officials during the period.

Objects and Aims

The principal object and activity of the charitable company is the operation of Southmoor Multi Academy Trust to provide education for students of different abilities between the ages of 11 and 18.

In accordance with the Articles of Association the charitable company has adopted a 'Scheme of Government' approved by the Secretary of State for Education. The Scheme of Government specifies, amongst other things, the basis for admitting students to the academy trust, the catchment area from which the students are drawn, and that the curriculum should comply with the substance of the national curriculum.

The main objectives of the academy trust during the year ending 31 August 19 are:

Expand the sixth form's physical capacity in order to support an increased roll.

Continue to expand Southmoor's lower school.

Maintain Sandhill View's overall roll and increase the proportion of SHV pupils attending the Sixth Form at Southmoor.

Ensure both schools are prepared for the new inspection framework.

Objectives, Strategies and Activities

The academy trust's main objectives are encompassed in its mission statement. To this end the objectives and the strategies used to achieve them include:

- Staff appraisal systems which reflect career stage expectations and support, monitor and enhance staff performance
- A broad and balanced curriculum including increased opportunities for pupils to broaden experiences beyond the classroom
- Efficient deployment of resources to maximise impact on raising achievement and provision of extra curricular opportunities
- Provision of CPD which focuses on supporting the highest standards of professional practice

The activities undertaken to achieve these objectives are all intended to provide the highest quality of education in the public sector for students between the ages of 11 and 19.

Public Benefit

The academy trust's aims and achievements are set out within this report and have been undertaken to further its charitable purposes for the public benefit. The Directors have complied with the duty under Section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission for England and Wales and the Directors have considered this guidance in deciding what activities the academy trust should undertake.

Strategic Report

Achievements and Performance

Southmoor Multi Academy Trust's Sixth Form has continued to expand. As of the Autumn 2019 census it attracted another 129 in Year 12, making a total of 231. This is a further 13% increase in the last twelve months, which follows a 24% increase in the previous year. Southmoor Academy as a whole has increased by 9% to 1375 pupils. This follows a whole school increase of 7% in the previous year. This is largely due to a growth in the Y7 and Y12 intake. The PAN for lower school entry increased from 210 to 240. The current Year 7 stands at 270 and is heavily oversubscribed. This is encouraging at a time when a number of local secondaries are reducing in size.

Strategic Report (continued)

Achievements and Performance (continued)

Southmoor MAT has become recognised as a ground-breaking organisation for social mobility. It was the national winner of School/College of the Year for Social mobility in October 2019. Southmoor is the Oxnet hub for the whole of the North East of England. This involves joint work between the school and the universities of Oxford and Durham in order to support raising of aspirations of young people across the region. Southmoor's Vice Principal sits on the Social Mobility Commission with responsibility for education.

Southmoor Academy's strong inspection report has certainly helped to support its continued high standing as the school of choice for an increasing number of feeder schools. In particular the Ofsted inspection report drew attention to

'Southmoor Academy is a good and improving school where pupils are achieving well.'

'The headteacher provides strong and effective leadership. He is effectively assisted by leaders at all levels.'

'Teachers have good subject knowledge and use skilful questioning to extend pupils' learning, develop skills and increase their understanding.'

'Good teaching, learning and assessment enable all groups of pupils to progress well.'

Sandhill View's inspection highlighted many improvements:

'School leaders are determined that the school will continue to improve. They have an unshakeable belief in the potential of the pupils who attend the school.'

'Senior leaders have a clear understanding of the school's strengths and weaknesses. As a result, middle leaders and teachers are enthusiastic, energetic and up for the challenge of improving the school further.'

'Behaviour has improved. Morale among staff and pupils is high. There is a well-founded optimism and belief that things are getting better and will continue to do so.'

'Pupils' personal development and welfare are a strength of the school. Pupils are well supported, and have trust in the school to help them to succeed in life.'

The school had been judged as having 'Serious Weaknesses' by Ofsted in the inspection prior to Southmoor MAT taking over as sponsor. The progression to Requires Improvement is a significant step in the right direction.

Both academies make significant efforts to support their local communities, especially through the provision of facilities. Out of hours activities have increased and Southmoor MAT successfully gained planning permission for a large astro turf and is actively seeking funding. This is responding to local need, especially Ashbrooke Rugby following council plans to remove some of their existing facilities.

Sandhill View Academy has shown significant improvement across all key measures in the last year and all current projections suggest that further improvement can be confidently expected. This has not necessarily been reflected in pupil take up in the new year 7 where the school has attracted more pupils than in recent years as reputation improves. However PAN has not yet been reached.

Strategic Report (continued)

Achievements and Performance (continued)

Key Performance Indicators

Key Performance Indicator	Kreston Benchmark Report 2018 (MATs)	Kreston Benchmark Report 2018 (Secondary)	Southmoor 2018-2019 (MAT)
	Multi Academy Trusts	Secondary Academies	Southmoor Trust
Total Income per pupil	£6,201	£6,499	£6,351
Total GAG Income per pupil	£4,279	£4,905	£5,449
GAG to Total Revenue Income Ratio	80.00%	73.00%	85.79%
Staff Cost Ratio as % of Total Revenue Costs (excluding LPGS adjustment, restructuring costs, apprenctice levy)	71.90%	72.00%	68.69%
Teaching Staff Salary per pupil	£1,953	£2,498	£2,880
Unrestricted Reserves	£973,000	£500,000	£542,000
Pupil Teacher Ratio	21.00	17.00	17.25

Going Concern

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

Financial Review

Most of the academy trust's income is obtained from the Department of Education (DfE) via the Education and Skills Funding Agency (ESFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE/ESFA during the year ended 31 August 2019 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The academy trust also receives grants for fixed assets from the DfE/ESFA. In accordance with The Charities Statement of Recommended practice, 'Accounting and Reporting by Charities' (SORP 2005), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

At 31 August 2019 the net book value of fixed assets was £17,108,000 and movements in tangible fixed assets are shown in note 15 to the Financial Statements. The assets were used exclusively for providing education and the associated support services to the students of the academy trust.

The provisions of Financial Reporting Standard 102 relating to Retirement Benefits have been applied in full, resulting in a deficit of £3,364,000 recognised on the Balance Sheet.

The academy trust held fund balances at 31 August 2018 of £14,874,000 comprising £14,332,000 of restricted funds, including £(3,364,000) deficit on the pension reserve, and £542,000 of unrestricted funds. The total of restricted general funds, excluding pension reserves, plus unrestricted funds as at 31 August 2019 was £1,063,000.

The in-year surplus excluding the pension reserve and restricted fixed asset funds was £821,000.

Financial Review (continued)

Reserves Policy

The Directors review the reserve levels of the academy trust regularly throughout the year. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The Directors have determined that the appropriate level of free reserves for this year should be £500,000, this is in line with the agreed plan to increase reserves to at least £500,000 over a 3 year period. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. The academy trust's current levels of free reserves (total funds less the amount held in fixed assets and restricted funds) are in surplus by £ 542,000 (see note 20). The balance on restricted general reserves, excluding pension reserve, plus the balance on unrestricted funds at 31 August 2019 is a net surplus of £1,063,000.

Principal Risks and Uncertainties

The principal risks and uncertainties are centred on changes in the level of funding from the DfE/ESFA. In addition, the academy trust is a member of the Local Government Pension Scheme (LGPS), which results in the recognition of a significant deficit on the academy trust Balance Sheet.

The reforms made to school inspection are now operational but in the early stages of a transitional year. There are risks associated with changing curriculum expectations. Early signs show Southmoor MAT to be strongly in line with much of the new framework however there is growing concern around a punitive approach being taken by Ofsted towards schools who operate a 3 year KS4. A strategic review is underway but there is a strong possibility that one or both academies will be inspected whilst operating a 3 year KS4 due to timescales.

Sandhill View is still below its PAN and needs to grow. Southmoor has raised its PAN but this places significant pressure on its infrastructure. The MAT has prioritised Capital Investment grants and reserves to support this, with the aim of building new infrastructure during this academic year.

The Directors have assessed the major risks to which the academy trust is exposed, in particular those relating specifically to teaching provision of facilities and other operational areas of the academy trust, and its finances. The Directors have implemented a number of systems to assess risks that the school faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school visits) and in relation to the control of finance. 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 Governance Statement.

The academy trust has fully implemented the requirements of the Safe Recruitment procedures and all staff have received training in this area in addition to training on Child Protection.

The academy trust is subject to a number of risks and uncertainties in common with other academies. The academy trust has in place procedures to identify and mitigate financial risks.

Plans for Future Period

Continuing to increase rolls at both schools is a priority, particularly at Sandhill View in order to close the gap in its PAN. Sixth Form growth will require capital investment for infrastructure and securing this through CIF funding and an allocation of reserves is a priority. Keeping a broad and balanced curriculum that retains existing strengths around Ebacc take up is an important priority. Equally, both academies must invest more in vocational offers and in improving the performance of core subjects in order to improve Progress 8 scores.

Auditor

Insofar as the Directors are aware:

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

Directors' report, incorporating a strategic report was approved by order of the Board of Directors, as the company directors, on 11 December 2019 and signed on the Board's behalf by:

Dr JW Brown
Chair

GOVERNANCE STATEMENT

Scope of responsibility

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

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

Governance

The information on governance included here supplements that described in the Directors' Report and in the Statement of Directors' Responsibilities. The Board of Directors has formally met 4 times during the year. The Board met less than six times due to the clearly established committees/portfolio groups of Directors who can deal with specific areas of responsibility, following robust terms of reference.

Attendance during the year at meetings of the Board of Directors was as follows:

Director	Meetings attended	Out of a possible
Dr J W Brown, Chair	4	4
A Lawson, Vice Chair	1	4
J Alder (appointed 28 November 2018)	2	4
H Catcherside	2	4
R Edmonds	3	4
S Garrett, (CEO / Principal / Accounting Officer)	4	4
J Purdy (appointed 28 November 2018)	4	4
H Shields (appointed 28 November 2018)	3	4
E Young	2	4

The work covered by the Board included reviewing and setting standards and policies within the academy trust, in addition to monitoring performance and management of finances and resources. The Directors consider the work undertaken during the year to have been successful in meeting their objectives.

The Finance and General Purposes Committee is a sub-committee of the main Board of Directors. Its purpose is to assist in the decision making of the Board by enabling more detailed consideration to be given to assist in fulfilling their responsibility in ensuring good management of the academy trust's finances and resources including planning and monitoring.

Attendance during the year at meetings was as follows:

Director	Meetings attended	Out of a possible
Dr J W Brown	6	6
R Edmonds	6	6
S Garrett	6	6
J Purdy	6	6

Review of value for money

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

The Accounting Officer for the academy trust has delivered improved value for money during the year looking at all contract and service level agreements bringing efficiencies in reducing the losses incurred with existing catering contract with Sunderland City Council. We are now with a new provider, Orian, with a cost neutral contract in the first few years, working towards a profit share contract.

Improving educational results:

Examination results 2019 show that students have made strong progress in relation to their attainment on entry.

Sixth Form is particularly strong and ranks as being well above average.

- **Targeted improvement**

  The MAT will be looking at its building infrastructure relating to 6th Form expansion through Condition Improvement Funding.

- **Focus on individual pupils**

  The use of Pupil Premium funding has continued to result in the achievement of disadvantaged pupils being significantly above expectations. Sandhill View's achievement has risen to the national average for FSM pupils and Southmoor's FSM pupils now perform in line with the progress of all pupils nationally. This is a very significant achievement.

- **Collaboration and New Initiatives**

  The Vice Principal and Director of Sixth Form has recently been appointed as one of 12 Social Mobility Commissioners. This highly significant role, approved by the Prime Minister, lends national profile to Southmoor MAT. Southmoor MAT has also attracted financial support from private local benefactors who recognize the impact it is making to raising aspirations of its pupils.

- **Quantifying improvements**

  All improvements are quantified with the Academy Self-Evaluation Form, using national benchmark data.

- **Better Purchasing**

  All purchases are made following relevant procedures i.e. quotes obtained as per guidelines for best value.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Southmoor Multi Academy Trust for the year 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Board of Directors has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Directors is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the year 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Directors.

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 Board of Directors
- regular reviews by the Finance and General Purposes Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes
- setting targets to measure financial and other performance
- clearly defined purchasing (asset purchase or capital investment) guidelines
- delegation of authority and segregation of duties
- identification and management of risks

The Board of Directors has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Directors have appointed Clive Owen LLP, the external auditors, to perform additional checks.

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

- Testing of payroll systems;
- Testing of purchase systems;
- Testing of control account/bank reconciliations;
- Testing of petty cash/expenses procedures;
- Testing of income;
- Testing of the accounting systems and management information produced;
- Testing of Director appointments/resignations and declarations of interest;
- Testing of gifts and hospitality & honorarium/ex-gratia payments;
- Testing of fixed assets;
- Testing of VAT and corporation tax position;
- Review of budgeting and financial management including purchasing and income.

The risk and control framework (continued)

On a termly basis the auditor's reports are presented to the Board of Directors, through the Finance and General Purposes Committee, on the operation of the systems of control and on the discharge of the Board of Directors' financial responsibilities.

The external auditors have delivered their schedule of work as planned and no material control issues have arisen as a result of their work.

Review of effectiveness

As Accounting Officer, the Chief Executive 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 assurance service;
- the work of the external auditors;
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the audit and finance committee and ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Directors on 11 December 2019 and signed on their behalf by:

Dr J W Brown
Chair

S Garrett
Accounting Officer

SOUTHMOOR MULTI ACADEMY TRUST

(A Company Limited by Guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Southmoor Multi Academy Trust I have considered my responsibility to notify the academy trust Board of Directors and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2018.

I confirm that I and the academy trust Board of Directors 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 2018.

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

S F Garrett
Accounting Officer
11 December 2019

SOUTHMOOR MULTI ACADEMY TRUST

(A Company Limited by Guarantee)

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 AUGUST 2019

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the 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 Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Approved by order of the members of the Board of Directors on 11 December 2019 and signed on its behalf by:

Dr J W Brown
Chair

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF SOUTHMOOR MULTI ACADEMY TRUST

Opinion

We have audited the financial statements of Southmoor Multi Academy Trust (the 'academy trust') for the year ended 31 August 2019 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes, 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 Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

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 2019 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

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 United Kingdom, including the Financial Reporting Council'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 Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors 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.

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF SOUTHMOOR MULTI ACADEMY TRUST (CONTINUED)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Other information includes the Reference and Administrative Details, the Directors' Report including the Strategic Report, and the Governance Statement. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 Directors' Report including the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Directors' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our 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 Directors' Report including the Strategic Report.

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

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

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF SOUTHMOOR MULTI ACADEMY TRUST (CONTINUED)

Responsibilities of trustees

As explained more fully in the Directors' Responsibilities Statement, the Directors (who are also the directors of the academy trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 Directors 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 Directors either intend to liquidate the academy trust or to cease operations, or have no realistic alternative but to do so.

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

Use of our report

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

Clive Owen

Gary Ellis FCA (Senior Statutory Auditor)
for and on behalf of
Clive Owen LLP
Chartered Accountants
Statutory Auditors
Kepier House
Belmont Business Park
Durham
DH1 1TW

11 December 2019

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO SOUTHMOOR MULTI ACADEMY TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY

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

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

Respective responsibilities of Southmoor Multi Academy Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Southmoor Multi Academy Trust's funding agreement with the Secretary of State for Education dated 1 May 2012 and the Academies Financial Handbook, extant from 1 September 2018, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2018 to 2019. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2018 to 31 August 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2018 to 2019 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw to our conclusion includes:

- Review of governing body and committee minutes;
- Review of termly Internal Assurance reports;
- Completion of self assessment questionnaire by Accounting Officer;
- Review documentation provided to Directors and Accounting Officer setting out responsibilities;
- Obtain formal letters of representation detailing the responsibilities of Directors;
- Review of payroll, purchases and expenses claims on a sample basis;
- Confirmation that the lines of delegation and limits set have been adhered to;
- Evaluation of internal control procedures and reporting lines;
- Review cash payments for unusual transactions;
- Review of credit card transactions;
- Review of registers of interests;

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO SOUTHMOOR MULTI ACADEMY TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY (CONTINUED)

Approach (continued)

- Review related party transactions;
- Review of borrowing agreements;
- Review of land and building transactions;
- Review of potential and actual bad debts;
- Review an instance of gifts/hospitality to ensure in line with policy;
- Review whistleblowing procedures;
- Review pay policy and factors determining executive pay;
- Review of staff expenses;
- Review other income to ensure is in line with funding agreement;
- Review governance structure and number of meetings held; and
- Review whether there is a risk register in place.

Conclusion

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

Clive Owen

Clive Owen LLP

Reporting Accountant

Kepier House
Belmont Business Park
Durham
DH1 1TW

11 December 2019

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 AUGUST 2019

	Note	Unrestricted funds 2019 £000	Restricted funds 2019 £000	Restricted fixed asset funds 2019 £000	Total funds 2019 £000	Total funds 2018 £000
Income from:						
Donations and capital grants	4	-	3	490	493	553
Charitable activities	5	407	12,385	-	12,792	12,338
Other trading activities	6	327	-	-	327	230
Investments	7	4	-	-	4	1
Total income		738	12,388	490	13,616	13,122
Expenditure on:						
Raising funds	8	-	26	-	26	27
Charitable activities	9	438	12,027	1,370	13,835	13,885
Total expenditure		438	12,053	1,370	13,861	13,912
Net income/(expenditure)		300	335	(880)	(245)	(790)
Transfers between funds	20	-	(147)	147	-	-
Net movement in funds before other recognised gains/(losses)		300	188	(733)	(245)	(790)
Other recognised gains/(losses):						
Actuarial losses on defined benefit pension schemes	28	-	(1,415)	-	(1,415)	845
Net movement in funds		300	(1,227)	(733)	(1,660)	55
Reconciliation of funds:						
Total funds brought forward		242	(1,616)	17,908	16,534	16,479
Net movement in funds		300	(1,227)	(733)	(1,660)	55
Total funds carried forward		542	(2,843)	17,175	14,874	16,534

BALANCE SHEET
AS AT 31 AUGUST 2019

	Note		2019 £000		2018 £000
Fixed assets					
Tangible assets	15		17,108		17,839
			17,108		17,839
Current assets					
Stocks	16	4		4	
Debtors	17	722		511	
Cash at bank and in hand		2,198		1,081	
		2,924		1,596	
Creditors: amounts falling due within one year	18	(1,661)		(1,098)	
Net current assets			1,263		498
Total assets less current liabilities			18,371		18,337
Creditors: amounts falling due after more than one year	19		(133)		(187)
Net assets excluding pension liability			18,238		18,150
Defined benefit pension scheme liability	28		(3,364)		(1,616)
Total net assets			14,874		16,534
Funds of the academy trust					
Restricted funds:					
Fixed asset funds	20	17,175		17,908	
Restricted income funds	20	521		-	
Restricted funds excluding pension asset	20	17,696		17,908	
Pension reserve	20	(3,364)		(1,616)	
Total restricted funds	20		14,332		16,292
Unrestricted income funds	20		542		242
Total funds			14,874		16,534

BALANCE SHEET (CONTINUED)
AS AT 31 AUGUST 2019

The financial statements on pages 21 to 53 were approved by the Directors, and authorised for issue on 11 December 2019 and are signed on their behalf, by:

Dr J W Brown

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Net cash provided by operating activities	22	1,421	71
Cash flows from investing activities	24	(250)	113
Cash flows from financing activities	23	(54)	(54)
Change in cash and cash equivalents in the year		1,117	130
Cash and cash equivalents at the beginning of the year		1,081	951
Cash and cash equivalents at the end of the year	25	2,198	1,081

1. Accounting policies

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

1.1 Basis of preparation of financial statements

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

Southmoor Multi Academy Trust meets the definition of a public benefit entity under FRS 102.

1.2 Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the funders where the asset acquired or created is held for a specific purpose.

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

1.3 Income

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

- **Grants**

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

  General Annual Grant is recognised in full in the Statement of Financial Activities in the year for which it is receivable and any abatement in respect of the year 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 the receipt is probable and the amount can be reliably measured.

- **Other income**

  Other income, including the hire of facilities, is recognised in the year it is receivable and to the extent the academy trust has provided the goods or services.

1. Accounting policies (continued)

1.4 Expenditure

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

- **Charitable activities**

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

All resources expended are inclusive of irrecoverable VAT.

1.5 Termination benefits

Termination benefits are measured at the best estimate of the expenditure required to settle the obligation at the reporting date. If the expected settlement date of the termination payments is 12 months or more after making the provision and the effect would be material, the present value of the obligation is calculated using an appropriate discount rate.

1.6 Going concern

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

1.7 Tangible fixed assets

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

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

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

1. Accounting policies (continued)

1.7 Tangible fixed assets (continued)

Depreciation is provided on the following bases:

Leasehold land	- over 125 years
Long term leasehold property	- over 12 - 25 years
Furniture and equipment	- over 7 years
Computer equipment	- over 3 years
Motor vehicles	- over 4 years

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

1.8 Operating leases

Rentals paid under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

1.9 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.10 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the academy trust; this is normally upon notification of the interest paid or payable by the institution with whom the funds are deposited.

1.11 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.

1.12 Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.13 Cash at bank and in hand

Cash at bank and in hand includes cash and short-term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1. **Accounting policies (continued)**

1.14 Liabilities and Provision

Liabilities are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.15 Concessionary loans

Concessionary loans are initially recognised and measured at the amount received or paid, with the carrying amount adjusted in subsequent years to reflect repayments and any accrued interest and adjusted if necessary for any impairment.

1.16 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 bases 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 17. 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 18 and 19. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

1. Accounting policies (continued)

1.17 Pensions

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

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

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

2. Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 28, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Depreciation – Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the economic life of that asset. An estimate of the useful life of assets is detailed in the depreciation accounting policy. The value of depreciation charge during the year was £1,370,000.

Critical areas of judgement:

LGPS Pension - There are two recent court cases which could impact on the future liabilities associated with the LGPS scheme, McCloud Sargeant (McCloud) and GMP Indexation and Equalisation (GMP).

McCloud

In 2015 the government introduced reforms to public sector pensions resulting in most public sector workers being transferred to a new scheme. In December 2018, the Court of Appeal ruled that the 'transitional protections' offered to some members of the judges and firefighter schemes as part of the reforms amounted to unlawful discrimination. While the judgement was not in relation to the LGPS it is reasonable to expect that it will need to be applied to this scheme by the government. Actuaries have estimated that the additional liabilities associated with this to be around 3-4% of active liabilities. As this has been considered to be potentially material to the financial statements the year end valuation performed by the actuary has included an approximate calculation of the McCloud valuation. This has increased the LGPS liability by £206,000 as at 31 August 2019.

GMP

This case related to the equalisation for men and women of guaranteed minimum pension (GMP) for those who were contracted out of the State Second Pension between 6 April 1978 and 6 April 1997. In October 2018 the High Court ruled that equalisation of GMP was required. This case was in relation to Lloyds Bank and HM Treasury have since gone on record to state public sector schemes have a method to equalise GMP already. There is however some judgement in how this equalisation works and is reflected in the LGPS valuations. The year end valuation performed by the actuary has included an approximate calculation of the GMP valuation. This has increased the LGPS liability by £11,000 as at 31 August 2019.

2. Critical accounting estimates and areas of judgement (continued)

Land – Land and buildings at Southmoor Academy are held under a 125 year lease from Sunderland City Council. These assets are included on the Balance Sheet of the academy trust due to the significant risks and rewards of ownership belonging to the academy trust, the lease term being the major part of the economic life of the assets and the assets being of such a specialised nature that only the academy trust could use them without major modification.

The PFI contract for Sandhill View Academy is an engagement to receive services and, as the academy trust is deemed to control the services that are provided under the PFI scheme, the academy trust has recognised the assets used under the contract within tangible fixed assets. The Directors consider the cost to obtaining an additional valuation would outweigh the benefit.

3. General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, there are academies within the academy trust which were subject to limits at 31 August 2019 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes.

No academies within the academy trust exceeded the limits during the year ended 31 August 2019.

4. Income from donations and capital grants

	Restricted funds 2019 £000	Total funds 2019 £000	Total funds 2018 £000
Donations	3	3	-
Capital Grants	490	490	553
Total 2019	493	493	553
Total 2018	553	553	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

5. Funding for the academy trust's educational operations

	Unrestricted funds 2019 £000	Restricted funds 2019 £000	Total funds 2019 £000	Total funds 2018 £000
DfE/ESFA grants				
General Annual Grant (GAG)	-	11,244	11,244	10,930
Pupil Premium	-	740	740	730
Rates	-	62	62	62
Year 7 Catch Up	-	24	24	22
Other DfE Group grants	-	136	136	19
	-	12,206	12,206	11,763
Other Government grants				
SEN	-	98	98	137
Other Government grants	-	45	45	28
	-	143	143	165
Other funding				
Non Government grant income	-	36	36	8
Student trips	149	-	149	133
Student catering	258	-	258	269
	407	36	443	410
	407	12,385	12,792	12,338
Total 2018	402	11,936	12,338	

6. Income from other trading activities

	Unrestricted funds 2019 £000	Total funds 2019 £000	Total funds 2018 £000
Hire of facilities	26	26	22
Non student catering	6	6	13
Rental income	3	3	3
Receipts from Supply Teacher Insurance claims	49	49	47
Other income	243	243	145
	327	327	230

All income from other trading activities was attributable to unrestricted funds for the year ended 31 August 2018.

7. Investment income

	Unrestricted funds 2019 £000	Total funds 2019 £000	Total funds 2018 £000
Investment income	4	4	1

All investment income was attributable to unrestricted funds for the year ended 31 August 2018.

8. Expenditure

	Staff Costs 2019 £000	Premises 2019 £000	Other 2019 £000	Total 2019 £000	Total 2018 £000
Expenditure on fundraising trading activities:					
Allocated support costs	-	-	26	26	27
Academy trust's educational operations:					
Direct costs	7,944	-	981	8,925	9,005
Allocated support costs	884	2,961	1,065	4,910	4,880
	8,828	2,961	2,072	13,861	13,912
Total 2018	8,902	1,799	3,211	13,912	

In 2019, of the total expenditure, £438,000 (2018 - £539,000) was to unrestricted funds and £13,423,000 (2018 - £13,373,000) was to restricted funds.

There were no individual transactions exceeding £5,000 for:

- Compensation payments
- Gifts made by the trust
- Fixed asset losses
- Stock losses
- Unrecoverable assets
- Cash losses

There were no ex-gratia payments in the year.

9. Analysis of expenditure by activities

	Activities undertaken directly 2019 £000	Support costs 2019 £000	Total funds 2019 £000	Total funds 2018 £000
Academy trust's educational operations	8,925	4,910	13,835	13,885
Total 2018	9,005	4,880	13,885	

Analysis of direct costs

	Total funds 2019 £000	Total funds 2018 £000
Staff costs	7,944	8,058
Educational supplies	432	466
Examination fees	248	210
Staff development	21	33
Technology costs	43	41
Educational consultancy	170	166
Supply insurance	49	16
Transport	18	15
	8,925	9,005

9. Analysis of expenditure by activities (continued)

Analysis of support costs

	Total funds 2019 £000	Total funds 2018 £000
Staff costs	884	844
Depreciation	1,370	1,356
Net interest cost on pension scheme	40	53
Staff development	24	26
Technology costs	81	78
Staff expenses	5	4
Maintenance of premises	63	63
Cleaning	135	130
Other premises costs	59	55
Energy	125	125
Rent & rates	62	63
RPA fees	40	39
Catering	405	456
Other insurance premiums	1	1
Operating lease rentals	116	104
Security	-	2
Other costs	1,407	1,388
Governance costs	93	93
	4,910	4,880

10. Net income/(expenditure)

Net income/(expenditure) for the year includes:

	2019 £000	2018 £000
Operating lease rentals	116	104
Depreciation of tangible fixed assets	1,370	1,356
Fees paid to auditors for:		
- audit	13	13
- other services	5	2

11. Staff costs

a. Staff costs

Staff costs during the year were as follows:

	2019 £000	2018 £000
Wages and salaries	6,569	6,740
Social security costs	673	699
Pension costs	1,392	1,289
	8,634	8,728
Agency staff costs	131	97
Staff restructuring costs	63	77
	8,828	8,902

Included in operating costs of defied benefit pension schemes is a charge of £293,000 (2018: £126,000) relating to the pension deficit actuarial adjustment.

Staff restructuring costs comprise:

	2019 £000	2018 £000
Redundancy payments	19	13
Severance payments	44	64
	63	77

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

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £17,000 (2018: £25,000). Individually the payments were: £6,000, £2,000, £4,000, £2,000, £3,000.

c. Staff numbers

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

	2019 No.	2018 No.
Teachers	115	122
Administration and support	97	104
Management	11	12
	223	238

11. Staff costs (continued)

d. Higher paid staff

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

	2019 No.	2018 No.
In the band £60,001 - £70,000	5	2
In the band £70,001 - £80,000	2	1
In the band £80,001 - £90,000	1	-
In the band £120,001 - £130,000	-	1
In the band £130,001 - £140,000	1	-
In the band £160,001 - £170,000	-	1

e. Key management personnel

The key management personnel of the academy trust comprise the Directors and the Senior Leadership Team as listed on page 1. The total amount of employee benefits (including employer pension and national insurance contribututions) received by key management personnel for their services to the academy trust was £590,000 (2018: £708,000).

12. Directors' remuneration and expenses

One or more Directors has been paid remuneration or has received other benefits from an employment with the academy trust. The principal and other staff Directors only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment. The value of Directors' remuneration and other benefits was as follows:

		2019 £000	2018 £000
Dr P Ingram (CEO to 31 August 2018)	Remuneration	-	160 - 165
	Pension contributions paid	-	15 - 20
S Garrett, (CEO from 1 September 2019 / Principal / Accounting Officer)	Remuneration	130 - 135	125 - 130
	Pension contributions paid	20 - 25	20 - 25

During the year ended 31 August 2019, no Director expenses have been incurred *(2018 - £Nil)*.

13. Directors' and Officers' insurance

In accordance with normal commercial practice, the academy trust has purchased insurance to protect Directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy trust business. The insurance provides cover up to £10,000,000 It is not possible to quantify the Directors and officers indemnity element from the overall cost of the RPA scheme.

14. Central services

The academy trust has provided the following central services to its academies during the year:

- Finance staff
- Legal services
- Audit
- HR SLA
- Governance SLA
- Finance SLA
- School Improvement

The academy trust charges for these services on the following basis:

Pre-16 pupil numbers

The actual amounts charged during the year were as follows:

	2019 £000	2018 £000
Southmoor Academy	503	406
Sandhill View Academy	362	346
Total	865	752

15. Tangible fixed assets

	Leasehold land and buildings £000	Furniture and equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost or valuation					
At 1 September 2018	22,759	219	235	-	23,213
Additions	508	13	68	50	639
At 31 August 2019	23,267	232	303	50	23,852
Depreciation					
At 1 September 2018	5,089	95	190	-	5,374
Charge for the year	1,292	32	36	10	1,370
At 31 August 2019	6,381	127	226	10	6,744
Net book value					
At 31 August 2019	16,886	105	77	40	17,108
At 31 August 2018	17,670	124	45	-	17,839

16. Stocks

	2019 £000	2018 £000
Uniform	4	4

17. Debtors

	2019 £000	2018 £000
Trade debtors	3	2
Other debtors	14	-
Prepayments and accrued income	554	364
VAT recoverable	151	145
	722	511

18. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	871	464
Other creditors	54	54
Accruals and deferred income	736	580
	1,661	1,098

	2019 £000	2018 £000
Deferred income at 1 September 2018	37	39
Resources deferred during the year	135	37
Amounts released from previous periods	(37)	(39)
	135	37

At the Balance Sheet date the academy trust was holding funds received in advance for rates relief, a Cadet Force grant and various smaller grants.

19. Creditors: Amounts falling due after more than one year

	2019 £000	2018 £000
Other creditors	133	187

Included within other creditors is a loan of £187,000 (2018: £241,000) from Salix Finance Ltd which is provided on the following terms: Interest free loan repayable through GAG in 6-monthly instalments of £27,000 from March 2017.

20. Statement of funds

	Balance at 1 September 2018 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2019 £000
Unrestricted funds						
General Funds	242	738	(438)	-	-	542
Restricted general funds						
General Annual Grant (GAG)	-	11,244	(10,576)	(147)	-	521
Pupil Premium	-	740	(740)	-	-	-
Other DfE/ESFA grants	-	222	(222)	-	-	-
SEN	-	98	(98)	-	-	-
Other Government grants	-	45	(45)	-	-	-
Non Government grants	-	36	(36)	-	-	-
Donations	-	3	(3)	-	-	-
Pension reserve	(1,616)	-	(333)	-	(1,415)	(3,364)
	(1,616)	12,388	(12,053)	(147)	(1,415)	(2,843)
Restricted fixed asset funds						
Legacy Assets - Southmoor Academy	7,000	-	(338)	-	-	6,662
Devolved Formula Capital	136	144	(36)	-	-	244
Condition Improvement Fund	1,280	346	(51)	-	-	1,575
Academies Capital Maintenance Fund	463	-	(22)	-	-	441
General Annual Grant (GAG)	696	-	(75)	147	-	768
Legacy Assets - Sandhill View Academy	8,333	-	(848)	-	-	7,485
	17,908	490	(1,370)	147	-	17,175
Total Restricted funds	16,292	12,878	(13,423)	-	(1,415)	14,332
Total funds	16,534	13,616	(13,861)	-	(1,415)	14,874

20. Statement of funds (continued)

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

The General Annual Grant (GAG) must be used for the normal running of the academy trust including salaries and related costs, overheads, repairs and maintenance, and insurance. Under the funding agreement with the Secretary of State, the academy trust was subject to a limit on the amount of GAG that it could carry forward at 31 August 2019. Note 3 discloses whether the limit was exceeded.

Pupil Premium is additional funding to be spent as the school sees fit to support deprived students.

Other DfE/ESFA grants relates to rates relief, Year 7 Catch-up funding, Supplementary Free School Meals grant and the Teachers' Pay Grant.

SEN is income to support students with special educational needs.

Other Government grants includes income from the Local Authority for additional Pupil Premium to support disadvantaged pupils.

Non Government grants relates to various small grants awarded to cover specific educational projects and resources.

Donations relate to income received towards creating a scholarship fund for sixth form students to encourage participation in higher education.

The pension reserves is the liability due to the deficit on the Local Government Pension Scheme. Further details are shown in note 28.

The restricted fixed asset funds represent monies received to purchase fixed assets. Depreciation is charged against each fund over the useful economic life of the associated assets.

Transfers have been made out of GAG to fund capital expenditure.

Unrestricted funds include the income from uniform sales, school trips and catering with the relevant costs allocated accordingly.

20. Statement of funds (continued)

Total funds analysis by academy

Fund balances at 31 August 2019 were allocated as follows:

	2019 £000	2018 £000
Southmoor Academy	188	59
Sandhill View Academy	875	183
Total before fixed asset funds and pension reserve	1,063	242
Restricted fixed asset fund	17,175	17,908
Pension reserve	(3,364)	(1,616)
Total	14,874	16,534

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 2019 £000	Total 2018 £000
Southmoor Academy	4,248	345	321	1,464	6,378	6,693
Sandhill View Academy	3,005	187	111	1,613	4,916	5,112
Central services	691	352	-	154	1,197	752
Academy trust	7,944	884	432	3,231	12,491	12,557

20. Statement of funds (continued)

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

	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2018 £000
Unrestricted funds						
General Funds	140	641	(539)	-	-	242
Restricted general funds						
General Annual Grant (GAG)	-	10,930	(10,840)	(90)	-	-
Pupil Premium	-	730	(730)	-	-	-
Other DfE/ESFA grants	-	103	(103)	-	-	-
SEN	-	137	(137)	-	-	-
Other Government grants	-	28	(28)	-	-	-
Pension reserve	(2,282)	-	(179)	-	845	(1,616)
	(2,282)	11,928	(12,017)	(90)	845	(1,616)
Restricted fixed asset funds						
Legacy Assets - Southmoor Academy	7,338	-	(338)	-	-	7,000
Devolved Formula Capital	121	42	(27)	-	-	136
Condition Improvement Fund	801	511	(32)	-	-	1,280
Academies Capital Maintenance Fund	503	-	(40)	-	-	463
General Annual Grant (GAG)	669	-	(63)	90	-	696
Legacy Assets - Sandhill View Academy	9,189	-	(856)	-	-	8,333
	18,621	553	(1,356)	90	-	17,908
Total Restricted funds	16,339	12,481	(13,373)	-	845	16,292
Total funds	16,479	13,122	(13,912)	-	845	16,534

21. Analysis of net assets between funds

Analysis of net assets between funds - current year

	Unrestricted funds 2019 £000	Restricted funds 2019 £000	Restricted fixed asset funds 2019 £000	Total funds 2019 £000
Tangible fixed assets	-	-	17,108	17,108
Current assets	542	2,128	254	2,924
Creditors due within one year	-	(1,607)	(54)	(1,661)
Creditors due in more than one year	-	-	(133)	(133)
Provisions for liabilities and charges	-	(3,364)	-	(3,364)
Total	542	(2,843)	17,175	14,874

Analysis of net assets between funds - prior year

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Total funds 2018 £000
Tangible fixed assets	-	-	17,839	17,839
Current assets	242	1,044	310	1,596
Creditors due within one year	-	(1,044)	(54)	(1,098)
Creditors due in more than one year	-	-	(187)	(187)
Provisions for liabilities and charges	-	(1,616)	-	(1,616)
Total	242	(1,616)	17,908	16,534

22. Reconciliation of net expenditure to net cash flow from operating activities

	2019 £000	2018 £000
Net expenditure for the year (as per Statement of Financial Activities)	(245)	(790)
Adjustments for:		
Depreciation	1,370	1,356
Capital grants from DfE and other capital income	(385)	(436)
Interest receivable	(4)	(1)
Defined benefit pension scheme cost less contributions payable	293	126
Defined benefit pension scheme finance cost	40	53
Increase in debtors	(211)	(94)
Increase/(decrease) in creditors	563	(143)
Net cash provided by operating activities	1,421	71

23. Cash flows from financing activities

	2019 £000	2018 £000
Repayments of borrowing	(54)	(54)
Net cash used in financing activities	(54)	(54)

24. Cash flows from investing activities

	2019 £000	2018 £000
Dividends, interest and rents from investments	4	1
Purchase of tangible fixed assets	(639)	(324)
Capital grants from DfE Group	385	436
Net cash (used in)/provided by investing activities	(250)	113

25. Analysis of cash and cash equivalents

	2019 £000	2018 £000
Cash in hand	2,198	1,081
Total cash and cash equivalents	2,198	1,081

26. Net Finance Cost on Pension Scheme

	2019 £000	2018 £000
Interest income on pension scheme assets	191	150
Interest on pension scheme liabilities	(231)	(203)
	(40)	(53)

27. Capital commitments

	2019 £000	2018 £000
Contracted for but not provided in these financial statements	157	165

28. Pension commitments

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

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

Teachers' Pension Scheme

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

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

28. Pension commitments (continued)

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 (amended) 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 2016 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 (amended). The valuation report was prepared for the Department for Education on 5 March 2019. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 23.68% of pensionable pay (including a 0.08% employer administration charge)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218,100 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196,100 million giving a notional past service deficit of £22,000 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 2.4% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.2%. The assumed nominal rate of return is 4.45%.

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from 1 September 2019 (this includes the administration levy of 0.8%).

The employer's pension costs paid to TPS in the year amounted to £736,000 *(2018 - £773,000)*.

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 an unfunded multi-employer pension scheme. The academy trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy trust has set out above the information available on the scheme.

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2019 was £453,000 *(2018 - £484,000)*, of which employer's contributions totalled £363,000 *(2018 - £390,000)* and employees' contributions totalled £ 90,000 *(2018 - £94,000)*. The agreed contribution rates for future years are 25.2% for employers and 5.5 - 12.0% for employees.

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

28. Pension commitments (continued)

Principal actuarial assumptions

	2019 %	2018 %
Rate of increase in salaries	3.60	3.50
RPI Inflation	3.10	3.10
Rate of increase for pensions in payment/inflation	2.10	2.00
Discount rate for scheme liabilities	1.90	2.80
Inflation assumption (CPI)	2.10	2.00
Rate of revaluation of pension accounts	2.10	2.00
Commutation of pensions to lump sums	75.00	75.00

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

	2019 Years	2018 Years
Retiring today		
Males	21.9	22.9
Females	25.1	26.4
Retiring in 20 years		
Males	23.6	25.1
Females	26.9	28.7

Sensitivity analysis

	2019 £000	2018 £000
Discount rate +0.1%	10,673	8,065
Discount rate -0.1%	11,191	8,456
Mortality assumption - 1 year increase	10,564	8,025
Mortality assumption - 1 year decrease	11,299	8,491
CPI rate +0.1%	11,090	8,381
CPI rate -0.1%	10,770	8,137

28. Pension commitments (continued)

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

	At 31 August 2019 £000	At 31 August 2018 £000
Equities	4,955	4,483
Goverment bonds	310	266
Corporate bonds	862	744
Property	651	565
Cash and other liquid assets	159	146
Other	628	438
Total market value of assets	7,565	6,642

The actual return on scheme assets was £550,000 *(2018 - £448,000)*.

The amounts recognised in the Statement of Financial Activities are as follows:

	2019 £000	2018 £000
Current service cost	(439)	(516)
Past service cost	(217)	-
Interest income	191	150
Interest cost	(231)	(203)
Total amount recognised in the Statement of Financial Activities	(696)	(569)

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

	2019 £000	2018 £000
At 1 September	8,258	8,110
Current service cost	439	516
Interest cost	231	203
Employee contributions	90	95
Actuarial losses/(gains)	1,774	(547)
Benefits paid	(80)	(119)
Past service costs	217	-
At 31 August	10,929	8,258

28. Pension commitments (continued)

Changes in the fair value of the academy trust's share of scheme assets were as follows:

	2019 £000	2018 £000
At 1 September	6,642	5,828
Expected return on assets	191	150
Actuarial gains	359	298
Employer contributions	363	390
Employee contributions	90	95
Benefits paid	(80)	(119)
At 31 August	7,565	6,642

29. Operating lease commitments

At 31 August 2019 the academy trust had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Not later than 1 year	69	100
Later than 1 year and not later than 5 years	86	162
	155	262

30. Other financial commitments

Under the PFI arrangement, the academy trust has a financial liability to make payments to the PFI contractor for the life of the contract, which began in September 2002 and will run for 25 years. The cost is based on pupil numbers and in the period was £1,153,000 (2018: £1,076,000). Funding was received from the ESFA to cover this cost.

31. Related party transactions

Owing to the nature of the academy trust's operations and the composition of the Board of Directors being drawn from local public and private sector organisations, transactions may take place with organisations in which a directors has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the AFH, including notifying the ESFA of all transactions made on or after 1 April 2019 and obtaining their approval where required, and with the academy trust's financial regulations and normal procurement procedures relating to connected and related party transactions.

No related party transactions took place in the period of account, other than certain Directors' remuneration and expenses already disclosed in note 12.