



The Sovereign Trust

(A company limited by guarantee)

Annual Report and Financial Statements

for the Year Ended 31 August 2017



HALLIDAYS

MORE THAN JUST ACCOUNTANTS

Hallidays
Riverside House
Kings Reach Business Park
Yew Street
Stockport
SK4 2HD

The Sovereign Trust

Contents

Reference and Administrative Details	1 to 2
Trustees' Report	3 to 13
Governance Statement	14 to 17
Statement on Regularity, Propriety and Compliance	18
Statement of Trustees' Responsibilities	19
Independent Auditor's Report on the Financial Statements	20 to 23
Independent Reporting Accountant's Report on Regularity	24 to 25
Statement of Financial Activities incorporating Income and Expenditure Account	26 to 27
Balance Sheet	28
Statement of Cash Flows	29
Notes to the Financial Statements	30 to 50

The Sovereign Trust

Reference and Administrative Details

Members	Jean Spruce Shiv Chouksey (resigned 12 October 2016) William Jones (resigned 3 September 2016) Rik Waddon Natalie Jones
Trustees (Directors)	Jack Brymer (appointed 12 October 2016 and resigned 30 June 2017) Maurice French (appointed 12 October 2016) Ian McGrath Dilys Morgan (appointed 12 October 2016) Paul Nolan Beverley Owens Helen Wilson (resigned 8 September 2016) Dr Shiv Chouksey (resigned 12 October 2016) William Jones (resigned 3 September 2016) David Nash (resigned 12 October 2016) Nicholas Gill (appointed 30 June 2017)
Chief Executive Officer	Beverley Owens
Senior Management Team	Beverley Owens, Headteacher Jacqueline Wheble, Head of Pictor Academy Helen Wilson, Head of Manor Academy (resigned 30 April 2017) Paul Eckley, Interim Head Manor Pamela Symonds, Assistant Head Manor Sara Nolan, Director of Autism Paul Haselden, Operations Director (left 1 December 2017) Simon Birch, Deputy Head Pictor
Company Name	The Sovereign Trust
Principal and Registered Office	Pictor Academy Grove Lane Timperley Altrincham WA15 6PH
Company Registration Number	09666511

The Sovereign Trust

Reference and Administrative Details (continued)

Auditors
Hallidays
Riverside House
Kings Reach Business Park
Yew Street
Stockport
SK4 2HD

Bankers
Lloyds bank plc
40-42 School Road
Sale
M33 7XL

The Sovereign Trust

Trustees' Report for the Year Ended 31 August 2017

The Trustees present their annual report together with the financial statements and auditors' report of the charitable company for the period 1 September 2016 to 31 August 2017. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The trust operates two academies for pupils aged 2 to 19 serving a catchment area of Trafford and surrounding boroughs. It has a pupil capacity of 260 and had a roll of 280 in the census on 17th June 2017.

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 The Sovereign Trust Limited are also the directors of the charitable company for the purposes of company law. The charitable company is known as The Sovereign Trust (company number (09666511)).

Details of the Directors who served throughout the year except as noted are included in the Reference and Administrative Details section.

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

Trustees' indemnities

The Directors have liability insurance with the RPA scheme effective date 1st January 2016. There is a limit of indemnity of £10,000,000.

The Sovereign Trust

Trustees' Report for the Year Ended 31 August 2017 (continued)

Method of Recruitment and Appointment or Election of Directors

The processes for appointing or electing the various types of Governor/Director at The Sovereign Trust are as follows:

1. Parent Directors or Advisory Committee members (minimum of two)

The Articles of Association require that there shall be a minimum of two parent Directors. Parents, including carers, of registered pupils at the academies within the Trust are eligible to stand as individuals for election as a parent representative. They are elected by other parents at the academy as individuals who are representative of the parental body. Suitable procedures have been put in place for the conduct of parental elections.

If insufficient parents stand for election, the Board of Directors must appoint parent Directors to bring their number up to that required by the Articles of Association. Such appointed parent Directors would preferentially be parents or carers of registered pupils at the academies within the Trust. If, however, no such parents are willing to undertake the role then the Board of Directors can appoint any person who is the parent or carer of one or more academy-age children.

2. LA Directors (maximum of one)

The members of The Sovereign Trust may appoint up to one LA representative. The local authority must not have more than 19.9% of the voting rights or seats on the Board of Directors. A company is deemed to have influenced status if 20% or more of its members are associated persons, or if 20% or more of its directors are associated persons. 'Associated persons' are current members (councillors), current officers, or anyone who has been a member within the past 4 years. An officer of the local authority includes any person employed as a director by the local authority, a local authority clerical officer or any other employee of the local authority such as cleaners, kitchen staff if employed directly by the local authority. Headteachers of community academies, voluntary controlled academies, community special academies and maintained nursery academies are 'associated persons' and should be counted when considering whether an academy trust or a board of Directors has influenced status.

3. Staff Directors (maximum of one third)

Up to a maximum of one third of the Board of Directors or Advisory Committee are elected by the academy staff as individuals, representative of the staff of the academy. Both teaching and support staff paid to work at the academy are eligible for staff Directorship. At The Sovereign Trust at least one teacher governor must be appointed. Suitable procedures have been put in place for the conduct of Staff elections.

4. Appointed Directors (minimum of one)

The members of The Sovereign Trust may appoint up to one appointed director.

5. Co-opted Directors (maximum of 3)

Up to a maximum of three co-opted Directors can be appointed by the Board because they have experience and/or expertise of particular benefit to the academy. Following an identification of specific needs suitable candidates are identified by the Board of Directors and approached accordingly.

A "co-opted governor" means a person who is appointed to be a director or member of the Advisory Committee by being co-opted by Directors who have not themselves been so appointed. The Directors may not appoint an employee of The Sovereign Trust as a co-opted governor if the number of Directors who are employed by the academy (including the Principal) would thereby exceed one third of the total number of Directors.

The Secretary of State may appoint additional Directors if the Directors fail to comply with a Secretary of State warning notice

The Sovereign Trust

Trustees' Report for the Year Ended 31 August 2017 (continued)

Policies and procedures adopted for the induction and training of Trustees

Following their appointment/election all new Directors receive an introduction to their role from the Chairman and Chief Executive Officer. Directors are committed to providing adequate opportunities for new Directors to undertake and receive suitable training so as to enable them to undertake their role more effectively. To this end the Board of Directors has engaged the services of a Company Secretary who advises on governance together with the CEO and provides support and guidance and a clerking service for full Board meetings. The Trust has a School Improvement provider service that includes courses for Governance and access to online resources specifically for Directors. In addition the Trust has bought into The Key for Governors which provides up to date information.

All new Directors are actively encouraged to take advantage of all the support on offer so as to gain a better understanding of the role and responsibilities of being a director. Additionally Directors with specific roles within the Board or Advisory Committee are strongly encouraged to undertake specific training.

All new Directors also receive:

1. A welcome pack from The Trust
2. An account set up for The Sovereign Trust Governor Portal
3. Login details for The Advisory service site and details of courses
4. Login details for The Key

All Directors of the Academy Trust are provided with access to copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Directors. The Academy Trust will also perform an annual skills audit of Directors, should any gaps be identified training courses are offered to address these issues.

No Director received any remuneration in respect of their duties as a Director from the Academy during the year.

One of the Directors has carried out paid consultancy work across the Trust supporting the Interim Head at Manor and assisting with the Trusts Free School Application.

Organisational structure

The Directors are responsible for setting general policy, adopting an annual development plan and budget, monitoring the Trusts' Academies and senior staff appointments. The members also monitor the performance of the senior leadership team.

The Directors meet once each term to receive reports from committees and to manage strategic objectives.

The Board of Directors has continued to undergo some changes since last year. In September 2016 the Board decided to restructure and keep its total number as six directors including a new Chief Executive Officer. The work of the 'committees' will be undertaken by the Board as a whole at meetings and via email as an agreed method of working, with Finance having additional separate meetings when required. The work of the Board consists

The Sovereign Trust

Trustees' Report for the Year Ended 31 August 2017 (continued)

1 Finance

To review and agree each academy's proposals for the budget and recommend it to the Board, will have an overview of the school fund and will review and keep track of expenditure. To also take into account the use of premises, grounds and extended academy facilities. To monitor the efficient use of utilities such as water, electricity or gas and maintain an overview of costs and lettings of the premises.

2 Health and Safety

To oversee the use of premises, grounds and extended academy facilities. To ensure that the academy complies with health and safety guidelines and to take external advice where appropriate.

3 HR/Staffing

To be responsible for reviewing and agreeing staff provision, agreeing procedures for staff selection, appointment and performance management, contributing to the appraisal of the CEO, reviewing and agreeing staff training programmes and reviewing and agreeing pay.

4 Audit

From 1st September 2017 a committee has been constituted as an advisory body with no executive powers. The purpose is to promote the highest standards of propriety in the use of public funds and encourage proper accountability for the use of these funds.

It is to review internal and external financial statements on behalf of the board promoting a climate of financial discipline and control which will help to reduce the opportunity for financial mismanagement and to promote the development of internal control systems which will help satisfy the board that the body concerned will achieve its objectives and targets and is operating in accordance with any statutory requirements for the use of public funds. Requests for work, and reports received, from internal audit will be channeled through the accounting officer. It will also obtain independent professional advice if considered necessary.

5 The Advisory Committees

The committees meet termly and comprise all learning and other experiences that each academy provides for its pupils. Responsibilities for the curriculum are shared between the Chief Executive Officer, Heads of Schools, the Board of Directors, and the Secretary of State for Education and Skills. The Advisory committee will have responsibility for monitoring test results and teaching of the curriculum. For reviewing the assessment policy, and all other policies relevant to curriculum, assessment and pupil progress and welfare.

Day-to-day management is delegated to the Chief Executive Officer and individual Academies Senior Leadership Teams:

Senior Leadership Team	Pictor	Manor
Chief Executive Officer	Beverley Owens	
Operations Director	Paul Haselden (left 1 Dec 2017)	
Head of Academy Site	Jacqui Wheble	Paul Eckley (Interim)
Deputy Head of Academy Site	Simon Birch (01/01/2017)	
Assistant Headteacher	Karen Larsen (01/01/2017)	Pam Symonds
Assistant Headteacher		Sarah Nolan
HR Manager		Sophie Tothill
Estates Manager		Tracey Nolan

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

The Sovereign Trust

Trustees' Report for the Year Ended 31 August 2017 (continued)

Arrangements for setting pay and remuneration of key management personnel

The Directors consider that they, together with the Chief Executive Officer, Heads of School, and the Operations Director currently comprise the Key Management Personnel. The Directors give of their time freely and the pay and remuneration of the Chief Executive Officer, Heads of Schools and senior staff is set by the Finance Team as part of The Board of Directors and is kept under annual review via a robust Performance Management and Appraisal system. A number of criteria are used in setting pay:

- nature of the role and responsibilities
- competitor salaries in the region
- the sector average salary for comparable positions

Related Parties and other Connected Charities and Organisations

Throughout the year the Trust has continued to develop partnerships with schools and academies both locally, nationally and internationally. The Chief Executive Officer is a key member of Trafford's Branch of NAHT, is the Special School representative on Funding Forum and the High Needs Block funding committee. We belong to a Teaching School Alliance across Greater Manchester. We also continue to work with the Greater Manchester Challenge, a collective of 9 Local Authorities. We work with local hospitals and Manchester Metropolitan University which are used as a base for our Manor College pupils who are on work placements. We became an academy sponsor in 2017 and have a school due to join the Trust in February 2018.

The Pictor Parent, Staff and Friends Association is a registered charity, set up to fundraise within The Sovereign Trust.

The Manor Academy PTA is a registered charity, set up to fundraise within The Sovereign Trust.

The Sovereign Trust has continued to employ JSN Creative to design subsequent leaflets, prospectus, banners etc. together with developing our website design. The Finance Director of the Sovereign Trust works for a part of this company which was a shared partnership between his son and another unrelated person for part of the year. This partnership dissolved in September 2017. The company fully complies with the provision of high quality services following the "at cost" principle.

One of the Directors is married to the Estates Manager.

Objectives and activities

Objects and aims

The principal objective and activity of the charitable company is the operation of The Sovereign Trust to provide education for pupils between the ages of 2 and 19 with a statement of special educational need or an Education Health and Care Plan. Our main aims are to:

- Help each pupil flourish through a challenging, wider curriculum and by promoting achievement for all and an enjoyment in learning for life.
- Offer all pupils access to innovative SEND education in the highest quality environments together with wider Trust collaboration and expertise.
- Seek growth through acquisitions and development.

The Sovereign Trust

Trustees' Report for the Year Ended 31 August 2017 (continued)

Objectives, strategies and activities

The main activities for achieving objectives the academies in Trust will undertake will be:

- Strengthen accountability structure by ensuring effective leadership and management in the academies.
- Review and develop curriculum and assessment provision
- The Academy Trust will secure value for money and consistent quality of services through a combination of centrally procured and provided services.

Public benefit

The Directors confirm that they have complied with their duty in Section 4 of the Charities Act 2006 to have due regard to public benefit guidance published by the Charity Commission for England & Wales. The Directors have referred to The Charity Commission's general guidance on public benefit when reviewing the Trust's objectives and aims and in planning future activities for the year. The Academy Trust continues to be at the heart of its community, promoting community cohesion and sharing facilities with other schools and academies and the wider community.

The Sovereign Trust

Trustees' Report for the Year Ended 31 August 2017 (continued)

Strategic Report

Achievements and performance (continued)

The Sovereign Trust makes good use of assessment systems to monitoring progress. Individual pupil assessments show an overview of all progress, both curricular and holistic.

At Pictor Academy the ethos, aims and curriculum are driven by supporting development through personalised learning opportunities with a focus on independence and communication. At Manor Academy the ethos, aims and curriculum are driven by transitional pathways leading to fulfilling, contributory and worthwhile opportunities for all students as they progress into adulthood.

Achievement is outstanding overall across The Sovereign Trust because from very low starting points children and young people leave with a range of skills and go on to a range of opportunities. There is an expectation, in all core areas, that the majority of young people will engage in external accreditation at the end of Key Stage 4 and students have access to a wide variety of these.

At Pictor pupils make outstanding progress in all areas of the curriculum and personal development. Students at Manor make excellent progress in their social and employability skills through the wide range of opportunities on offer which develop these. These include Independent Travel, residential visits and Duke of Edinburgh's Award. None of the students leaving Manor this year were NEET (not in employment, education or training) due the innovative vocational pathways. Manor has been successful in ensuring that a larger than average number of young people with SEN go on to paid employment.

Key performance indicators

- a. 98% consistently good and/or outstanding observed teaching.
- b. Pupil (EYFS, KS1 and KS2) and Student attendance (KS3 and KS4) at a minimum of 92% (excluding young people with long term medical conditions)
- c. To continue to develop the organisation through the prudent review of available funds

Going concern

Since the year end, the Board have identified that savings need to be made and that additional grant funding needs to be applied for and steps continued to be taken to further review levels of expenditure. Based on our assessments of the work undertaken to date and 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.

The Sovereign Trust

Trustees' Report for the Year Ended 31 August 2017 (continued)

Strategic Report

Financial review

The academy's income is obtained from the ESFA in the form of a General Annual Grant (GAG), the use of which is restricted to particular purposes; i.e. the objectives of the Academy Trust. The GAG received during the period covered by this report and the associated expenditure are shown as restricted funds in the Statement of Financial Activities. We also receive High Needs Funding from Local Authorities. In addition, the Academy generates income through the hire of facilities and services.

Capital Grants were awarded to the Academy by the ESFA to provide fixed assets at Manor Academy. The kitchen had been condemned due to lack of shut off gas valve and subsequent CO2 build up. CIF funding has also been awarded for roof replacement at Manor Academy and is currently underway.

The trust also received grants from the ESFA and other organisations. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2015), such grants are shown in the Statement of Financial Activities as restricted income in the restricted general fund and fixed asset fund. The restricted fixed asset fund balance is reduced by depreciation charges over the expected useful life of the assets concerned.

During the period ended 31 August 2017, total expenditure of £5,377,677 was incurred (which excludes depreciation of £581,162 and FRS 102 service costs of £207,000. Recurrent grant income from the EFA, together with other incoming resources totalled £5,146,104. The excess of expenditure over income for the period was £231,573. Total funds carried forward amount to £95,585. This is in line with the trust's strategy to build and maintain adequate reserves to meet the long-term cyclical needs of renewal and any unforeseen contingencies.

Unrestricted income in the year ended 31 August 2017 amounted to £159,621. Unrestricted expenditure amounted to £21,594.

At 31 August 2017 the net book value of fixed assets amounted to £21,667,481 and movements in fixed assets are shown in note 12 of the financial statements. The cost of fixed asset additions in the year ended 31 August 2017 amounted to £155,567.

Reserves policy

The trustees and governors review the level of reserves on an annual basis. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of the reserves. The trust's current level of free reserves (total reserves less the amounts held in fixed asset reserve and restricted pension fund reserve) is £95,585.

The trustees have decided to adopt a prudent approach to reserves and aim to maintain a group reserve of designated funds of at least 3% of annual income to safeguard against unforeseen circumstances, capital improvements or developments, late EFA payments, emergencies and other catastrophes. This is sound commercial practice designed to safeguard the trust's business activities and quality of education at both the academies in the trust.

In addition, the net liability due to the trust's participation in the Local Government Pension scheme (Greater Manchester Pension Fund – GMPPF) amounts to £1,334,000. It should be noted, however, that an immediate liability for this amount is not crystallised at the financial year end. Parliament has agreed, at the request of the Secretary of State for Education, to guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department of Education. The guarantee came into force on 18 July 2013. This guarantee provides comfort to the trustees in the unlikely event of an academy closure.

The Sovereign Trust

Trustees' Report for the Year Ended 31 August 2017 (continued)

Strategic Report

Investment policy

Any surplus income is held within each academy's designated bank account or within the Sovereign Trust account with Lloyds Bank and accrues interest at the designated rate. The Trust does not invest funds elsewhere or enter into any schemes e.g. equity bonds. It does not have sufficient reserves to enter into any long term secured investments.

Principal risks and uncertainties

The major risks, to which the Trust is exposed, as identified by the Directors, have been reviewed, and systems and procedures have been established to mitigate those risks. There is a risk register which is regularly reviewed at Board Meetings and any actions are agreed as required.

The Trust recognises that the Local Government Pension Scheme is a significant potential liability. The Trust is able to meet its known annual deficit contribution commitments for the foreseeable future, the risk from this liability is minimised and is manageable.

Pictor Academy is due to have the number of places commissioned by Trafford cut from 110 to 88 FTE following a review of SEN provision across the borough. The LA supported a Free School application to build a third school in the north of the borough. The intention is that each of the 3 special schools serves their postcode area. The reduction in numbers will begin in 2017/18 and will reduce over the next 4 years to reach 88FTE. However Pictor is able to offset this reduction by filling the places with Out of Borough pupils. The academy does not face any financial risk associated with falling rolls and is always oversubscribed. We meet regularly with our Local Authority to discuss planned admission numbers to meet local shortages of places for SEN. The demand for places at Pictor, despite the postcode areas, is high and parents still request Pictor in preference to the other schools. There is opposition to the third school due to access concerns from a heavily congested roundabout near the Trafford Centre. Building work has not begun and the opening date of Sept 2016 has passed. This is still ongoing and the new school does not have planning permission, Trafford have reduced numbers by 5 to the DfE but then had to place more than 110 pupils at Pictor. Pictor has surrounding authorities requesting places and is currently running at 125 pupils.

Manor Academy Sale has significant building issues which require urgent and ongoing repairs and replacement. CIF funding was awarded both through the Emergency bid route and through the CIF round 2016/17 for the kitchen and for the roof (although the funds awarded are only sufficient to do two thirds of the required roofing replacement).

There is an ongoing plan for substantial works to the school building to make it habitable and a safe environment for our pupils, staff and visitors, this will require investment through budget and grant funding where available.

The acquisition of New Park School by 1st February 2018 through the academy sponsor route. This is a PFI school that was put into Special Measures following an Ofsted inspection in October 2016. Due diligence has been carried out by The Sovereign Trust and the acquisition is being led by our legal support company Elderflower Legal. As our HR manager is due to go on maternity leave in January we have engaged the services of a very experienced HR manager and SBM to advise for the maternity leave period. They will be advising through the TUPE process as well as performing a scoping exercise across the admin structure of the Trust.

Uncertainties relating the next stage of the reform of school funding arrangements, particularly around SEND funding, the foreseeable freeze on the Government's overall education budget, changes in funding arrangements for special needs pupils and increasing employment and premises costs are all contributing to cost pressure in future periods.

The Sovereign Trust

Trustees' Report for the Year Ended 31 August 2017 (continued)

Strategic Report

Plans for future periods

Longer-term developmental needs include improving our facilities wherever funding will allow. In particular, we shall strive to secure grants to allow:

1. improved academy accommodation particularly at Manor Academy and expansion at Pictor Academy
2. the expansion of pupil opportunity
3. Increased funding from lettings opportunities.
4. Future school acquisitions

The Sovereign Trust

Trustees' Report for the Year Ended 31 August 2017 (continued)

Funds held as Custodian Trustee on behalf of others

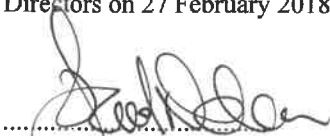
During the period from 1 July 2015 to 31 August 2016 The Sovereign Trust did not hold any funds as a custodian trustee on behalf of any other charitable organisation.

Auditor

In so far as the Trustees are aware:

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

Trustees' Report, incorporating a Strategic Report, was approved by order of the members of the Board of Directors on 27 February 2018 and signed on its behalf by:



.....
Paul Nolan
Trustee

The Sovereign Trust

Governance Statement

Scope of responsibility

As Directors, we acknowledge we have overall responsibility for ensuring that The Sovereign 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 Officer, as Accounting Officer, for ensuring financial controls conform to the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Sovereign Trust and the Secretary of State for Education.

They are also responsible for reporting to the Board any material weaknesses or breakdowns in internal control. The information on governance included here supplements that described in the Director's Report and in the Statement of Directors' responsibilities.

Governance

Full Directors Meetings

The Board of Directors has formally met 3 times during the year. Attendance during the year at meetings of the Governing Body was as below-

Trustee	Meetings attended	Out of a possible
Ian McGrath	7	7
Beverley Owens	7	7
Paul Nolan	7	7
Maurice French	7	7
Dilys Morgan	7	7
Nicholas Gill	2	2
Jack Brymer	5	6
Shiv Chouksey	2	2
David Nash	2	2
William Jones	0	1

Finance Committee Meetings

The Finance team meets regularly and corresponds frequently as part of the Boards duties. As previously described the Board decided that the whole Board wanted to be involved in all Finance information and so this Executive team meets operationally to discuss monthly budgets and, this year, all the changes to finance systems and personnel. The Finance procedures have been established to review and agree the academies and Trust proposals for the budget and recommend it to the whole Board of Directors who will have an overview of the school fund accounts and will review and keep track of expenditure. The Executive team and the Board will also take into account the use of premises, grounds and extended academy facilities. They will monitor the efficient use of utilities such as water, electricity or gas and maintain an overview of costs and lettings of the premises.

The Sovereign Trust

Governance Statement (continued)

Review of value for money

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

The Accounting Officer considers how the trust's use of 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 by:

- Improving Educational results:
Our resources are directed where they will be the most effective in meeting educational requirements, for example:
 - Robust tracking systems to record and monitor all aspects of pupil data including progress
 - Continuing to monitor staffing levels and deploy staff efficiently to support the curriculum and areas of development
 - Through robust performance management systems that ensure staff development delivers excellent teaching and learning opportunities for pupils
 - Funding is allocated to optimal effect, e.g. through personalised programmes for pupils , after school clubs, breakfast clubs
 - Working collaboratively with other schools, forming a Teaching School Alliance to improve CPD and share excellent practice and improve standards
 - Implement strategies to improve attendance
 - Provide increased speech and language support for pupils
- Financial Governance and Oversight
Financial governance arrangements include regular monitoring by The Board of Directors and through the Finance and Audit. This includes:
 - Comprehensive budgeting and monitoring systems with an annual budget and monthly financial reports reviewed and agreed by the Board
 - Regular monitoring review of reports and data within the Board meetings, monitoring the impact of activities and funding streams such as pupil premium
 - Monthly reviews by the Executive Team of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes
 - Robust financial procedures and regular policy reviews ensure the academy trust is operating within the regulations of the Academies Handbook
 - Comprehensive external and internal audit checks, monitoring and reporting on the Academy trusts financial procedures and performance
- Better Purchasing
 - Spending proposals are priced and presented to the Board, challenged appropriately and recorded in minutes.
 - Contracts and service level agreements are reviewed regularly to ensure the service remains suitable for the needs of the Trust and tenders/quotes are obtained to ensure value for money
- Reviewing controls and Managing Risks
 - Cash flow forecasts are included within regular reports to identify surplus cash balances.
 - Clearly defined purchasing guidelines:
 - Delegation of authority and segregation of duties are defined within policies and Board meetings
 - Review of Risk Register is a standing item for all meetings

The Sovereign Trust

Governance Statement (continued)

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of The Sovereign 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 managed and reviewed in line with DfE guidance in the Financial Handbook at The Sovereign Trust from September 2016 to August 2017 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 Sovereign 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 from September 2016 to August 2017 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board.

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

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:

- 1) comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Directors;
- 2) regular reviews by the Executive team of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- 3) setting targets to measure financial and other performance;
- 4) clearly defined purchasing (asset purchase or capital investment) guidelines;
- 5) delegation of authority and segregation of duties;
- 6) Identification and management of risks.

The Board of Directors has considered the need for a specific internal audit function and decided to appoint an internal auditor. The Internal auditor's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. On a termly basis, the internal auditor reports to the Board of Directors on the operation of the systems of control and on the discharge of the Board's financial responsibilities.

Review of effectiveness

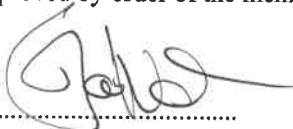
As Accounting Officer, Beverley Owens has responsibility for reviewing the effectiveness of the system of internal control. During the time since conversion the review has been informed by:

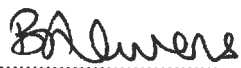
- the work of the Local Authority Finance team ;
- the work of the external auditor;
- the financial management and governance self assessment process;
- the work of the Operations Director;
- the work of the Directors within the Academy Trust who have responsibility for the development and maintenance 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 and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Sovereign Trust
Governance Statement (continued)

Approved by order of the members of the Board of Directors on 27 February 2018 and signed on its behalf by:


.....
Paul Nolan
Trustee


.....
Beverley Owens
Accounting officer
Trustee

The Sovereign Trust

Statement on Regularity, Propriety and Compliance

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

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

I confirm that the following instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Board of Directors and the ESFA. If any instances are identified after the date of this statement, these will be notified to the Board of Directors and ESFA

- Management information was not made available to the board on a timely and regular basis.
- Changes required to control processes arising from weaknesses on procurement and payroll identified during the 2015/16 audit have not been robustly implement.
- The budgets for the individual schools and trust had not been updated to reflect changes in funding levels or the increases in costs and were not sufficiently robust to identify the ongoing deficit position to allow for appropriate forward planning.
- A director has provided management support and mentoring without formal approval by the board of Trustees.



.....
Chief Executive Officer
Accounting officer

27 February 2018

The Sovereign Trust

Statement of Trustees' Responsibilities

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

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of 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:

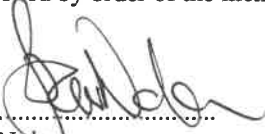
- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards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

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

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

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

Approved by order of the members of the Board on 27 February 2018 and signed on its behalf by:


.....
Paul Nolan
Trustee

The Sovereign Trust

Independent Auditor's Report on the Financial Statements to the Members of The Sovereign Trust

Opinion

We have audited the financial statements of The Sovereign Trust (the 'Academy') for the year ended 31 August 2017, which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, Balance Sheet, Statement of Cash Flows, 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 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Academy's Trustees, 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's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy and its Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.
- have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2016 to 2017.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Academy 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.

Emphasis of matter

As explained on page 9 of the Trustees' report, the Directors' have undertaken a review of income and expenditure which is an ongoing process. As a result of this exercise we have no reason to believe that additional income applied for and further cost savings will not be made. We are therefore satisfied that it is appropriate for these accounts to be drawn up on a going concern basis.

The Sovereign Trust

Independent Auditor's Report on the Financial Statements to the Members of The Sovereign Trust (continued)

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'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 auditor's report 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 Strategic Report and Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Trustees' 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and 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.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities [set out on page 19], the Trustees 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.

The Sovereign Trust

Independent Auditor's Report on the Financial Statements to the Members of The Sovereign Trust (continued)

In preparing the financial statements, the Trustees are responsible for assessing the Academy'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 or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

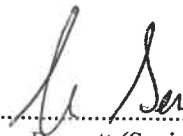
As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Academy's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Academy to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Academy to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Academy audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Sovereign Trust

Independent Auditor's Report on the Financial Statements to the Members of The Sovereign Trust (continued)


.....

Anna Bennett (Senior Statutory Auditor)
For and on behalf of Hallidays, Statutory Auditor

Riverside House
Kings Reach Business Park
Yew Street
Stockport
SK4 2HD

Date: 27/02/18

The Sovereign Trust

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

In accordance with the terms of our engagement letter dated 8 July 2015 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Sovereign Trust during the period 1 September 2016 to 31 August 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to The Sovereign Trust and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we may state to The Sovereign 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 Sovereign Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of the Governing Body's accounting officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of the Board of Directors's funding agreement with the Secretary of State for Education dated 16 December 2015 and the Academies Financial Handbook extant from 1 September 2015, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2016 to 2017. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year from 1 September 2016 to 31 August 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2016 to 2017 issued by 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:

- We have confirmed that the activities conform to the trust's framework of authorities. As identified by review of minutes, management accounts, discussion with the accounting officer and other key management personnel.
- We have carried out an analytical review as part of the consideration of whether general activities of the trust are within the trust's framework of authorities.
- We have considered the evidence supporting the accounting officer's statement on regularity, propriety and compliance and have evaluated the general control environment of the trust and extended the procedures required for financial statements to include regularity.

The Sovereign Trust

Independent Reporting Accountant's Report on Regularity to The Sovereign Trust and the Education and Skills Funding Agency (continued)

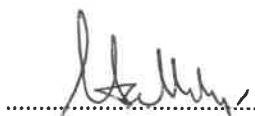
- We have assessed and tested a sample of the specific control activities over regularity of a particular activity. In performing sample testing of expenditure, we have considered whether the activity is permissible within the trust's framework of authorities. We confirm that each item tested has been appropriately authorised in accordance with the trust's delegated authorities and that the internal delegations have been approved by the Trust Board and conform to the limits set by the Department for Education.
- Formal representations have been obtained from the Board of Directors and the accounting officer acknowledging their responsibilities including disclosing all non-compliance with laws and regulations specific to the authorising framework, access to accounting records, provision of information and explanations, and other matters where direct evidence is not available.
- In performing sample testing of expenditure, we have reviewed against specific terms of grant funding within the funding agreement. We have reviewed the list of suppliers and have considered whether supplies are from related parties and have reviewed minutes for evidence of declaration of interest, and whether or not there was involvement in the decision to order from this supplier.
- We have performed sample testing of other income and tested whether activities are permitted within the trust's charitable objects.

Conclusion

In the course of our work, except for the matters listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year from 1 September 2016 to 31 August 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

As reported by the Accounting Officer in the Statement on Regularity, Propriety and Compliance, the following matters were identified:

- Management information was not made available to the board on a timely and regular basis.
- Changes required to control processes arising from weaknesses on procurement and payroll identified during the 2015/16 audit have not been robustly implement.
- The budgets for the individual schools and trust had not been updated to reflect changes in funding levels or the increases in costs and were not sufficiently robust to identify the ongoing deficit position to allow for appropriate forward planning.
- A director has provided management support and mentoring without formal approval by the board of Trustees.



Hallidays
Chartered Accountants
and
Registered Auditors

Riverside House
Kings Reach Business Park
Yew Street
Stockport
SK4 2HD

Date: 27/04/18

The Sovereign Trust

Statement of Financial Activities for the Year Ended 31 August 2017 (including Income and Expenditure Account)

	Note	Unrestricted Funds £	Restricted General Funds £	Restricted Pension Funds £	Restricted Fixed Asset Funds £	Total 2017 £
Income and endowments from:						
Donations and capital grants	2	14,447	-	-	587,592	602,039
<i>Charitable activities:</i>						
Funding for the Academy trust's educational operations	3	-	5,025,700	-	-	5,025,700
Other trading activities	4	105,699	-	-	-	105,699
Investments	5	258	-	-	-	258
Total		120,404	5,025,700	-	587,592	5,733,696
Expenditure on:						
<i>Charitable activities:</i>						
Academy trust educational operations	7	21,594	5,356,083	207,000	581,162	6,165,839
Net income/(expenditure)		98,810	(330,383)	(207,000)	6,430	(432,143)
Transfers between funds		(414,646)	369,600	-	45,046	-
Other recognised gains and losses						
Actuarial gains/(loss) on defined benefit pension schemes	23	-	-	909,000	-	909,000
Net movement in (deficit)/funds		(315,836)	39,217	702,000	51,476	476,857
Reconciliation of funds						
Total funds/(deficit) brought forward at 1 September 2016		372,204	-	(2,036,000)	22,093,076	20,429,280
Total funds/(deficit) carried forward at 31 August 2017		56,368	39,217	(1,334,000)	22,144,552	20,906,137

The Sovereign Trust

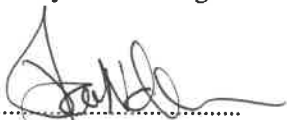
Statement of Financial Activities for the Period from 1 July 2015 to 31 August 2016 (including Income and Expenditure Account)

	Note	Unrestricted Funds £	Restricted General Funds £	Restricted Pension Funds £	Restricted Fixed Asset Funds £	Total 2016 £
Income and endowments from:						
Voluntary income						
Donations and capital grants	2	20,114	245	-	56,571	76,930
Transfer from local authority on conversion		463,138	-	(879,000)	22,244,870	21,829,008
<i>Charitable activities:</i>						
Funding for the Academy trust's educational operations	3	-	3,360,414	-	-	3,360,414
Other trading activities	4	42,364	24,903	-	-	67,267
Investments	5	184	-	-	-	184
Total		525,800	3,385,562	(879,000)	22,301,441	25,333,803
Expenditure on:						
<i>Charitable activities:</i>						
Academy trust educational operations	7	4,276	3,347,906	20,000	395,341	3,767,523
Net income/(expenditure)		521,524	37,656	(899,000)	21,906,100	21,566,280
Transfers between funds		(149,320)	(37,656)	-	186,976	-
Other recognised gains and losses						
Actuarial gains on defined benefit pension schemes	23	-	-	(1,137,000)	-	(1,137,000)
Net movement in funds/(deficit)		372,204	-	(2,036,000)	22,093,076	20,429,280
Reconciliation of funds						
Total funds/(deficit) carried forward at 31 August 2016		372,204	-	(2,036,000)	22,093,076	20,429,280

The Sovereign Trust
(Registration number: 09666511)
Balance Sheet as at 31 August 2017

	Note	31 August 2017 £	31 August 2016 £
Fixed assets			
Tangible assets	12	21,667,481	22,093,076
Current assets			
Debtors	13	267,072	453,865
Cash at bank and in hand		<u>589,262</u>	<u>130,367</u>
		856,334	584,232
Creditors: Amounts falling due within one year	14	<u>(283,678)</u>	<u>(212,028)</u>
Net current assets		<u>572,656</u>	<u>372,204</u>
Total assets less current liabilities		<u>22,240,137</u>	<u>22,465,280</u>
Net assets excluding pension liability		22,240,137	22,465,280
Pension scheme liability	23	<u>(1,334,000)</u>	<u>(2,036,000)</u>
Net assets including pension liability		<u>20,906,137</u>	<u>20,429,280</u>
Funds of the Academy:			
Restricted funds			
Restricted fixed asset fund	15	22,144,552	22,093,076
Restricted pension fund	15	<u>(1,334,000)</u>	<u>(2,036,000)</u>
		20,810,552	20,057,076
Unrestricted funds			
Unrestricted general fund	15	<u>95,585</u>	<u>372,204</u>
Total funds		<u>20,906,137</u>	<u>20,429,280</u>

The financial statements on pages 26 to 50 were approved by the Trustees, and authorised for issue on 27 February 2018 and signed on their behalf by:



 Paul Nolan
 Trustee



 Beverley Owens
 Trustee

The Sovereign Trust

Statement of Cash Flows for the Year Ended 31 August 2017

	Note	31 August 2017 £	31 August 2016 £
Cash flows from operating activities			
Net cash provided by/(used in) operating activities	19	26,612	(145,978)
Cash transferred on conversion to an Academy Trust		-	463,138
Cash flows from investing activities	20	<u>432,283</u>	<u>(186,793)</u>
Change in cash and cash equivalents in the year		458,895	130,367
Cash and cash equivalents at 1 September		<u>130,367</u>	<u>-</u>
Cash and cash equivalents at 31 August	21	<u><u>589,262</u></u>	<u><u>130,367</u></u>

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017

1 Accounting policies

Statement of accounting policies

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

Basis of preparation

The financial statements of the Academy Trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2016 to 2017 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

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

Going concern

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

Income

All incoming resources are recognised when the Academy Trust has entitlement to the funds, 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 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.

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

1 Accounting policies (continued)

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 the receipt is probable and it can be measured reliably.

Donations

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

Other income

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

Donated goods, facilities and services

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

Transfer on conversion

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

Transfer of existing academies into the trust

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

Donated fixed assets

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy trust's accounting policies.

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

1 Accounting policies (continued)

Expenditure

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

Expenditure on raising funds

This includes all expenditure incurred by the Academy Trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

All resources expended are inclusive of irrecoverable VAT.

Charitable activities

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

Tangible fixed assets

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

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

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

Asset class	Depreciation method and rate
Leasehold land	0.80% straight line
Leasehold buildings	2% straight line
Fixtures, fittings and equipment	20% reducing balance
Computer equipment	33 1/3% straight line
Motor vehicles	25% straight line

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

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

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

1 Accounting policies (continued)

Liabilities

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

Provisions

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

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

Leased assets

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

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. Amounts due to the charity's wholly owned subsidiary are held at face value less any impairment.

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. 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. Amounts due to charity's wholly owned subsidiary are held at face value less any impairment.

Taxation

The Academy Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

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

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

1 Accounting policies (continued)

Pension benefits

Retirement benefits to employees of the Academy Trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes.

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

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

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

Fund accounting

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

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

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

Critical accounting estimates and areas of judgement

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

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

1 Accounting policies (continued)

Critical accounting estimates and assumptions

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

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

2 Donations and capital grants

	Unrestricted funds £	Restricted fixed asset funds £	Total 2017 £	Total 31 August 2016 £
Educational trips and visits	7,577	-	7,577	20,359
Capital grants	-	587,592	587,592	56,571
Other donations	6,870	-	6,870	-
	<u>14,447</u>	<u>587,592</u>	<u>602,039</u>	<u>76,930</u>

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

3 Funding for the Academy Trust's educational operations

	Restricted funds £	Total 2017 £	Total 31 August 2016 £
DfE/ESFA revenue grants			
General Annual Grant	2,612,795	2,612,795	1,749,568
Start Up Grant	-	-	50,000
Other DfE/ESFA Grants	<u>137,972</u>	<u>137,972</u>	<u>100,206</u>
	2,750,767	2,750,767	1,899,774
Other government grants			
Other Government Grants/Income	2,274,933	2,274,933	1,449,140
Non-government grants and other income			
Other non Government Grants	<u>-</u>	<u>-</u>	<u>11,500</u>
Total grants	<u><u>5,025,700</u></u>	<u><u>5,025,700</u></u>	<u><u>3,360,414</u></u>

4 Other trading activities

	Unrestricted funds £	Total 2017 £	Total 31 August 2016 £
Hire of facilities	35,839	35,839	22,945
Catering income	3,508	3,508	2,998
School shop sales	3,451	3,451	3,189
Recharges and reimbursements	15,235	15,235	24,903
Other sales	<u>47,666</u>	<u>47,666</u>	<u>13,232</u>
	<u><u>105,699</u></u>	<u><u>105,699</u></u>	<u><u>67,267</u></u>

5 Investment income

	Unrestricted funds £	Total 2017 £	Total 31 August 2016 £
Short term deposits	<u>258</u>	<u>258</u>	<u>184</u>

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

6 Expenditure

Non Pay Expenditure					Total 31 August 2016 £
	Staff costs £	Premises £	Other costs £	Total 2017 £	
Academy's educational operations					
Direct costs	4,085,890	535,630	204,293	4,825,813	3,042,775
Allocated support costs	500,735	443,834	395,457	1,340,026	724,748
	<u>4,586,625</u>	<u>979,464</u>	<u>599,750</u>	<u>6,165,839</u>	<u>3,767,523</u>
Net income/(expenditure) for the year includes:					
				31 August 2017 £	31 August 2016 £
Operating leases - other leases				2,318	655
Fees payable to auditor - audit				7,850	4,250
- other audit services				6,165	8,250
Depreciation				<u>581,162</u>	<u>395,341</u>

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

7 Charitable activities

		Total 2017 £	Total 31 August 2016 £
Direct costs - educational operations		4,825,813	3,042,775
Support costs - educational operations		<u>1,340,026</u>	<u>724,748</u>
		<u>6,165,839</u>	<u>3,767,523</u>
	Educational operations £	Total 2017 £	Total 31 August 2016 £
Analysis of support costs			
Support staff costs	500,735	500,735	200,419
Depreciation	45,532	45,532	27,154
Technology costs	35,749	35,749	5,169
Premises costs	398,302	398,302	201,414
Other support costs	339,605	339,605	257,057
Governance costs	<u>20,103</u>	<u>20,103</u>	<u>33,535</u>
Total support costs	<u>1,340,026</u>	<u>1,340,026</u>	<u>724,748</u>

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

8 Staff

Staff costs

	2017 £	2016 £
Staff costs during the year were:		
Wages and salaries	3,176,065	2,155,607
Social security costs	452,553	174,075
Pension costs	848,397	367,734
	<u>4,477,015</u>	<u>2,697,416</u>
Supply teacher costs	74,464	39,939
Staff restructuring costs	35,146	-
	<u>4,586,625</u>	<u>2,737,355</u>
		2017 £
Staff restructuring costs comprise:		
Severance payments		<u>35,146</u>

Non statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £35,146 (2016: £Nil). Individually, the payments were:

Non-statutory payments £9,465

Non-statutory payments £25,681

Staff numbers

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

	31 August 2017 No	31 August 2016 No
Teachers	44	42
Administration and support	131	95
Management	8	6
	<u>183</u>	<u>143</u>

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

8 Staff (continued)

Higher paid staff

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

	31 August 2017 No
£60,001 - £70,000	2
£90,001 - £100,000	1

Key management personnel

The key management personnel of the Academy Trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Academy Trust was £518,398 (2016: £283,543).

9 Central services

No central services were provided by the trust to its academies during the period and no central charges arose.

10 Related party transactions - trustees' remuneration and expenses

One or more trustees has been paid remuneration or has received other benefits from an employment with the Academy Trust. The principal and other staff trustees 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 trustees' remuneration and other benefits was as follows:

Beverley Owens (Headteacher):

Remuneration: £95,000 - £100,000 (2016 - £50,000 - £55,000) (8 months)

Employer's pension contributions: £10,000 - £15,000 (2016 - £5,000 - £10,000) (8 months)

Helen Wilson (Headteacher):

Remuneration: £25,000 - £30,000 (2016 - £50,000 - £55,000) (8 months)

Employer's pension contributions: £0 - £5,000 (2016 - £5,000 - £10,000) (8 months)

Dilys Morgan (Consultant):

Remuneration: £10,000 - £15,000 (2016 -) (8 months)

Employer's pension contributions: £Nil (2016 -) (8 months)

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

11 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.

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

12 Tangible fixed assets

	Leasehold land and buildings £	Furniture and equipment £	Motor vehicles £	Computer hardware £	Total £
Cost					
At 1 September 2016	21,118,108	1,162,784	96,250	111,276	22,488,418
Additions	<u>125,273</u>	<u>10,264</u>	<u>-</u>	<u>20,030</u>	<u>155,567</u>
At 31 August 2017	<u>21,243,381</u>	<u>1,173,048</u>	<u>96,250</u>	<u>131,306</u>	<u>22,643,985</u>
Depreciation					
At 1 September 2016	207,707	151,353	13,750	22,532	395,342
Charge for the year	<u>314,028</u>	<u>203,103</u>	<u>24,063</u>	<u>39,968</u>	<u>581,162</u>
At 31 August 2017	<u>521,735</u>	<u>354,456</u>	<u>37,813</u>	<u>62,500</u>	<u>976,504</u>
Net book value					
At 31 August 2017	<u>20,721,646</u>	<u>818,592</u>	<u>58,437</u>	<u>68,806</u>	<u>21,667,481</u>
At 31 August 2016	<u>20,910,401</u>	<u>1,011,431</u>	<u>82,500</u>	<u>88,744</u>	<u>22,093,076</u>

13 Debtors

	31 August 2017 £	31 August 2016 £
Trade debtors	64,245	54,976
VAT recoverable	6,309	57,408
Prepayments	2,319	5,474
Accrued grant and other income	<u>194,199</u>	<u>336,007</u>
	<u>267,072</u>	<u>453,865</u>

14 Creditors: amounts falling due within one year

	31 August 2017 £	31 August 2016 £
Trade creditors	185,370	27
Accruals	88,876	204,353
Deferred income	<u>9,432</u>	<u>7,648</u>
	<u>283,678</u>	<u>212,028</u>

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

14 Creditors: amounts falling due within one year (continued)

	31 August 2017 £
Deferred income	
Deferred income at 1 September 2016	7,648
Resources deferred in the period	9,432
Amounts released from previous periods	<u>(7,648)</u>
Deferred income at 31 August 2017	<u>9,432</u>

At the balance sheet date the academy trust was holding funds received in advance for UIFSM in respect of the academic year 2017/2018.

15 Funds

	Balance at 1 September 2016 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2017 £
Restricted general funds					
General Annual Grant (GAG)	-	2,612,795	(2,982,395)	369,600	-
Other DfE/EFA grants	-	137,972	(137,972)	-	-
Other restricted income	-	2,235,716	(2,235,716)	-	-
	<u>-</u>	<u>4,986,483</u>	<u>(5,356,083)</u>	<u>369,600</u>	<u>-</u>
Restricted fixed asset funds					
Transfer on conversion	21,862,504	-	(559,088)	-	21,303,416
DfE/EFA capital grants	15,917	587,592	(15,433)	-	588,076
Other capital income	35,200	-	(900)	-	34,300
Capital expenditure from GAG	179,455	-	(5,741)	45,046	218,760
	<u>22,093,076</u>	<u>587,592</u>	<u>(581,162)</u>	<u>45,046</u>	<u>22,144,552</u>
Restricted pension funds					
Restricted pension funds	<u>(2,036,000)</u>	<u>-</u>	<u>(207,000)</u>	<u>909,000</u>	<u>(1,334,000)</u>
Total restricted funds	20,057,076	5,574,075	(6,144,245)	1,323,646	20,810,552
Unrestricted funds					
Unrestricted general funds	<u>372,204</u>	<u>159,621</u>	<u>(21,594)</u>	<u>(414,646)</u>	<u>95,585</u>
Total funds	<u>20,429,280</u>	<u>5,733,696</u>	<u>(6,165,839)</u>	<u>909,000</u>	<u>20,906,137</u>

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

15 Funds (continued)

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

Restricted general funds are those resources that have been designated restricted by the grant provider in meeting the objectives of the Academy.

Restricted fixed asset funds are those funds relating to the long term assets of the Academy used in delivering the objects of the Academy.

Unrestricted funds are funds which the Trustees may use in the pursuance of the Academy's objectives and are expendable at the discretion of the Trustees.

Analysis of academies by fund balance

Fund balances at 31 August 2017 were allocated as follows:

	Total £
Pictor Academy	311,577
Manor Academy Sale	<u>(215,992)</u>
Total before fixed assets and pension reserve	95,585
Restricted fixed asset fund	22,144,552
Restricted pension funds	<u>(1,334,000)</u>
Total	<u><u>20,906,137</u></u>

Manor Academy Sale is carrying a net deficit of £ 215,552 on these funds.

As detailed on page 9 the Board have identified that savings need to be made, additional grant funding needs to be applied for and steps taken to review levels of expenditure.

Analysis of academies by cost

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

	Teaching and Educational Support Staff Costs £	Other Support Staff Costs £	Educational Supplies £	Other Costs (excluding Depreciation) £	Total 2017 £
Pictor Academy	1,996,586	115,020	69,609	453,838	2,635,053
Manor Academy Sale	<u>2,089,305</u>	<u>222,714</u>	<u>57,462</u>	<u>373,143</u>	<u>2,742,624</u>
Academy Trust	<u><u>4,085,891</u></u>	<u><u>337,734</u></u>	<u><u>127,071</u></u>	<u><u>826,981</u></u>	<u><u>5,377,677</u></u>

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

16 Analysis of net assets between funds

Fund balances at 31 August 2017 represented by:

	Unrestricted funds £	Restricted general funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets	-	-	21,667,481	21,667,481
Current assets	95,585	283,678	477,071	856,334
Current liabilities	-	(283,678)	-	(283,678)
Pension scheme liability	-	(1,334,000)	-	(1,334,000)
Total net assets	<u>95,585</u>	<u>(1,334,000)</u>	<u>22,144,552</u>	<u>20,906,137</u>

17 Capital commitments

	31 August 2017 £
Contracted for, but not provided in the financial statements	<u>477,071</u>

18 Commitments under operating leases

Operating leases

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

	31 August 2017 £	31 August 2016 £
Amounts due within one year	3,992	3,541
Amounts due between one and five years	<u>7,132</u>	<u>8,658</u>
	<u>11,124</u>	<u>12,199</u>

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

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

	31 August 2017 £	31 August 2016 £
Net (expenditure)/income	(432,143)	21,566,280
Depreciation	581,162	395,342
Capital grants from DfE and other capital income	(587,592)	(56,571)
Interest receivable	(258)	(184)
FRS 102 Defined benefit pension scheme service cost	163,000	(2,000)
FRS 102 Defined benefit pension scheme finance cost	44,000	22,000
Decrease/(increase) in debtors	186,793	(453,865)
Increase in creditors	71,650	212,028
Cash transferred on conversion to an academy trust	-	(463,138)
FRS 102 deficit transferred on conversion to an academy trust	-	879,000
Assets inherited on conversion to an academy trust	-	(22,244,870)
Net cash provided by/(used in) Operating Activities	<u>26,612</u>	<u>(145,978)</u>

20 Cash flows from investing activities

	31 August 2017 £	31 August 2016 £
Dividends, interest and rents from investments	258	184
Purchase of tangible fixed assets	(155,567)	(243,548)
Capital funding received from sponsors and others	587,592	56,571
Net cash provided by/(used in) investing activities	<u>432,283</u>	<u>(186,793)</u>

21 Analysis of cash and cash equivalents

	At 31 August 2017 £	At 31 August 2016 £
Cash at bank and in hand	<u>589,262</u>	<u>130,367</u>
Total cash and cash equivalents	<u>589,262</u>	<u>130,367</u>

22 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

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

23 Pension and similar obligations

The Academy Trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Tameside Metropolitan Borough 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

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

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

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

23 Pension and similar obligations (continued)

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which 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 £336,946. (2016: £183,561)

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

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

Local government pension scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2017 was £397,000 (2016 - £198,000), of which employer's contributions totalled £322,000 (2016 - £146,000) and employees' contributions totalled £75,000 (2016 - £52,000). The agreed contribution rates for future years are 25 per cent for employers and banded from 5.5 to 12.5 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.

Principal actuarial assumptions

	At 31 August 2017 %	At 31 August 2016 %
Rate of increase in salaries	3.20	3.40
Rate of increase for pensions in payment/inflation	2.40	2.10
Discount rate for scheme liabilities	<u>2.50</u>	<u>2.10</u>

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

	At 31 August 2017	At 31 August 2016
Retiring today		
Males retiring today	21.50	21.40
Females retiring today	24.10	24.00
Retiring in 20 years		
Males retiring in 20 years	23.70	24.00
Females retiring in 20 years	<u>26.20</u>	<u>26.60</u>

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

23 Pension and similar obligations (continued)

Sensitivity analysis

	At 31 August 2017 £
Discount rate -0.5%	602,000.00
Salary increase rate +0.5%	162,000.00
Pension increase rate +0.5%	<u>426,000.00</u>

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

	At 31 August 2017 £	At 31 August 2016 £
Equities	2,507,000	1,954,000
Corporate bonds	549,000	461,000
Property	206,000	163,000
Cash and other liquid assets	<u>172,000</u>	<u>136,000</u>
Total market value of assets	<u>3,434,000</u>	<u>2,714,000</u>

The actual return on scheme assets was £61,000 (2016 - £58,000).

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

23 Pension and similar obligations (continued)

Amounts recognised in the statement of financial activities

	31 August 2017 £	31 August 2016 £
Current service cost	161,000	(2,000)
Past service cost	2,000	-
Interest income	61,000	58,000
Interest cost	105,000	80,000
	<u>329,000</u>	<u>136,000</u>
Total amount recognized in the SOFA		

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

	31 August 2017 £	31 August 2016 £
At start of period	4,750,000	3,022,000
Current service cost	483,000	144,000
Interest cost	105,000	80,000
Employee contributions	75,000	52,000
Actuarial (gains)/losses	(626,000)	1,452,000
Benefits paid	(21,000)	-
Past service cost	2,000	-
	<u>4,768,000</u>	<u>4,750,000</u>
At 31 August		

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

	31 August 2017 £	31 August 2016 £
At start of period	2,714,000	2,143,000
Interest income	61,000	58,000
Actuarial gains/(losses)	283,000	315,000
Employer contributions	322,000	146,000
Employee contributions	75,000	52,000
Benefits paid	(21,000)	-
	<u>3,434,000</u>	<u>2,714,000</u>
At 31 August		

The Sovereign Trust

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

24 Related party transactions

Owing to the nature of the Academy Trust and the composition of the board of governors 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. The following related party transactions took place in the period of account.

JSN Creative Ltd

(A company in which Samuel Nolan, son of Paul Nolan (Trustee of Sovereign Trust) is the sole director.)

Transactions totalling £3,266 (2016: £5,196) relating to logo designing, and website design and hosting took place in the period ended 31 August 2017. At the balance sheet date the amount due to JSN Creative Ltd was £500 (2016 - £Nil).

Dilys Morgan

(Trustee of The Sovereign Trust)

During the year Dilys Morgan provided consultancy services to the Academy Trust which was remunerated through payroll. The total amount paid for the year was £14,398 (2016: £9,753). This is also disclosed within note 10. At the balance sheet date the amount due to Dilys Morgan was £Nil (2016 - £Nil).