



# THE LETTA TRUST

(A company limited by guarantee)

## Trustees' Report and Financial Statements

For the year ended 31 August 2018

Butler & Co LLP  
Chartered Accountants  
& Statutory Auditor  
Third Floor  
126-134 Baker Street  
London  
W1U 6UE

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**Reference and administrative details for the year ended 31 August 2018**

Members	Mrs Evelyn Holdsworth Mrs Stephanie Mackellar Mr Babu Bhattacharjee Mr Peter Sherratt Mr Ramakrishnan Venkatakrisna
Trustees	Mr Peter Sherratt (Chair of Trustees) Ms Ruth Brock (Vice-chair of Trustees) Mr Ramakrishnan Venkatakrisna (Chair of Resources Committee) Mr Oliver Woodward (Vice-chair of Resources Committee) Mr Stuart Poyser (Chair of Audit and Risk Committee) Ms Tessa Dugmore (Vice-chair of Audit and Risk Committee) Mrs Jo Franklin (CEO) Mr Peter Stone (appointed 10/7/2018)
CEO	Mrs Jo Franklin
Registered office	Bygrove Primary School Bygrove Street London Tower Hamlets E14 6DN
Registered co no	10726202 (England and Wales)
Auditors	Butler and Co LLP Chartered Accountants and Statutory Auditor Third Floor 126-134 Baker Street London W1U 6UE
Bankers	Lloyds TSB 125 London Wall London EC2Y 5AS

## Trustees' Report for the year ended 31 August 2018

The trustees who are also directors of the academy trust for the purposes of the Companies Act 2006, present their report with the financial statements of the academy trust for the year ended 31 August 2018. The trustees have adopted the provisions of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) and the Academies Accounts Direction issued by the Education and Skills Funding Agency.

The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The Trust operates 2 primary academies and has a total capacity of 960 pupil places from Nursery to Year 6.

### OBJECTIVES AND ACTIVITIES

#### Objectives and aims

The multi academy trust's principal object and activity is to manage the schools' provision of education for pupils between the ages of 3~11.

#### Objectives, strategies and activities

As a multi academy trust we have clear strategic aims built on our vision and values. Our budget plan is designed to support us in achieving our vision for our pupils. The majority of our budget is spent on our staff team. We recruit and deploy these people carefully so that they deliver the very best quality educational experience for the children in our schools. The remainder of our income is allocated to maintaining an excellent learning environment and developing our provision further.

#### Leadership and governance

Trustees, local governors and school leaders are highly effective in fulfilling their duties to provide the best possible education in each school in the Trust. Our trustees and governors are committed to their duties and contribute effectively to leadership of the Trust and its schools. School leaders work closely together in partnership to learn from each other and develop best practice.

#### School improvement

Both schools perform well academically and offer an excellent education to all pupils through a broad, rich curriculum that includes a range of opportunities for personal and cultural development. School improvement activities are research-based; leaders and teachers use the latest educational research and their own research projects to improve the quality of education across the Trust.

#### Continuing professional development

The LETTA Trust schools lead a Teaching School Alliance which is a large partnership of schools who work together on school improvement activities and continuing professional development for school staff. These carefully designed professional development packages attract and develop talented staff. The LETTA Teaching School Alliance runs a highly successful Initial Teacher Training programme which was graded outstanding by Ofsted in November 2017.

From September 2017 to July 2018 teaching staff in our schools developed an innovative professional learning strategy that includes a balance of training relating to the current improvement priority, directed training, menu options and opportunities for reading and research.

#### Integrated support and shared services

The Trust has developed a business structure to facilitate growth, deliver value for money, minimise risk and ensure that our schools are able to deliver a high standard of education. This includes a career pathway for staff in operational roles and the opportunity for them to develop expertise in areas such as finance, procurement and HR. A number of these team members deliver services

across the Trust.

### **Partnerships**

The LETTA Trust schools actively seek out opportunities to work with other schools on school improvement activities. We have strong partnerships with the LETTA Teaching School Alliance schools, the Poplar Partnership and the Tower Hamlets Education Partnership. We also work closely with community organisations, including Poplar Harca and Bow Arts, and national ones such as the Shakespeare Schools Festival charity.

### **Public benefit**

The LETTA Trust schools cater for children aged 3 to 11 and strive to promote and support the advancement of education within East London. The schools provide an extensive programme of educational and recreational activity, all designed to contribute to the overall education of our pupils in areas such as academic distinction, music, the arts and sport. In setting the schools objectives and planning their activities the trustees gave careful consideration to the charity commission's general guidance on public benefit. The trustees believe that the Trust's aims, together with the activities planned in each school, are demonstrably to the public benefit.

From September 2017 to August 2018 the children in our schools took part in a wide range of activities. Trips and visits were a regular feature in all classes including residential trips in Years 3, 4, 5 and 6. As a result, children learned things they could not learn at school or at home, extended their vocabulary and developed their social skills.

A large number of children participated in Arts events and projects across the Trust. Children in Y4 performed in the Shakespeare Schools Festival and children in Y5 took part in a Disney production in the West End. All children performed on stage at school for their friends and families to celebrate a range of events across the year.

In sport, both schools took part in a wide range of local competitions in a variety of disciplines. Sports clubs at lunchtime and after school continue to be popular and include Judo, Karate, dance, yoga and BMX biking.

### **Equal opportunities**

Equality is one of the Trust's 4 core values. The trustees believe that equality of opportunity is an essential component of the workplace. They ensure that equal opportunity is integral to all areas of its activities including creating a working environment in which the needs of all people are met and their contribution is fully valued.

### **People with a disability**

The policy of the Trust is to support recruitment and retention of pupils and employees with disabilities. The Trust does this by adapting the physical environment and by making support resources available from the point of application.

## **STRATEGIC REPORT**

### **Achievement and performance**

#### **Academic achievement**

Trustees and governors monitor a range of academic outcomes in schools in the Trust including the schools own assessment information and the national data sets.

Pupils make excellent progress across both schools. When they join us, the vast majority are assessed as working well below the standards expected for their age. By the end of their Reception year, outcomes are typically in line with outcomes for all children in the UK. By the end of Year 2, pupils are achieving outcomes that are typically above other children nationally and by the time they leave us at the end of Year 6 outcomes are high compared to national benchmarks.

### Key financial performance indicators

The trustees consider that the following are key performance indicators for the Trust:

- Pupil numbers (leading directly to the Education and Skills Funding Agency funding)
- General financial stability ~ for expenditure not to exceed income each year
- Salary costs to the ESFA revenue income, to total income and as a percentage of total expenditure
- Pupil:teacher ratio
- Average teacher cost
- Proportion of budget spent on the leadership team
- Spend per pupil for non-pay expenditure

The trustees monitor these financial performance indicators to ensure they are managed appropriately.

### Financial review

#### Financial position

Most of the Trust's recurrent income is obtained from the ESFA in the form of grants, the use of which is restricted to particular purposes. The grants received from the ESFA from 1 September 2017 to the 31 August 2018 and the associated expenditure is shown as restricted funds in the statement of financial activities (SOFA).

Total income for the period was £6,347k of which £4,137k related to the recurrent revenue grant income.

The trust held fund balances at 31st of August 2018 of £11,966k (2017: £13,191k). These funds included restricted fixed asset funds of £12,743k (2017: £13,913k), other restricted funds of £32k (2017: £164k) and unrestricted funds of NIL (2017: £298k). There is also a pension reserve deficit of £809k (2017: £857k) relating to the LGPS.

The LGPS pension reserve fund is in deficit at 31 August 2018. It is important to note that this deficit does not mean that an immediate liability crystallises. The accounting deficit has no direct effect on the employer contribution rate paid by the school, which is determined using longer term funding assumptions. These contribution rates are reviewed every three years in consultation with the scheme's administrator (the London borough of Tower Hamlets). 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 next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

#### Reserves policy

The trustees review the reserve levels of the multi-academy trust throughout the year. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of the reserves.

#### Investment Policy

The academy trust has no investments other than cash balances. Currently these are held within a school account at the bank.

#### Going concern

After making appropriate enquiries, the trustees have a reasonable expectation that the multi academy trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going

concern basis can be found in the Statement of Accounting Policies.

### **Principal risks and uncertainties**

The main risks that the multi academy trust is exposed to are summarised below. For each of these risks the probability, impact and seriousness has been considered together with appropriate action and management plans:

- Operational and reputational ~ this covers risks to the running of the schools (including the capacity of staff and buildings to meet the needs of peoples) and their performance in delivering the curriculum
- Financial ~ covering risks to the Trust's financial position, including revenue streams, cost control and cash management
- Pension Scheme - Risks associated with the LGPS defined benefit pension scheme and the current pension deficit

The risks to which the multi academy trust is exposed arise both internally and externally. External risks include those in respect of future funding levels, competition, changes to rules and regulations and the financial position of the staff pension schemes. External incidents can also disrupt the activities of the schools.

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

The multi-academy trust does not use complex financial instruments. It manages its activities using cash and various items such as trade debtors and trade creditors that arise directly from its operations.

The main risk arising from the Trust's financial activities is liquidity risk. The trust manages its cash resources, including sufficient working capital, so that all its operating needs are met without the need for short-term borrowing.

The Trust is also exposed to interest rate risk and credit risk as part of its normal activities:

Interest rate risk ~ the Trust earns interest on cash deposits. With interest rates currently low, the trustees will consider action to increase the income from these deposits provided it does not jeopardise the liquidity or security of the trust's assets

Credit risk ~ this arises from the possibility that amounts owed to the Trust will not be repaid. The Trust does not undertake credit activities so it is only exposed to credit risk as it arises from normal business. Credit risk is managed through the use of approved banks and the prompt collection of amounts due.

### **Future plans**

The trustees' main plans for future periods are:

- If an opportunity arises, grow to provide education to a wider community
- Recruit, retain and develop an outstanding teaching, leadership and support staff team
- Continue to develop and enhance governance with particular emphasis on creating an effective partnership between the Trust Board and Local Governing Boards
- Develop a recognised capability to improve achievement and progress

## **STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **Charity 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 trustees of The LETTA Trust are also the directors of the charitable company for the purposes of company law. The charitable company is known as The LETTA Trust.

**Members' liability**

Each member of the charitable company undertakes to contribute 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. This contribution will not exceed £10 towards debts and liabilities.

**Trustees' Indemnities**

The LETTA trust maintains trustees' and officers' liability insurance which gives appropriate cover for any legal action brought against its trustees. The Trust has also granted indemnities to each of its trustees and other officers to the extent permitted by law. Qualifying third-party indemnity provisions (as defined by section 234 of the companies' act 2006) were in force during the period and remain in force, in relation to certain losses and liabilities which the trustees or other offices may incur to third parties in the course of acting as trustees or officers of the trust.

Details of the insurance cover provided are in note 10 to the financial statements.

**Recruitment and appointment of new trustees**

Under the terms of the articles in place from September 2017 to August 2018, The LETTA Trust may have up to 11 trustees including the CEO, appointed by the members.

**Organisational structure**

The organisational structure consists of four levels: the members, the trustees, the local governors and each school's leadership team. The aim of the structure is to share responsibility and encourage active involvement at all levels. The trustees are responsible for setting policy and adopting a strategic plan and budget for the Trust. Trustees monitor progress and make decisions about the direction of the Trust, capital expenditure and senior staff appointments.

From September 2017 to August 2018, school leaders comprised the CEO, executive headteacher, chief finance officer and the deputy and assistant headteachers at both primary schools. These leaders were responsible for implementing the policies agreed by the trustees and reporting back to them. Senior leaders were also responsible for authorising spending up to the level delegated to them and for the appointment of staff as per the scheme of delegation.

Policies and procedures adopted for the induction and training of new trustees  
During the period September 2017 to August 2018 The LETTA Trust Board met 5 times. The Local Governing Boards met three times each. In these meetings trustees and governors received training on aspects of their roles such as interpreting school data.

**Arrangements for setting pay and remuneration of key leadership personnel**

FRS 102 requires details of the arrangements for setting pay and remuneration of the academies key leadership personnel. The key leadership personnel within the Trust are the trustees, the CEO and the executive headteacher and the CFO. Trustees, with the exception of the CEO, are not remunerated although they may claim reasonable expenses.

The CEO and the executive headteacher's pay is determined in accordance with the Trust's pay policy and takes into account whether the performance management objectives for the year have been met. An appropriately qualified external advisor assists the trustees in determining what the performance management objectives should be and whether they have been met. Actual levels of pay are determined with reference to the School Teachers Pay and Conditions Document.

Details of the remuneration paid to key management personnel are set out in note 8. During the period September 2017 to August 2018 there was a successful performance management review for the CEO and executive headteacher. These members of staff opted not to accept a pay increase.

**Connected organisations including related parties**

LETTA School Direct Limited is a separately registered social enterprise, (registration number 08428346) that delivers school improvement activities on behalf of the Trust and other partner schools in the LETTA Teaching School Alliance. The CEO and executive headteacher are also trustees on the board of the Poplar Partnership (charity number 1145513), which supports collaborative school projects in schools in East London. It is not part of the multi-academy trust.

**Risk management**

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

The trustees have assessed the major risks to which the multi academy trust is exposed such as those relating to the quality of teaching, provision of facilities and other operational areas of the Trust and its finances. They have introduced systems, including operational procedures such as vetting of new staff and visitors and internal financial controls in order to manage risk. Where significant financial risk still remains they have ensured they have adequate insurance cover. The Trust has an effective system of internal financial controls and this is explained in more details in the governance statement.

**Auditors**

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware
- the trustees 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.

The auditors, Butler and Co LLP, have indicated their willingness to remain in office, and the audit process will be reviewed in detail and reappointment of the auditors will be considered in due course.

The Trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 21<sup>st</sup> December 2018 and signed on its behalf by:



.....  
Mr Peter Sherratt - Chair of Trustees

## Governance Statement for the year ended 31 August 2018

### Scope of responsibility

The LETTA Trust trustees have overall responsibility for ensuring that the multi-academy trust has effective systems of financial control. These systems have been carefully designed to reduce risk and provide reasonable, but not absolute, assurance against misstatement or loss.

The Trust Board has delegated responsibility to Jo Franklin, CEO, as accounting officer, for ensuring that financial controls meet the requirements of propriety and good financial management in accordance with the Trust's funding agreements. The CEO is responsible for reporting to the Trust Board any weaknesses or breakdowns in internal control.

### Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Trust Board has formally met 5 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of a possible
Mr Peter Sherratt (Chair of Trustees)	5	5
Ms Ruth Brock (Vice-chair of Trustees)	5	5
Mr Ramakrishnan Venkatakrishna (Chair of Resources Committee)	4	5
Mr Oliver Woodward (Vice-chair of Resources Committee)	5	5
Mr Stuart Poyser (Chair of Audit and Risk Committee)	3	5
Ms Tessa Dugmore (Vice-chair of Audit and Risk Committee)	4	5
Mrs Jo Franklin (CEO)	5	5
Mr Peter Stone (appointed 10/7/2018)	1	1

The **Resources Committee** is a sub-committee of the Trust Board. Its purpose is to deal with all matters of compliance, value for money, finance, HR and premises. In this way the Trust Board and Local Governing Boards can focus on the core business of teaching and learning.

Trustee	Meetings attended	Out of a possible
Ms Ruth Brock (Vice-chair of Trustees)	5	5
Mr Ramakrishnan Venkatakrishna (Chair of Resources Committee)	5	5
Mr Oliver Woodward (Vice-chair of Resources Committee)	5	5
Mrs Jo Franklin (CEO)	5	5

The **Audit and Risk Committee** is also a sub-committee of the Trust Board. Its purpose is to Quality Assure the Trust's accounting and auditing functions, to strengthen the independence of the audit function, to increase the credibility and objectivity of financial reporting and to facilitate good communication between the Trust and its external auditor.

Trustee	Meetings attended	Out of a possible
Mr Peter Sherratt (Chair of Trustees)	2	2
Mr Stuart Poyser (Chair of Audit and Risk Committee)	1	2
Ms Tessa Dugmore (Vice-Chair of the Audit and Risk Committee)	2	2

### **Governance reviews**

The formation of the multi-academy trust created significant change to the governance in both schools in the trust. The previous school governing bodies and their committees were replaced with a Trust Board, a Trust Board Resources Committee, an Audit and Risk Committee and 2 Local Governing Boards.

Given that the Trust was still very new there has been no external review of governance or self-evaluation since it came into being. The Trust Board and Trust Board Resources Committee met 5 times during the first financial year. The Audit and Risk Committee met twice and the 2 Local Governing Boards met 3 times each.

### **Review of value for money**

As accounting officer, the CEO has responsibility for ensuring that the Trust delivers good value in the use of public resources. The CEO understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received. The CEO considers how the Trust's use of its resources has provided good value for money during each academic year, and reports to Trust Board where value for money can be improved, including the use of benchmarking data where appropriate. The Trust's CEO has delivered improved value for money during the year by:

- Restructuring the operations team
- Sharing staff across schools
- Purchasing goods and services as a Trust
- Establishing an efficient system of budgeting and financial management

### **The purpose of the system of internal control**

The system of internal control is designed to manage risk at a reasonable level rather than to eliminate all risk of failure and can therefore only provide reasonable and not absolute assurance of effectiveness. The systems of internal control have been in place since the Trust came into being on the 1st July 2017 and are included in the Scheme of Delegation.

### **Capacity to handle risk**

Trustees have reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. Trustees are of the view that there is a formal on-going process for identifying, evaluating and managing the Trust's significant risks that has been in place for the period September 2017 to August 2018. This process is regularly reviewed by the Audit and Risk Committee.

The Trust has an approved Anti-Fraud policy which is reviewed each year. The Trust also has an up to date Business Continuity Plan and Risk Register.

#### **The Risk and Control Framework**

The LETTA Trust's system of internal financial control is a framework of procedures that include the segregation of duties and a system of delegation and accountability. It includes:

- Comprehensive budgeting and monitoring systems with an annual budget and periodic reports which are reviewed by trustees
- Review by trustees of major purchase plans and capital works
- Clearly defined purchasing processes
- Delegation of authority and segregation of risks
- Limits of authorisation
- Checks performed by internal audit on the Trust's financial systems to provide advice on improvements to financial procedures

The trustees appointed an internal auditor to perform a range of checks on the Trust's financial systems and give advice on improvements that could be made to financial procedures. The internal auditor produced a report of their findings for leaders and trustees.

**Review of effectiveness**

As accounting officer, the CEO has responsibility for reviewing the effectiveness of the system of internal control. This process of review is informed by:

- The work of the internal auditor
- The work of the external auditor
- The work of the financial consultants employed by the Trust
- The work of the Chief Finance Officer and school-based finance and administrative staff

The system of internal control will be reviewed annually or before if urgently required.

Approved by order of the members of the board of trustees on 21<sup>st</sup> December 2018. and signed on its behalf by:



.....  
Mr Peter Sherratt - Chair of Trustees



.....  
Jo Franklin - Accounting Officer

## **Statement on Regularity, Propriety and Compliance for the year ended 31 August 2018**

As accounting officer of The LETTA Trust I have considered my responsibility to notify the academy trust board of trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with 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 2017.

I confirm that I and the academy trust board of trustees are able to identify any material irregular or improper use of all funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2017.

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



.....  
Jo Franklin - Accounting Officer

Date: 21<sup>st</sup> December 2018

## Statement of Trustees Responsibilities for the year ended 31 August 2018

The trustees (who are also the directors of the multi-academy trust for the purposes of company law) are responsible for preparing the Strategic report, the trustees report and the financial statements in accordance with the Annual Accounts Direction issued by the ESFA, UK Accounting Standards (UK Generally Accepted Accounting Practice) and applicable law and regulations.

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

- Select suitable accounting policies and then apply them consistently
- Observe the methods and principles of the Charities SORP 2016 and the Academies Accounts Direction 2017-2018
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in business

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

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

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

In so far as the trustees are aware:

- there is no relevant audit information of which the academy trust's auditors are unaware; and
  - the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.
- The Trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 21<sup>st</sup> December 2018 and signed on its behalf by:



.....  
Mr Peter Sherratt - Chair of Trustees

## Report of the Independent Auditors to the Members of The LETTA Trust

### Opinion

We have audited the financial statements of The LETTA Trust (the 'academy trust') for the year ended 31 August 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency (ESFA).

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 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2017 to 2018.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

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

Our opinion on the financial statements does not cover the other information and, 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 Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report has been prepared in accordance with applicable legal requirements.

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

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

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Trustees' Report.

**Responsibilities of trustees**

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

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

**Our responsibilities for the audit of the financial statements**

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

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

**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 the academy trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mukesh Desai (Senior Statutory Auditor)  
for and on behalf of Butler and Co LLP  
Chartered Accountants  
and Statutory Auditor  
Third Floor  
126-134 Baker Street  
London  
W1U 6UE

Date: 21.12.2018

## **Independent Reporting Accountant's Assurance Report on Regularity to The LETTA Trust and the Education and Skills Funding Agency**

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

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

### **Respective responsibilities of The LETTA Trust's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of The LETTA Trust's funding agreement with the Secretary of State for Education and the Academies Financial Handbook, extant from 1 September 2017, 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 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2017 to 31 August 2018 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 2017 to 2018 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

### **Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2017 to 31 August 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

The LETTA Trust

Registered company number: 10726202 (England and Wales)

Butler and Co LLP  
Chartered Accountants  
Third Floor  
126-134 Baker Street  
London  
W1U 6UE

Date: 21.12.2018

**Statement of Financial Activities**  
**(Incorporating an Income and Expenditure Account)**  
**For the year ended 31 August 2018**

	Note	Unrestrict- ed fund £	Restricted Fixed Asset Funds £	Restricted General Funds £	Year ended 31/8/18 Total funds £	Period 13/4/17 to 31/8/17 Total funds £
<b>INCOME AND ENDOWMENTS FROM</b>						
Transfer from Local Authority on conversion		-	(723,234)	-	(723,234)	13,488,420
<b>Charitable activities</b>						
Funding for the academy's educational operations	2	-	-	5,992,820	5,992,820	802,587
Teaching schools	20	-	-	40,000	40,000	-
Other trading activities	3	313,924	-	2	313,926	21,304
Investment income	4	380	-	-	380	22
<b>Total</b>		314,304	(723,234)	6,032,822	5,623,892	14,312,333
<b>EXPENDITURE ON Charitable activities</b>						
Academy's educational operations		337,692	573,821	5,945,615	6,857,128	1,071,302
Teaching schools	20	-	-	40,000	40,000	-
Other		-	-	-	-	96
<b>Total</b>	5	337,692	573,821	5,985,615	6,897,128	1,071,398
Actuarial gains/(losses) on defined benefit pension schemes		-	-	48,000	48,000	(50,000)
<b>NET INCOME/(EXPENDITURE)</b>		(23,388)	(1,297,055)	95,207	(1,225,236)	13,190,935
<b>Transfers between funds</b>	17	(275,224)	126,412	148,812	-	-
<b>Net movement in funds</b>		(298,612)	(1,170,643)	244,019	(1,225,236)	13,190,935
<b>RECONCILIATION OF FUNDS</b>						
<b>Total funds brought forward</b>		298,612	13,913,264	(1,020,941)	13,190,935	-
<b>TOTAL FUNDS CARRIED FORWARD</b>		-	12,742,621	(776,922)	11,965,699	13,190,935

## Balance Sheet At 31 August 2018

	Notes	2018 £	2017 £
<b>FIXED ASSETS</b>			
Tangible assets	12	12,742,621	13,913,264
<b>CURRENT ASSETS</b>			
Debtors	13	119,534	179,179
Prepayments and accrued income		193,564	150,348
Cash at bank and in hand		319,055	267,283
		632,153	596,810
<b>CREDITORS</b>			
Amounts falling due within one year	14	(600,075)	(462,139)
		32,078	134,671
<b>NET CURRENT ASSETS</b>			
		12,774,699	14,047,935
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		(809,000)	(857,000)
<b>PENSION LIABILITY</b>			
	18	11,965,699	13,190,935
<b>NET ASSETS</b>			
<b>FUNDS</b>			
	17		
Unrestricted funds:			
General fund		-	298,612
Restricted funds:			
Funding for the academy's educational operations		32,078	(163,941)
Restricted Fixed Asset Funds		12,742,621	13,913,264
Pension Reserve		(809,000)	(857,000)
		11,965,699	12,892,323
<b>TOTAL FUNDS</b>			
		11,965,699	13,190,935

The financial statements were authorised for issue by the Board of Trustees on 10<sup>th</sup> December 2018 and were signed on its behalf by:



.....  
Mr Peter Sherratt -Chair of Trustees

## Cash Flow Statement For the year ended 31 August 2018

	Notes	Year ended 31/8/18 £	Period 13/4/17 to 31/8/17 £
<b>Cash flows from operating activities:</b>			
Cash generated from operations	1	<u>129,804</u>	<u>172,474</u>
<b>Net cash provided by (used in) operating activities</b>		<u>129,804</u>	<u>172,474</u>
<b>Cash flows from investing activities:</b>			
Purchase of tangible fixed assets		(126,412)	-
Actuarial gains/(losses) on defined benefit pension schemes		48,000	(50,000)
Interest received		<u>380</u>	<u>22</u>
<b>Net cash provided by (used in) investing activities</b>		<u>(78,032)</u>	<u>(49,978)</u>
<b>Cash transferred on conversion to an academy</b>		<u>-</u>	<u>144,787</u>
<b>Change in cash and cash equivalents in the reporting period</b>		51,772	267,283
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<u>267,283</u>	<u>-</u>
<b>Cash and cash equivalents at the end of the reporting period</b>		<u>319,055</u>	<u>267,283</u>

## Notes to the Cash Flow Statement For the year ended 31 August 2018

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

	Year ended 31/8/18 £	Period 13/4/17 to 31/8/17 £
<b>Net income/(expenditure) for the reporting period (as per the statement of financial activities)</b>	(1,225,236)	13,190,935
<b>Adjustments for:</b>		
Depreciation	573,821	83,566
Transfer from Local Authority on conversion	723,234	(13,488,420)
Actuarial (gains)/losses on defined benefit pension schemes	(48,000)	50,000
Interest received	(380)	(22)
Local authority reallocation	-	153,803
Decrease/(increase) in debtors	16,429	(329,527)
Increase in creditors	137,936	462,139
Difference between pension charge and cash contributions	<u>(48,000)</u>	<u>50,000</u>
<b>Net cash provided by (used in) operating activities</b>	<u>129,804</u>	<u>172,474</u>

## Notes to the Financial Statements For the year ended 31 August 2018

### 1. ACCOUNTING POLICIES

#### **Basis of preparing the financial statements**

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared in accordance with the Charities SORP (FRS 102) 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)', Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Academies Accounts Direction 2017 to 2018 issued by the ESFA, the Charities Act 2011 and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The LETTA Trust meets the definition of a public benefit entity under FRS 102.

#### **Going concern**

The trustees will assess whether the use of the "going concern principle" 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 trust to continue as a going concern. The trustees will make the assessment in respect of a period of one year from the date of the approval of the financial statements.

#### **Income**

All income is recognised in the Statement of Financial Activities once the academy trust has entitlement to the funds, it is probable that the income will be received 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 period is deducted from income and recognised as a liability.

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

#### **Sponsorship income**

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable (where there are no performance-related conditions), where it is probable that the income will be received and the amount can be measured reliably.

#### **Donations**

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

**Other income**

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

**Donated goods, facilities and services**

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

**Expenditure**

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the academy trust to that expenditure, 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 accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

**Charitable activities**

Costs of charitable activities are 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.

Resources will be recorded net of VAT, with the exception of business costs where VAT is irrecoverable. They will be classified under headings that aggregate all costs relating to that activity.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Long leasehold - Building 2% on cost and Land over the life of the lease

Fixtures and fittings - 10%- 25% of cost

Computer equipment - 25% of cost

**Accounting for fixed assets**

Assets costing £2,000 or more will be capitalised as tangible fixed assets and will be carried at cost, net of depreciation and any provision for impairment. Where tangible fixed assets are acquired with the aid of specific grants, either from the government or from the private sector, they will be included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants will be credited to a restricted fixed asset fund in the SOFA and carried forward in the Balance Sheet. Depreciation on such assets will be charged to the restricted fixed asset fund in the SOFA so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the trust's depreciation policy.

The trustees have estimated the fair value of the leasehold premises at Stebon Primary based on a valuation by its local authority as at 31 March 2017.

**Impairment**

A review for impairment of a fixed asset will be 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 will be recognised as impairments. Impairment losses will be recognised in the Statement of Financial Activities.

**Financial instruments**

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

Financial assets-trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 13. 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 14 and 15. 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.

**Taxation**

The academy trust is exempt from corporation tax on its charitable activities.

The 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 trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes

**Fund accounting**

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the trustees.

Restricted funds can only be used for particular restricted purposes within the objects of the academy trust. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

**Pension costs and other post-retirement benefits**

Retirement benefits to employees of the trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes, and the assets are held separately from those of the trust.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the 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 benefit method. The TPS is a multi-employer scheme and the trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the 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 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 will be obtained at least triennially and will be updated at each balance sheet date. The amounts charged to operating surplus will be the current service costs and gains and losses on settlements and curtailments. They will be included as part of staff costs. Past service costs are recognised immediately in the SOFA if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost will be shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses will be recognised immediately in other recognised gains and losses.

### **Central services**

A percentage of the General Annual Grant (GAG), will be retained centrally. The trust will set a charge annually to cover the essential services of finance systems, HR advice and support and ICT management and support, together with a contribution to the central management costs.

### **Hire purchase and leasing commitments**

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

## **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

Estimates and judgments will be continually evaluated and be 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 (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, 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 2018. 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.

**2. FUNDING FOR THE ACADEMY'S EDUCATIONAL OPERATIONS**

	Unrestricted funds £	Restricted funds £	Year ended 31/8/18 Total funds £	Period 13/4/17 to 31/8/17 Total funds £
<b>DfE/ESFA revenue grant</b>				
General Annual Grant(GAG)	-	4,797,324	4,797,324	708,199
<b>Other government grant</b>				
Other Government grants	-	<u>1,195,496</u>	<u>1,309,487</u>	<u>94,388</u>
	-	<u>5,992,820</u>	<u>6,106,811</u>	<u>802,587</u>

**3. OTHER TRADING ACTIVITIES**

	Unrestricted funds £	Restricted funds £	Year ended 31/8/18 Total funds £	Period 13/4/17 to 31/8/17 Total funds £
School meals	79,474	2	79,476	2,641
Other Income	<u>234,450</u>	-	<u>234,450</u>	<u>18,663</u>
	<u>313,924</u>	<u>2</u>	<u>313,926</u>	<u>21,304</u>

**4. INVESTMENT INCOME**

	Unrestricted funds £	Restricted funds £	Year ended 31/8/18 Total funds £	Period 13/4/17 to 31/8/17 Total funds £
Deposit account interest	<u>380</u>	-	<u>380</u>	<u>22</u>

**5. EXPENDITURE**

	Staff costs £	Non-pay expenditure		Year ended 31/8/18 Total £	Period 13/4/17 to 31/8/17 Total £
		Premises £	Other costs £		
<b>Charitable activities</b>					
<b>Academies</b>					
<b>educational operations</b>					
Direct costs	4,733,953	-	893,017	5,626,970	856,786
Allocated support costs	3,176	742,977	484,005	1,230,158	214,516

**Teaching schools**

Direct costs	40,000	-	-	40,000	-
	4,777,129	742,977	1,377,022	6,897,128	1,071,302
Other	-	-	-	-	96
	<u>4,777,129</u>	<u>742,977</u>	<u>1,377,022</u>	<u>6,897,128</u>	<u>1,071,398</u>

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

	Year ended 31/8/18	Period 13/4/17 to 31/8/17
	£	£
Depreciation - owned assets	<u>573,821</u>	<u>83,566</u>

**6. CHARITABLE ACTIVITIES - ACADEMY'S EDUCATIONAL OPERATIONS**

			Year ended 31/8/18	Period 13/4/17 to 31/8/17
	Unrestricted funds	Restricted funds	Total funds	Total funds
	£	£	£	£
<b>Direct costs</b>	337,692	5,289,278	5,626,970	856,786
<b>Direct costs - teaching schools</b>	-	40,000	40,000	-
<b>Support costs</b>	-	<u>1,230,158</u>	<u>1,230,158</u>	<u>214,516</u>
	<u>337,692</u>	<u>6,559,436</u>	<u>6,897,128</u>	<u>1,071,302</u>

**Analysis of support costs**

Support staff costs	3,176	248
Depreciation	378,824	58,650
Technology costs	84,705	3,131
Premises costs	742,814	145,737
Other support costs	4,831	-
Governance costs	15,808	6,750
<b>Total support costs</b>	<u>1,230,158</u>	<u>214,516</u>

**7. AUDITORS' REMUNERATION**

	Year ended 31/8/18	Period 13/4/17 to 31/8/17
	£	£
Fees payable to the charity's auditors for the audit of the charity's financial statements	9,000	5,500
Other non-audit services	<u>6,645</u>	<u>1,250</u>

## 8. TRUSTEES' REMUNERATION AND BENEFITS

The key management personnel of the academy trust comprise the trustees and the senior leadership team. The total amount of employee benefits (including employer pension contributions and employer's national insurance contributions) received by key management personnel for their services to the academy trust was £345,741 (13.04.2017 - 31.08.2017: £21,530).

One or more trustees has been paid remuneration or has received other benefits from an employment with the academy trust. In addition to the remuneration received by the CEO in respect of services they provide undertaking the roles of head teacher under their contract of employment additional payment for services provided to Ofsted have been included in the reported remuneration.

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

Jo Franklin (Headteacher, Trustee and Accounting Officer):

Remuneration £100,000 - £110,000 (13.04.2017 - 31.08.2017: £15,000 - £20,000)

Employer's pension contribution paid £15,000 - £20,000 (13.04.2017 - 31.08.2017: £0 - £5000)

### Trustees' expenses

There were no trustees' expenses paid for the year ended 31 August 2018 nor for the period ended 31 August 2017.

## 9. STAFF COSTS

	Year ended 31/8/18 £	Period 13/4/17 to 31/8/17 £
Wages and salaries	3,879,373	610,097
Social security costs	308,722	56,626
Operating costs of defined benefit pension schemes	502,620	90,929
Apprenticeship levy	<u>3,118</u>	<u>-</u>
	4,693,833	757,652
Compensation payments	77,918	-
Other staff costs	<u>5,378</u>	<u>1,840</u>
	<u>4,777,129</u>	<u>759,492</u>

Included in staff compensation payments are non-statutory/non-contractual severance payments totalling £75,919 (2017: £nil). Individually, the payments were: £21,946 made in June 2018, £10,973 were made in September 2018, £16,225 and £26,775 were made in September 2018. These payments were made to two different individuals.

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

	Year ended 31/8/18	Period 13/4/17 to 31/8/17
Teachers	47	49
Administration and support	117	111
Management	<u>10</u>	<u>13</u>
	<u>174</u>	<u>173</u>

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

Year ended 31/8/18	Period 13/4/17 to 31/8/17
£70,001 - £80,000	1 -
£90,001 - £100,000	1 -
£100,001 - £110,000	<u>1 -</u>
	<u>3 -</u>

## 10. TRUSTEES' AND OFFICERS' INSURANCE

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

## 11. COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted fund £	Restricted Fixed Asset Funds £	Restricted General Funds £	Total funds £
<b>INCOME AND ENDOWMENTS FROM</b>				
Transfer from Local Authority on conversion	298,590	13,996,830	(807,000)	13,488,420
<b>Charitable activities</b>				
Funding for the academy's educational operations	-	-	802,587	802,587
Other trading activities	-	-	21,304	21,304
Investment income	<u>22</u>	<u>-</u>	<u>-</u>	<u>22</u>
<b>Total</b>	298,612	13,996,830	16,891	14,312,333

<b>EXPENDITURE ON Charitable activities</b>				
Academy's educational operations	-	83,566	987,736	1,071,302
Other	<u>96</u>	<u>-</u>	<u>-</u>	<u>96</u>
<b>Total</b>	<b>96</b>	<b>83,566</b>	<b>987,736</b>	<b>1,071,398</b>
<b>Net gains/(losses) on investments</b>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
<b>NET INCOME/(EXPENDITURE)</b>	<b>298,516</b>	<b>13,913,264</b>	<b>(1,020,845)</b>	<b>13,190,935</b>
<b>Transfers between funds</b>	<u>96</u>	<u>-</u>	<u>(96)</u>	<u>-</u>
<b>Net movement in funds</b>	<u>298,612</u>	<u>13,913,264</u>	<u>(1,020,941)</u>	<u>13,190,935</u>
<b>TOTAL FUNDS CARRIED FORWARD</b>	<u><u>298,612</u></u>	<u><u>13,913,264</u></u>	<u><u>(1,020,941)</u></u>	<u><u>13,190,935</u></u>

## 12. TANGIBLE FIXED ASSETS

	Long leasehold £	Fixtures and fittings £	Computer equipment £	Totals £
<b>COST</b>				
At 1 September 2017	12,349,830	1,197,000	450,000	13,996,830
Additions	<u>-</u>	<u>93,575</u>	<u>32,837</u>	<u>126,412</u>
At 31 August 2018	<u>12,349,830</u>	<u>1,290,575</u>	<u>482,837</u>	<u>14,123,242</u>
<b>DEPRECIATION</b>				
At 1 September 2017	24,916	39,900	18,750	83,566
Charge for year	194,997	258,115	120,709	573,821
Impairments	<u>-</u>	<u>675,920</u>	<u>47,314</u>	<u>723,234</u>
At 31 August 2018	<u>219,913</u>	<u>973,935</u>	<u>186,773</u>	<u>1,380,621</u>
<b>NET BOOK VALUE</b>				
At 31 August 2018	<u>12,129,917</u>	<u>316,640</u>	<u>296,064</u>	<u>12,742,621</u>
At 31 August 2017	<u>12,324,914</u>	<u>1,157,100</u>	<u>431,250</u>	<u>13,913,264</u>

The trust's transactions relating to land and buildings included:

- the taking up of a long leasehold on Stebon Primary School, Wallwood Street, London E14 7AD, for £NIL over term of 125 years. The asset was valued on 31 March 2017 at 12,349,830 (land £4,875,000 and building £7,474,830).

### Impairment

The amounts above include fixed assets originally valued at the time of conversion to an academy, were as follows; Fixtures and fittings £1,197,000 and Computer equipments £450,000. They were valued using the insurance values which were the best estimates

available at conversion.

During the period a further valuation was conducted, based on the recoverable amount for these assets. Based on this valuation there was a shortfall between the carrying value of fixed assets and their recoverable amounts. The shortfall is as follows; Fixtures and fittings £675,920 and Computer equipments £47,314. This shortfall amounting to £723,234 is recognised as an impairment loss in Statement of Financial Activities.

### 13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Other debtors	-	153,803
VAT	<u>119,534</u>	<u>25,376</u>
	<u>119,534</u>	<u>179,179</u>

### 14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Social security and other taxes	86,962	83,872
Other creditors	292,050	486
Pensions	-	90,313
Accruals and deferred income	105,260	94,789
Accrued expenses	<u>115,803</u>	<u>192,679</u>
	<u>600,075</u>	<u>462,139</u>

### 15. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2018	2017
	£	£
Within one year	188,333	180,000
Between one and five years	800,000	1,000,000
In more than five years	<u>4,767,000</u>	<u>5,000,000</u>
	<u>5,755,333</u>	<u>6,180,000</u>

### 16. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted fund	Restricted Fixed Asset Funds	Restricted General Funds	2018 Total funds
	£	£	£	£
Fixed assets	-	12,742,621	-	12,742,621
Current assets	-	-	632,153	632,153
Current liabilities	-	-	(600,075)	(600,075)
Pension liability	-	-	(809,000)	(809,000)
	<u>-</u>	<u>12,742,621</u>	<u>(776,922)</u>	<u>11,965,699</u>

**16. ANALYSIS OF NET ASSETS BETWEEN FUNDS - continued**

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

	Unrestricted fund	Restricted Fixed Asset Funds	Restricted General Funds £	2017 Total funds £
Fixed assets	-	13,913,264	-	13,913,264
Current assets	298,612	15,991	282,207	596,810
Current liabilities	-	(15,991)	(446,148)	(462,139)
Pension liability	-	-	(857,000)	(857,000)
	<u>298,612</u>	<u>13,913,264</u>	<u>(1,020,941)</u>	<u>13,190,935</u>

**17. MOVEMENT IN FUNDS**

	At 1/9/17 £	Net movement in funds £	Transfers between funds £	At 31/8/18 £
<b>Unrestricted funds</b>				
General fund	298,612	(23,388)	(275,224)	-
<b>Restricted funds</b>				
Funding for the academy's educational operations	(163,941)	47,207	148,812	32,078
Restricted Fixed Asset Funds	13,913,264	(1,297,055)	126,412	12,742,621
Pension Reserve	<u>(857,000)</u>	<u>48,000</u>	<u>-</u>	<u>(809,000)</u>
	12,892,323	(1,201,848)	275,224	11,965,699
	<u>13,190,935</u>	<u>(1,225,236)</u>	<u>-</u>	<u>11,965,699</u>

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

	Incoming resources £	Resources expended £	Gains and losses £	Movement in funds £
<b>Unrestricted funds</b>				
General fund	314,304	(337,692)	-	(23,388)
<b>Restricted funds</b>				
Funding for the academy's educational operations	6,032,822	(5,985,615)	-	47,207
Restricted Fixed Asset Funds	(723,234)	(573,821)	-	(1,297,055)
Pension Reserve	<u>-</u>	<u>-</u>	<u>48,000</u>	<u>48,000</u>
	5,309,588	(6,559,436)	48,000	(1,201,848)
	<u>5,623,892</u>	<u>(6,897,128)</u>	<u>48,000</u>	<u>(1,225,236)</u>

**17. MOVEMENT IN FUNDS - continued****Comparatives for movement in funds**

	Net movement in funds £	Transfers between funds £	At 31/8/17 £
<b>Unrestricted Funds</b>			
General fund	298,516	96	298,612
<b>Restricted Funds</b>			
Funding for the academy's educational operations	(163,845)	(96)	(163,941)
Restricted Fixed Asset Funds	13,913,264	-	13,913,264
Pension Reserve	<u>(857,000)</u>	<u>-</u>	<u>(857,000)</u>
	12,892,419	(96)	12,892,323
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL FUNDS</b>	<u>13,190,935</u>	<u>-</u>	<u>13,190,935</u>

Comparative net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Gains and losses £	Movement in funds £
<b>Unrestricted funds</b>				
General fund	298,612	(96)	-	298,516
<b>Restricted funds</b>				
Funding for the academy's educational operations	823,891	(987,736)	-	(163,845)
Restricted Fixed Asset Funds	13,996,830	(83,566)	-	13,913,264
Pension Reserve	<u>(807,000)</u>	<u>-</u>	<u>(50,000)</u>	<u>(857,000)</u>
	14,013,721	(1,071,302)	(50,000)	12,892,419
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL FUNDS</b>	<u>14,312,333</u>	<u>(1,071,398)</u>	<u>(50,000)</u>	<u>13,190,935</u>

The Trust has not disaggregated the costs throughout the year and all balances in the Trust are held centrally. So no academy wise fund balances are provided. The specific purposes for which the funds are to be applied are as follows:

**Restricted general funds** represents the grants received by the Company to fund its operational activities and development. Under the funding agreement with the Secretary of State, the Company's schools were not subject to a limit on the amount of GAG that they could carry forward at 31 August 2018.

**Restricted fixed asset funds** represent the grants and donations received by the Company to fund capital expenditure. In addition, the inherited funds represent the assets gifted to the Company on the conversion of the schools to a multi academy trust. Where a school has previously been a member of a separate academy, the value of the assets is included in the fund titled 'Transfer into company'.

**Unrestricted general funds** represent the unrestricted funds which can be utilised by the Directors at their discretion to further the Company's objectives.

## 18. PENSION AND SIMILAR OBLIGATIONS

The academy trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by London Borough of Tower Hamlets. 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 the end of the financial year (2017: £90,314).

### Teachers' pension scheme

#### Introduction

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

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

#### Valuation of the Teachers' Pension Scheme

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

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

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

The employer's pension costs paid to TPS in the period amounted to £309,022 (13.4.2017 to 31.08.2017: £53,264).

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 2018 was £233,000 (13.4.2017 to 31.08.2017: £48,000), of which employer's contribution totalled £184,000 (13.4.2017 to 31.08.2017: £38,000) and employees' contributions totalled £49,000 (13.4.2017 to 31.08.2017: £10,000). The agreed contribution rates for future years are 19.9 per cent for employers and 6.6 per cent 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.

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	2018	2017
	£	£
Present value of funded obligations	(1,628,000)	(1,397,000)
Fair value of plan assets	<u>819,000</u>	<u>540,000</u>
	<u>(809,000)</u>	<u>(857,000)</u>
Deficit	<u>(809,000)</u>	<u>(857,000)</u>
Liability	<u><u>(809,000)</u></u>	<u><u>(857,000)</u></u>

The amounts recognised in the statement of financial activities are as follows:

	Defined benefit pension plans	
	2018	2017
	£	£
Current service cost	352,000	66,000
Net interest from net defined benefit asset/liability	<u>24,000</u>	<u>4,000</u>
	<u>376,000</u>	<u>70,000</u>
Actual return on plan assets	<u>16,000</u>	<u>2,000</u>

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	2018	2017
	£	£
Defined benefit obligation on conversion	1,397,000	1,283,000
Current service cost	352,000	66,000
Contributions by scheme participants	49,000	10,000
Interest cost	40,000	6,000
Obligation - other remeasurement	<u>(210,000)</u>	<u>32,000</u>
	<u>1,628,000</u>	<u>1,397,000</u>

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	2018	2017
	£	£
Fair value of scheme assets on conversion	540,000	476,000
Contributions by employer	184,000	38,000
Contributions by scheme participants	49,000	10,000
Expected return	16,000	2,000
Return on plan assets (excluding interest income)	<u>30,000</u>	<u>14,000</u>
	<u>819,000</u>	<u>540,000</u>

The amounts recognised in other recognised gains and losses are as follows:

	Defined benefit pension plans	
	2018	2017
	£	£
Obligation - other remeasurement	210,000	(32,000)
Return on plan assets (excluding interest income)	<u>30,000</u>	<u>14,000</u>
	<u>240,000</u>	<u>(18,000)</u>

The major categories of scheme assets as amounts of total scheme assets are as follows:

	Defined benefit pension plans	
	2018	2017
	£	£
Equities	589,680	372,600
Bonds	139,230	86,400
Property	81,900	54,000
Cash	<u>8,190</u>	<u>27,000</u>
	<u>819,000</u>	<u>540,000</u>

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

	2018	2017
Discount rate for scheme liabilities	2.8%	2.5%
Future salary increases	2.1%	2.2%
Benefit increases	2.3%	2.4%
Commutation of pensions to lump sums	50%	50%
Inflation assumption (CPI)	2.7%	2.5%

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

	At 31 August 2018 Years	At 31 August 2017 Years
Retiring today		
Males	22.1	22.1
Females	24.1	24.1
Retiring in 20 years		
Males	23.9	23.9
Females	25.8	25.8

	At 31 August 2018 £'000	At 31 August 2017 £'000
<b>Sensitivity analysis</b>		
Discount rate +0.1%	264	222
Discount rate -0.1%	(264)	(222)
Mortality assumption 1 year increase	(39)	(56)
Mortality assumption 1 year decrease	39	56
CPI rate +0.1%	177	177
CPI rate -0.1%	(177)	(177)

## 19. RELATED PARTY DISCLOSURES

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

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

## 20. TEACHING SCHOOL TRADING ACCOUNT

	2017/18 £000	2017/18 £000
Income		
Direct Income	<u>40</u>	
Total Income		40
Expenditure		
Direct staff costs	<u>40</u>	
Total expenditure		<u>(40)</u>
Surplus/(Deficit) from all sources		NIL
Teaching school balances at 1 September 2017		=
Teaching school balances at 31 August 2018		=