

THE SOVEREIGN TRUST
(A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 2021

Haines Watts
Chartered Accountants & Registered Auditors
Bridge House
157A Ashley Road
Altrincham
Cheshire
WA14 2UT

THE SOVEREIGN TRUST

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THE SOVEREIGN TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

Trustees

Paul Nolan, Chair of trustees (resigned 10/11/2020)
Nicholas Gill*, Acting Head of Finance, Risk and Audit Committee
Shirley Jones, Head of Finance, Risk & Audit Committee* (resigned 07/12/2020)
Lorraine Flynn* (temp independent attendee covering Finance role 20/05/21)
Ian McGrath
Beverley Owens*, Chief Executive Officer and Accounting Officer
David Rowntree*, Interim Chair of Trustees (from 16/11/2020)
Eddie Austin, Vice Chair (appointed from 16/11/20)
Stephanie Capon (appointed 16/07/20)
John Lomas (appointed 18/07/21)

*Director members of the Finance, Risk and Audit Committee

Members

Rik Waddon
Jean Spruce
John Lomas
Caroline Oxley
David Rowntree
Susan Gill (Following recommendation by the board on 16 July 2020, was formally appointed by Special Resolution of Members dated 6 November 2020.)

Senior leadership team

Chief Executive Officer	Beverley Owens
Executive Head of Pictor Academy	Andrew Taylor (appointed 01/09/19)
Executive Head of Longford Park School	Andrew Taylor
Head of Manor Academy	Paul Eckley
Head of New Park Academy	Almut Bever-Warren
Chief Financial Officer	Lisa Hughes (appointed 01/09/19)
HR Manager	Lisa-Marie McGrath

Company name The Sovereign Trust

Company registration number 09666511

Registered office Manor Academy
Manor Avenue
Sale M33 5JX

Academles operated	Location	Principal
Manor Academy	Sale	Paul Eckley
Pictor Academy	Timperley	Andrew Taylor
New Park School	Eccles	Almut Bever-Warren
Longford Park School	Stretford	Andrew Taylor

THE SOVEREIGN TRUST

REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)

Company secretary	Elderflower Legal & Secretarial Services Chestnut House 23 Ryles Park Road Macclesfield SK11 8AH
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Independent auditor	Haines Watts Bridge House Ashley Road Hale Altrincham WA14 2UT
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Bankers	Lloyds Bank Plc 40-42 School Road Sale M33 7XL
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Solicitors	Bexley Beaumont Limited Centurion House 129 Deansgate Manchester M3 3WR
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THE SOVEREIGN TRUST

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 AUGUST 2021

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year 1 September 2020 to 31 August 2021. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The trust operated four special academies in the year for pupils aged 3 to 19 serving a catchment area of Trafford, Salford and the surrounding boroughs. Its academies have a combined pupil capacity of 450 and had 520 on roll in July 2021. The trust has been successful in applying to open a Free School in Warrington, the opening date is delayed until September 2023.

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 trustees of The Sovereign Trust 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 trustees who served throughout the year except as noted are included in the Reference and Administrative Details on pages 1 and 2.

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 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 trust business, and provides cover up to £10,000,000.

Method of recruitment and appointment or election of trustees

Trustees are assessed based on the expertise, experience and skills required by the board in the discharge of their duties as representatives of the academy trust. The members elect trustees and the board contains eight elected trustees who are appointed for a term of four years.

No trustee received any remuneration in respect of their duties as a trustee from the academy trust during the year.

Policies and procedures adopted for the induction and training of trustees

Trustee training is taken very seriously by the academy trust. All new trustees are given the opportunity to develop their knowledge and skills through various online resources, such as 'The Key', that provides a regular update on topical educational matters as well as a new Trust Induction Online Portal. The academy trust provides an online trustees' resource that stores all current policies and procedures, as well as minutes of meetings and other information.

All new trustees 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, trustees with specific roles within the board or advisory committee are strongly encouraged to undertake specific training.

Organisational structure

The trustees are responsible for setting general strategy, approving an annual development plan and budget, monitoring performance against the development plan and budget, monitoring the trust's academies, capital expenditure and senior leadership appointments and approval of the financial statements. The trustees through the chief executive officer also monitor the performance of the executive management team.

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

During 2020/2021, one board trustee resigned from the board on 7 December 2020 due to external work commitments, the board invited a trustee to join the board on a trial basis to cover the role of Finance Chair. to enhance the mix of expertise and skills and the resulting effectiveness of the board. This post is due to be reviewed and to be made permanent in September 2021. The day-to-day management of the academy trust has been delegated to the chief executive officer (who is also the accounting officer) and the executive management team. The chair stepped down from his role on 10 November 2020 due to a conflict of interest. One of the members was invited, and appointed as a trustee as he added vital SEND understanding and experience from his previous role.

The executive management team controls the academies at an executive level implementing the policies laid down by the trustees. Control is devolved to members of the executive management team within agreed limits through the scheme of delegation.

The trustees meet at least once each term to receive reports from the executive management team to manage strategic objectives. The Finance, Risk and Audit Committee meets separately from the main board meetings to discuss the financial position, the risk register and the system of internal controls for the academy trust.

The work of the board consists of:

- **Finance and risk**

Ensures the academy trust acts in accordance with the articles, funding agreements, vision, mission and values; and complies with relevant legislation, regulations, the Academies Financial Handbook and Education & Skills Funding Agency (ESFA) guidance.

Exercise oversight and provide an independent objective view on the appropriateness, adequacy and effectiveness of the academy trust's risk management, financial management, and internal control and assurance arrangements including reviewing the financial statements.

- **Estates, health and safety**

To oversee the use of premises, grounds and extended academy facilities ensuring that the academy complies with health and safety guidelines, including appropriate external advice if required.

- **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 chief executive officer, reviewing and agreeing staff pay and training programs.

- **Audit**

The Finance, Risk and Audit Committee continues to meet as an advisory body to the board; it has no executive powers, but aims to promote the highest standards of propriety and governance around the use of public funds whilst encouraging proper accountability for the use of these funds.

The committee satisfies the statutory requirements for the use of public funds by reviewing the internal and external financial statements on behalf of the board and promotes a climate of financial discipline and internal control within the academy trust. The committee appoints and oversees the work from the internal and external auditors. It will also obtain independent professional advice if considered necessary.

- **The advisory committees**

Individual academy advisory 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 trustees, and the Secretary of State for Education and Skills Funding Agency. The advisory committee will have responsibility for monitoring test results and teaching of the curriculum including the review of the assessment policy, and all other policies relevant to curriculum, assessment and pupil progress and welfare.

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

Day-to-day management is delegated to the chief executive officer and individual academies' senior leadership teams:

Senior Leadership Team	Manor	New Park	Pictor	Longford Park
Chief Executive Officer	Beverley Owens			
Chief Finance Officer	Lisa Hughes			
Head of Academy	Paul Eckley	Almut Bever-Warren	Andrew Taylor	Andrew Taylor Zoe Fernandez
HR / Ops Manager	Lisa-Marie McGrath			

The executive management team and senior leadership teams recognise that equal opportunities should be an integral part of good practice within the workplace. The academy 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.

Arrangements for setting pay and remuneration of key personnel

The trustees consider that they, together with the chief executive officer, heads of school, and the chief finance officer currently comprise the key management personnel. The trustees 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 remuneration committee advising the board of trustees 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; and
- the sector average salary for comparable positions.

Trade union facility time

Under the provisions of the Trade Union (Facility Time Publication Requirements) Regulations 2017, where an academy trust has more than 49 full time equivalent employees throughout any 7 months within the reporting period, it must include information included in Schedule 2 of the Regulations.

There are currently no trade union officials or members of staff that take part in trade union activities either paid or not.

Related parties and other connected charities and organisations

Throughout the year, the academy 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 National Association of Head Teachers, the Special School representative on Funding Forum and the High Needs Block funding committee.

The academy trust works with the Greater Manchester Challenge, a collective of nine local authorities and with the GM MAT Leaders group. As a trust, we work with local hospitals and Manchester Metropolitan University who form a base for our Manor College pupils on work placements although this has been affected by the pandemic.

The Pictor Academy Parent, Staff and Friends Association and the Manor Academy Parent Teacher Association are both registered charities; set up to fundraise within The Sovereign Trust. New Park Academy Parent Teacher Association is not a registered charity but also raises money within the trust. Longford Park School does not have a PTA.

One of the trustees, the chair (resigned 10 November 2020) Paul Nolan, is married to the estates manager (who is no longer working for the trust as at 18 December 2020). The trust maintenance manager is the son of the chief executive officer, Beverley Owens.

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

During the period the trust purchased services from a supply teacher agency, The Education Specialists Limited. That company was later acquired by Operam Education Group Limited in February 2019, a business in which one of the trustees, Eddie Austin, owns a material interest. The board resolved to approve continuing with the transactions since they would be in the best interests of the trust and would monitor the amounts on a regular basis, the amount involved was £891 and Eddie Austin had no direct involvement in the purchasing decision. This related party issue has been frozen as of 01/09/2021.

Engagement with employees (including disabled persons)

The Sovereign Trust is an equal opportunity employer and proudly discloses this throughout its recruitment processes. The trust welcomes applications for employment from disabled persons.

The trust is responsive to changes to an employee's individual circumstances though becoming disabled, which includes making appropriate adjustments to working conditions. All employees of the trust including those with a disability can expect to be afforded development and career progression that befits their skills and expertise.

The trust acknowledges the trade unions that represent all of its employees. A Joint Consultative Committee comprising of trustees, senior leaders and employee union representatives is an established mechanism to consult employees on matters affecting their employment with the trust.

Engagement with suppliers, customers and others in a business relationship with the trust

The directors of the trust pay close regard to developing and maintaining good business relationships with suppliers, customers and others in order to obtain best value from those services. Integrity and open communication are the attributes that the trust values and displays in all its relationships and therefore expects the same in return.

The trust aims to finalise payments to companies in good time, to have sound processes for tendering and obtaining quotes.

Duty to promote the success of the company

The directors at the Sovereign Trust promote the success of the company for the benefit of all its stakeholders by:

- regularly reviewing a dashboard of key indicators that measure and illustrate staff and children's wellbeing;
- supporting growth of the trust by taking on new schools through sponsorship, request and engaging in the Free School programme in order to provide more SEND places in areas where there is lack of capacity;
- making key appointments on the board and Academy Advisory Committees (LGBs). Addressing under performance of the board;
- undertaking board effectiveness reviews and skills audits regularly which measure the extent of engagement with wider stakeholders and identify areas for improvement;
- undertaking discussion sessions on strategy and financial performance during 2020;
- having a robust audit regime in place with review at Finance, Risk and Audit Committee;
- ongoing CPD available for directors and members;
- having key designated roles on the board that focus on strengths e.g. director responsible for estates (also a parent of a child in the trust) runs a large construction company, has built good relationships with contractors, suppliers and others; and
- recently appointed a director who has previous experience at a high level of SEND education services, commissioning and strategy to ensure the Board have a deeper understanding of public services and challenges.

Objectives and activities

The principal objective and activity of the charitable company is the operation of The Sovereign Trust to ensure the clarity of vision, ethos and strategic direction to provide education for pupils between the ages of 3 and 19 with a statement of special educational needs or an Education Health and Care Plan.

The trustees carry out the following duties:

- ensure compliance with the laws and regulations applicable to academy trusts;
- ensure the academy trust is managed efficiently and effectively including the employment of additional professional advice on matters where there is a material risk to the charity;
- overseeing the financial performance of the schools and making sure effective use of funds; and
- ensure the academy trust assets and resources are protected and used in the pursuit of the objectives, aims and public benefit of the academy trust. The trustees oversee the finances to make sure it remains solvent and keeps appropriate financial records as per the Academy Trust Handbook 2020/21.

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

Objects and aims

The academy trust's objects, as set out in its articles of association, are specifically restricted to the following:

- a. To advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing, by establishing, maintaining, carrying on, managing and developing schools offering a broad and balanced curriculum ("the mainstream academies") or educational institutions which are principally concerned with providing full-time or part-time education for children of compulsory school age who, by reason of illness, exclusion from school or otherwise, may not for any period receive suitable education unless alternative provision is made for them ("the alternative provision academies") or 16 to 19 academies offering a curriculum appropriate to the needs of its students ("the 16 to 19 academies") or schools specially organised to make special educational provision for pupils with Special Educational Needs ("the special academies").
- b. To promote for the benefit of the inhabitants of the areas in which the academies are situated the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of life of the said inhabitants.

Our vision

The Sovereign Trust is relentless in our pursuit of ever improving outcomes for ALL children, supported by a wider set of systems, processes and capabilities.

Our mission statement

The Sovereign Trust seeks excellence and growth through acquisitions and development:

- We will offer all pupils access to innovative SEND education in the highest quality environments together with wider trust collaboration and expertise providing opportunities for enriched learning and pathways to employment and independence.
- We will support every pupil to flourish through a challenging, wider curriculum and an enjoyment in learning for life. We provide opportunities for our children to have a brilliant future.
- We provide opportunities for innovative developments in financial and non-financial areas through synergies and savings across the trust.
- Our trust values and celebrates success and builds partnerships.
- We will ensure future viability of the trust.

Our values

The Sovereign Trust is a multi-academy trust and a family of schools who believe that by learning and growing together we can:

Inspire	Enable all pupils to achieve and develop to their highest potential through inspirational teaching.
Nurture	Create an environment that nurtures, encourages exploration, celebrates creativity and forges a love of learning.
Support	Support both pupils and families alike in creating the ethos that our family of schools shares.
Passion	Encourage strong and passionate leadership that is central in helping every pupil to flourish.
Include	Provide a fully inclusive environment to ensure differing needs, cultures and abilities are respected and valued.
Respect	Remain vigilant in how we treat each other, ensuring the respect of each other and of the views of others.
Enjoy	Include fun and enjoyment in our curriculum that we believe supports a positive learning environment.

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

Objectives, strategies and activities

The principal strategies of the academy trust are as follows:

- ensuring that each academy enables all pupils to achieve their own outstanding outcomes;
- establishing a culture in each academy where the central focus is on the success and well-being of each child;
- building a self-sustaining, system-led, collaborative approach to school improvement;
- ensure high quality, strong and passionate leadership and governance at all levels throughout the academy trust; and
- to strengthen the academy trust by growing our family of schools who share the academy trust's values.

Public benefit

In setting our objectives and planning our activities the trustees have carefully considered the Charity Commission's general guidance on public benefit. The trustees confirm that they have complied with their duty in Section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission for England & Wales. The trustees refer to the Charity Commission's general guidance on public benefit when reviewing the academy 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.

Strategic report

Achievements and performance

During the last 18 months the COVID-19 pandemic changed the face of education dramatically regardless of what type of school we were. However, for SEND children who are amongst the most vulnerable children in the country, attendance at school was deemed to be of high importance. At no time did any of our schools close completely. What was challenging was maintaining safe environments for the specific group of children that were deemed to be most vulnerable and those whose carers were keyworkers. Our own staff were having to isolate and manage their own childcare issues caused by bubbles closing in their children's schools. Remote learning brought its own challenges but has also thrown up surprises and ways of working that we might never have considered pre-COVID. The children and parents responded and engaged well.

The trustees are determined to maintain our ethos, values, standards and achievements, whilst continuing to work to fulfil our medium and longer-term development plans.

In order to maintain educational standards each academy in the trust applies the following strategies:

- **Manor Academy** - transitional pathways leading to fulfilling, contributory and worthwhile opportunities for all students as they progress into adulthood to drive the ethos, aims and curriculum.
- **New Park Academy** - building confidence in learning, developing pupils as respectful, tolerant and well-mannered citizens of the local and wider community is used to drive their ethos and aims, together with a challenging curriculum and supportive partnerships with home and wider services.
- **Pictor Academy** - the ethos, aims and curriculum are driven by supporting development through personalised learning opportunities with a focus on independence and communication.
- **Longford Park School** - offer structure and security through teaching matched to the abilities of their pupils. Many of the pupils need to experience success and praise. They envelop the children in a 'can do' ethos and provide an environment where the school motto is embraced by all - "Our children **believe** in themselves, and **belong** in a strong community, everyone is empowered to **become** the best they can be".

The achievements of our children and young people are outstanding overall across The Sovereign Trust because from very low starting points each student leaves with a range of skills and goes 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 5.

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

OFSTED inspections

There have been no Ofsted inspections during the last year due to the impact of COVID restrictions. New Park is overdue and keen to show inspectors their progress.

In February 2019, Pictor Academy achieved a fourth 'Outstanding' judgement following a full Ofsted inspection; Manor Academy's inspection was carried out in October 2018 and achieved a 'Good' judgement. New Park Academy had an inspection in November 2016 and was judged to be 'Inadequate'. This judgement remains for three years despite major improvements made and several external reviews that judged the school to be 'Good'. Longford Park School was judged to be 'Outstanding' for a second time following a short Ofsted Inspection in March 2018.

All of the academies were oversubscribed again throughout the year with demand for places far in excess of our published admission numbers. Manor Academy has further increased pupil numbers to 200 and accommodates pupils to the age of 19

The Free School in Warrington, to be known as 'Seymour Academy' has been delayed due to site issues and is now due to open in September 2023.

COVID-19 Impact

All four schools continued to remain open throughout the period of further lockdowns and restrictions. Working in 'bubbles' and restricting movement throughout the schools as well as increased cleaning carried out throughout the day ensured that our risk assessments were adhered to and the environment was as safe as possible.

The impact upon pupils and families was significant but pupils engaged well with online learning where possible, families were provided with access to Free School meal vouchers. Support was offered to families who were finding the situation challenging at home.

One of our academies found that their parents found it too technical to receive and claim by way of electronic voucher via EdenRed so their preferred method was using a system via Wonde and we had to raise a claim for reimbursement.

Processes was more straight forward when the Local Authority supported – the claiming process initially before EdenRed was very laborious.

Going concern

COVID-19 has had an impact upon the school budgets with some areas underspent and others overspent due to different demands. The government will refund some of the costs related to this.

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

Financial review

During the year 1 September 2020 to 31 August 2021 total incoming resources were £12.2m. Total outgoing resources were £12.8m, including depreciation of £0.6m and FRS102 costs of £0.8m. The total movement in free revenue reserves is an in-year surplus of £0.8m.

The academy trust received a total of £179,000 of COVID-19 related funding. This is considered exceptional one-off income. All of the funding was spent in the year on COVID-19 related expenditure.

Expenditure against educational materials to support the curriculum has been lower (physical non IT resource) bringing savings however these savings have supported other areas such as additional professional services for pupils such as Ed Psych, Vocational Studies and Counselling.

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

Staffing has been very unsettled throughout the year. Various sickness absences and leavers mid-year have had to be managed carefully, although supply costs have been kept to budget it has been very difficult with more pressure placed on existing staff.

Funding received for COVID has mainly been spent to support staffing and curriculum areas (wellbeing services and technology).

Each academy has been very mindful of their reserves and has taken the approach to delay some capital projects until year end when it was established that any arising staffing absence could be financially covered. This has made planning quite difficult bringing with it more pressures to deal with tight timescales.

Manor and New Park have received Mass Testing Coving funding which has directly supported their testing service.

The academy trust has taken on the deficit in the Local Government Pension Scheme in respect of its non-teaching staff transferred on conversion. The deficit is incorporated within the statement of financial activities.

For the future year 21/22, the academies are mindful in how they can support existing staff. Some have revised their staffing structure and increased the resource available to them bringing with it increased costs. The supply budgets are likely to be higher than in previous years and many keeping funds for this area in contingency. It is estimated that staff wellbeing, student wellbeing will all see increased costs this year.

Reserves policy

The policy of the academy trust is to carry forward a prudent level of reserves designed to meet the long-term cyclical needs of renewal and any unforeseen contingencies, subject to the constraint that the level of reserves does not exceed the level permitted by the Education and Skills Funding Agency. In addition, that the resources are primarily used to meet the needs of the pupils within the academies and therefore that any reserves are kept under review and are not deemed excessive. No material funds have been designated in the annual accounts. The academy trust does not have tangible assets that could be released. No deficit fund balances are being carried within academy trust. The academy trust's current level of free reserves (total funds excluding the fixed assets restricted fund and excluding the pension reserve) is £1,653,000 as at 31 August 2021.

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 academy 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 academy trust is exposed, as identified by the trustees, have been reviewed, and systems and procedures have been established to mitigate those risks. There is a risk register that is regularly reviewed at Finance, Risk and Audit Committee meetings and subsequently at board meetings and any actions are agreed as required. The 'red risks' are listed below. All but the GMP pension fund risk are mitigated, the GMPF risk has been agreed, by the Board, to carry.

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

Principal risks	Mitigation
Compliance risk There is a risk that the financial reporting requirements are not complied with leading to investigation by the ESFA /lack of support from ESFA for future growth because: - the regulatory/legislative requirements relating to the production and reporting of the Statutory Accounts are not known or complied with; - the regulatory/legislative requirements relating to Accounting Standards are not known or complied with; - the Charities Statement of Recommended Practice (SORP) legislative requirements are not known or complied with.	▪ CFO and financial controller in place ▪ Finance Risk and Audit committee in place ▪ Monthly Financial Accounts/Reporting; ▪ Budget monitoring; ▪ Awareness of Financial Regulations; ▪ Support of the Academies Finance staff and associated policies and procedures; ▪ Effective Internal and External Audit; ▪ 3 year financial forecasts ▪ Maintain effective relationship and build on with external accountants ▪ CEO to access training to increase awareness and develop understanding of required procedures ▪ Strengthen budget monitoring ▪ Complete draft financial procedures manual
Finance risk There is a risk that the trust is unable to maintain overall financial viability leading to an inability to sustain our educational provision because of ineffective financial control policies, processes and operational control.	▪ Monthly financial accounts/reporting. ▪ Budget monitoring reports. ▪ Regular review by Finance and Risk Committee. ▪ Board of directors agree a balanced budget. ▪ Internal and external audits. ▪ Review of the monthly financial position against budget. ▪ Continued development of suitable control policies and processes to protect against financial loss. ▪ Monitoring capital investment to ensure the academy trust maintains its physical assets. ▪ Ensuring a clear supplier or third party policy and a clear tender process to protect the academy trust financially. ▪ Strengthen budget monitoring. ▪ Strengthen internal audit.
There is a risk that the Academy buildings deteriorate making them unsuitable for pupils and staff, leading to the academy having to close because of inadequate funding from ESFA.	▪ Site Manager inspections ▪ Annual H&S audits ▪ External audit and assessment to support funding bids (E3 Cube) ▪ Emergency funding bid ▪ Project and capital spend monitoring ▪ Consider alternative third party provision for supporting bids - This will be re-considered when the current contract with E3Cube runs out after the current Phase 2 Electrical bid, so approx. May 2022.
There is a risk of significant financial shortfall leading to critical operational difficulties for the Trust because of failing to make provision for pension contingent liability and monitoring the performance of the GMPF pension scheme.	▪ Financial policies and procedures operated by the Trust; ▪ Financial regulations; ▪ Ill health Strain Insurance in place (April 2016) ▪ Secretary of State guarantee to support pension failures

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

Principal risks	Mitigation
Governance risk There is a risk that performance (financial and non-financial) across the academies isn't monitored or challenged by the SLT or Board Directors leading to poor performance, financial loss or noncompliance because the management information is inadequate, out of date or ill informed	▪ Regular reporting and review of performance. ▪ SLT Review processes. ▪ Advice from the ESFA. ▪ Advice and support from external accountants. ▪ Embed CFO role. ▪ Review strategic planning, objective setting & budgeting processes.
People risk There is a risk that employment requirements are not followed leading to HR issues because the legislative requirements are not known or effective processes/procedures in place.	▪ Support from the Trust HR Manager. ▪ Extra support for HR Manager. ▪ HR Policy and procedures. ▪ Support from SLA's (HR solicitors). ▪ Embed new HR Assistant roles. ▪ Review HR policies.
Safeguarding risk There is a risk of safeguarding infringements (including high risk behaviour eg from use of knives, guns, drugs) leading to reputational issues, enforcement action or financial penalties because of inadequate safeguarding procedures.	▪ Safeguarding Policy and procedures. ▪ Annual refresher training on policy and procedure. ▪ All staff complete mandatory safeguarding training and it is kept up to date. ▪ Liaison with local police as required. ▪ External online safeguarding training. ▪ Regular safeguarding audit. ▪ Regularly monitor safeguarding controls.
Strategic risk There is a risk that the trust has no long term strategy in place leading to it losing focus and direction because of poor financial planning, succession planning and vision.	▪ Maintenance and development of a suitable long term strategy to give focus and direction to the academy trust. ▪ Constant review of the external environment of the academy trust to ensure the academy trust is at the forefront of changes.

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

Emerging risks	Mitigation
The trust recognises that the Local Government Pension Scheme is a significant potential liability.	The academy trust is able to meet its known annual deficit contribution commitments for the foreseeable future, the risk from this liability is minimised where possible and is manageable.
Manor Academy has significant building issues which require urgent and ongoing repairs and replacement	Manor Academy has attracted Condition Improvement Funding (CIF). A CIF application has been successful and has been completed for phase one to replace the electrical wiring throughout the ground floor of the school. Unfortunately, subsequent CIF application for phase 2 (to complete the first-floor electrical rewiring) has been declined. An appeal to this decision has been submitted but the decision leaves the school in a vulnerable position with potential further room closures electrical repairs are made as faults occur.
Manor Academy expansion	Manor Academy pupil numbers rose to almost 200 during 2020-21. They started 2021-22 with 203 pupils. Investigations and discussion are going ahead with Trafford and with other agencies to seek separate accommodation to house the 16-19 provision and potential 19-25 provision to enable additional places to become available in KS3 and 4. One of the main issues arising from the increase in pupil numbers is the lack of pupil toilets. There are no actual boys' toilets on the first floor, 3 cubicles on the ground floor. All pupil and staff toilets are in a poor state of repair so need replacing and increasing in number. This cannot be claimed through CIF funding. Additionally, the building was not designed with disability measures in place. Some of the doorways are not wide enough for wheelchair users, the two lifts are not robust enough for the amount of use they get and will cost £120,000 each to replace. This is not covered by CIF funding so requires any reserves to be accumulated yearly and repairs to be made in the meantime at greater cost.
New Park academy operates from a Private Finance Initiative (PFI) with a repayment programme until 2030.	By monitoring the financial position of the academy, the board will anticipate issues with meeting the requirements of the PFI.
COVID-19	Impact on all schools budgets
Warrington Free School	This is delayed by one year now due to open in September 2023. Warrington LA have suggested that the school capacity will not be large enough to accommodate the increase in pupil numbers in the borough. They also want the designation to include KS1 and Post 16.

Fundraising

The majority of our fundraising is done through lettings of the buildings after school hours and of the hydrotherapy pool at Pictor throughout the week (when available), and at weekends. Obviously this has been severely affected by the pandemic. Other fundraising activities usually include events organised by the parent/staff/friends groups. The academy trust does not use any external fundraisers.

The impact of COVID-19 is that all lettings income ceased. Some lettings were able to re-commence during summer break 2021 but there will still be income losses as some cannot start back due to national and local restrictions (Greater Manchester and Trafford). No other fundraising activities have taken place either.

THE SOVEREIGN TRUST
TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

Streamlined Energy and Carbon Reporting

UK Greenhouse gas emissions and energy use data for the year 1 September 2020 to 31 August 2021			
	Consumption		Emissions
Energy consumption used to calculate emissions (kWh) Used DEC Annual Energy Use x Floor Area	1,928,638.37		
Energy consumption break down (kWh) (optional):			
• gas	1,368,740.74	* 0.18387 (2020 fuels, natural gas conversion factor gross CV to kg Co2e)= 251,670.36	251.67
• electricity	559,897.63	* 0.23314 (2020 electricity conversion factor to kgCO2e) = 130534.53	130.53
• transport fuel Total Mileage 8 vehicles School Buses 6442 x 1.19466 (2020 SECR kWh pass & delivery vehs, vans class 2 – used in lieu of passenger vehicles conversion)=	7,696.00	transfer miles to km - 1 mile = 1.60934 12,385.48*1.60934 = 19,932.45km KM x 0.18900 (2020 managed assets vehicles, vans class 2 – used in lieu of passenger vehicles conversion) = 3,767.23	3.76
Total Mileage Staff Claims 41,429 x 1.16319 (2020 SECR kWh pass & delivery vehs, average car conversion factor to kWh)=	48,189.80	41,429 miles * 0.28052 (2020 managed assets vehicles, average car conversion factor to kgCO2e) = 11,621.66	11.62
TOTAL Scope 1 emissions in metric tonnes CO2e - GAS and Minibuses			255.43
Gas consumption			251.67
Owned transport – mini-buses			3.76
Total Scope 1			255.43
Scope 2 emissions in metric tonnes CO2e Electric			
Purchased electricity			
Total Scope 2 - Electric			130.53
Scope 3 emissions in metric tonnes CO2e Business Miles			
Business travel in employee owned vehicles			11.62
Total gross emissions in metric tonnes CO2e			397.58

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

Intensity ratio Tonnes CO2e per pupil		Emissions data (tCO2e) compared with an appropriate business activity (pupil numbers as per Autumn census) TOTAL 499	0.80
Scope 3 Emissions in metric tonnes CO2e Business Miles			
Business travel in employee owned vehicles			9.78
Total gross emissions in metric tonnes CO2e			689.43
Intensity ratio tonnes CO2e per pupil		Emissions data (tCO2e) compared with an appropriate business activity (pupil numbers as per Autumn census) Longford 66 Manor 171 New Park 124 Pictor 124 TOTAL 485	1.42

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per pupil, the recommended ratio for the sector.

Measures taken to improve energy efficiency

We have installed smart meters across some sites and will extend to cover all sites also increased video conferencing technology for staff and Board meetings, to reduce the need for travel between sites.

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:

- the expansion of pupil opportunities; provision to increase to the age of 25;
- improved academy accommodation at New Park Academy and at Manor Academy;
- increased funding from external grant funding applications; and
- future school acquisitions and growth, Free School applications.

As a special school multi-academy trust and as an academy sponsor it became clear that growth would be slow due to the limited number of special schools, of the number of mainstream schools who want to join a special school MAT, of the limited number of special schools that go into special measures and are 'academised' by the DfE and because of our desire to consolidate without destabilising the quality of provision within the academy trust.

THE SOVEREIGN TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

Our plans for growth focus on special schools.

The Free School in Warrington (Seymour Academy) will be officially open in September 2023. We envisage 'growing our own' staff and creating career paths for promotion and alternative opportunities across the trust schools.

Funds held as custodian trustee on behalf of others

During the year from 1 September 2020 to 31 August 2021, The Sovereign Trust did not hold any funds as a custodian trustee on behalf of any other charitable organisation.

Auditor

Insofar 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.

The trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 16 December 2021 and signed on the board's behalf by:



David Rowntree
Chair of trustees

THE SOVEREIGN TRUST

GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2021

Scope of responsibility

As trustees, we acknowledge we have overall responsibility for ensuring that The Sovereign Trust has an effective and appropriate system of controls, financial and otherwise.

However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The board of trustees has delegated the day-to-day responsibility to the 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 agreements between The Sovereign Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance here supplements that described in the trustees' report and in the statement of trustees' responsibilities. The board of trustees has formally met seven times during the year. Attendance during the year at meetings of the board was as follows:

Trustee	Meetings attended	Out of a possible
Ian McGrath	4	5
Eddie Austin	3	5
Nicholas Gill	5	5
Shirley Jones (resigned 07/12/20)	0	1
Paul Nolan (Chair resigned 10/11/20)	0	1
Beverley Owens	5	5
David Rowntree (Chair 11/11/20)	5	5
Stephanie Capon	5	5
John Lomas (18/07/2021)	1	1

The board carried out a full review of its skills and effectiveness in 2020.

The Finance, Risk & Audit Committee was formed in order to discuss finance, risk and audit matters. This committee also challenges senior leadership decisions in a knowledgeable way.

Finance, Risk and Audit Committee

The Finance, Risk and Audit committee is a sub-committee of the board of trustees. The purpose and responsibility of the committee is to oversee the financial, risk management and the wider internal control framework of the academy trust and report any findings to the board of trustees. The committee has met four times during the year.

Attendance during the year was as follows:

Trustee	Meetings attended	Out of a possible
Nicholas Gill	5	5
Shirley Jones (resigned 07/12/20)	2	2
Beverley Owens	5	5
David Rowntree	3	3
Stephanie Capon	2	2
Ian McGrath	1	1
Eddie Austin	1	1

Governance reviews

The Sovereign Trust board of trustees reviews its effectiveness at the end of each meeting and at the end of the year by completing a skills review and a series of surveys sent by the chair of the board. These focus on various areas:

- Governance framework: Compliance and evaluation
- Governance framework: People and structures
- Governance framework: Strategic leadership
- Governance framework: Accountability for educational standards and financial performance

THE SOVEREIGN TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

The chair collates the information to inform discussion about skills development on the board. The resulting actions from last year's governance effectiveness review was to further develop the role of the chair and to strengthen the SEN educational knowledge on the board by seeking an additional trustee. We strengthened the trustees' knowledge and understanding of safeguarding by introducing an online training system. A further review is being carried out in November 2021 and is completed annually.

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 trustees where value for money can be improved, including the use of benchmarking data where available. The accounting officer for the academy trust has delivered improved value for money as described below:

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, vocational courses and accreditations, supported internships;
- 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;
- increasing age range to 25;
- creating a Post 16 facility for young people with SEMH; and
- working with Warrington LA to establish a Free School provision to enable more pupils to be educated in their local area.

Financial governance and oversight

Financial governance arrangements include regular monitoring by the board of trustees and through the Finance, Risk and Audit Committee including;

- 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 Financial Handbook; and
- external and internal audit checks, monitoring and reporting on the academy trust's financial procedures and performance.

Better purchasing

- spending proposals are priced and presented to the board, where appropriate, challenged appropriately and recorded in minutes; and
- contracts and service level agreements are reviewed regularly to ensure the service remains suitable for the needs of the academy 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; and
- a review of risk register is a standing item for all meetings.

THE SOVEREIGN TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Sovereign Trust for the year 1 September 2020 to 31 August 2021 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The board of trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the year 1 September 2020 to 31 August 2021 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

The risk and control framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees;
- regular reviews by the finance and general purposes committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties; and
- identification and management of risks.

The board of trustees has considered the need for a specific internal audit function. Following the revised FRC Ethical Standards for auditors, the academy trust appointed SBS as internal auditor for the 2020-21 period.

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

- testing of payroll systems
- testing of purchase systems
- testing of control account/ bank reconciliations
- testing of petty cash systems.

On a quarterly basis, the internal auditor reports to the board of trustees, through the Finance, Risk and Audit Committee on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities. The internal auditor delivered their schedule of work as planned and the trust tailored their programme of checks to the risk register priorities.

Review of effectiveness

As accounting officer, the chief executive has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the internal auditor;
- the work of the external auditor; and
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

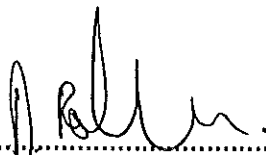
THE SOVEREIGN TRUST

GOVERNANCE STATEMENT (CONTINUED)

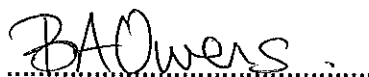
FOR THE YEAR ENDED 31 AUGUST 2021

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the Finance, Risk and Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of directors on 16 December 2021 and signed on its behalf by:



David Rowntree
Chair of trustees



Beverley Owens
Accounting officer

THE SOVEREIGN TRUST

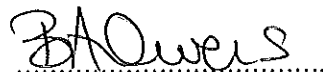
STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

FOR THE YEAR ENDED 31 AUGUST 2021

As accounting officer of The Sovereign Trust, I have considered my responsibility to notify the academy trust board of trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2020.

I confirm that I and the academy trust's board of trustees 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 2020.

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



Beverley Owens
Accounting officer

Date: 16/12/21

THE SOVEREIGN TRUST

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 AUGUST 2021

The trustees (who are also the directors of The Sovereign Trust for the purposes of company law) are responsible for preparing the trustees' report and the accounts in accordance with the Academies Accounts Direction 2020 to 2021 published by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the trustees to prepare accounts for each financial year. Under company law, the trustees must not approve the accounts 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 accounts, the trustees are required to:

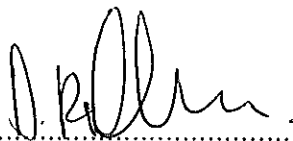
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2019 and the Academies Accounts Direction 2020 to 2021;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 accounts 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 that grants received from ESFA/DfE have been applied for the purposes intended.

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

Approved by order of the members of the board of trustees on 16 December 2021 and signed on its behalf by:



David Rowntree
Chair of trustees

THE SOVEREIGN TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SOVEREIGN TRUST FOR THE YEAR ENDED 31 AUGUST 2021

Opinion

We have audited the accounts of The Sovereign Trust for the year ended 31 August 2021 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the accounts, 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, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Charities SORP 2019 and the Academies Accounts Direction 2020 to 2021 issued by the Education and Skills Funding Agency.

In our opinion the accounts:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2021 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2019 and the Academies Accounts Direction 2020 to 2021.

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 accounts' section of our report. We are independent of the academy trust in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the academy trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information, which comprises the information included in the annual report other than the accounts and our auditor's report thereon. Our opinion on the accounts 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 accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts 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 accounts 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.

THE SOVEREIGN TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SOVEREIGN TRUST (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report including the incorporated strategic report for the financial year for which the accounts are prepared is consistent with the accounts; and
- the trustees' report including the incorporated strategic report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the academy trust and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report, including the incorporated strategic report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts 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, the trustees are responsible for the preparation of the accounts 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 accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the accounts

Our objectives are to obtain reasonable assurance about whether the accounts 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 accounts.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

THE SOVEREIGN TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SOVEREIGN TRUST (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

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

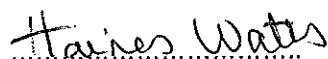
- Identify and assess the risks of material misstatement of the group's or the parent charitable company's financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis 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 group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Identify and test journal entries, in particular any journal entries posting with unusual account combinations.
- 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 group's or parent charitable company'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 group or parent charitable company 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 (ie. gives a true and fair view).
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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.

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Candice Beynon FCCA (Senior Statutory Auditor)

for and on behalf of Haines Watts

Chartered Accountants

Statutory Auditor

Bridge House

Ashley Road

Hale

Altrincham WA14 2UT

Date: 16/12/21

THE SOVEREIGN TRUST

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE SOVEREIGN TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY

FOR THE YEAR ENDED 31 AUGUST 2021

In accordance with the terms of our engagement letter dated 25 April 2019 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2020 to 2021, 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 2020 to 31 August 2021 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 ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Sovereign Trust and ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Sovereign Trust and ESFA, for our work, for this report, or for the conclusion we have formed.

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

The accounting officer is responsible, under the requirements of The Sovereign Trust's funding agreement with the Secretary of State for Education dated 16 December 2015 and the Academies Financial Handbook, extant from 1 September 2020, 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 2020 to 2021. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2020 to 31 August 2021 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 Framework and Guide for External Auditors and Reporting Accountant of Academy Trusts 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 SOVEREIGN TRUST

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

FOR THE YEAR ENDED 31 AUGUST 2021

The work undertaken to draw to our conclusion includes:

- We have confirmed that the activities conform to the academy 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 academy trust are within the academy 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 academy trust and extended the procedures required for financial statements to include regularity.
- 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 academy trust's framework of authorities. We confirm that each item tested has been appropriately authorised in accordance with the academy trust's delegated authorities and that the internal delegations have been approved by the governing body, and conform to the limits set by the Department for Education.
- Formal representations have been obtained from the governing body 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 academy trust's charitable objects.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2020 to 31 August 2021 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Haines Watts

Haines Watts
Reporting Accountant

Date: *10/12/21*

THE SOVEREIGN TRUST

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 AUGUST 2021

	Notes	Unrestricted funds £'000	Restricted funds: General £'000	Fixed asset £'000	Total 2021 £'000	Total 2020 £'000
Income and endowments from:						
Donations and capital grants	3	-	-	10	10	546
Donations - transfer from local authority on conversion		-	-	-	-	2,326
Charitable activities:						
- Funding for educational operations	4	-	11,818	-	11,818	10,865
Other trading activities	5	191	169	-	360	425
Investment income	6	-	-	-	-	1
Total		<u>191</u>	<u>11,987</u>	<u>10</u>	<u>12,188</u>	<u>14,163</u>
Expenditure on:						
Charitable activities:						
- Educational operations	9	<u>9</u>	<u>12,099</u>	<u>649</u>	<u>12,757</u>	<u>12,029</u>
Total	7	<u>9</u>	<u>12,099</u>	<u>649</u>	<u>12,757</u>	<u>12,029</u>
Net income/(expenditure)		182	(112)	(639)	(569)	2,134
Transfers between funds	18	-	(67)	67	-	-
Other recognised gains/(losses)						
Actuarial losses on defined benefit pension schemes	20	<u>-</u>	<u>(1,556)</u>	<u>-</u>	<u>(1,556)</u>	<u>(765)</u>
Net movement in funds		182	(1,735)	(572)	(2,125)	1,369
Reconciliation of funds						
Total funds brought forward		<u>551</u>	<u>(4,721)</u>	<u>25,894</u>	<u>21,724</u>	<u>20,355</u>
Total funds carried forward		<u>733</u>	<u>(6,456)</u>	<u>25,322</u>	<u>19,599</u>	<u>21,724</u>

THE SOVEREIGN TRUST

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

Comparative year information Year ended 31 August 2020	Notes	Unrestricted	Restricted funds:		Total
		funds £'000	General £'000	Fixed asset £'000	2020 £'000
Income and endowments from:					
Donations and capital grants	3	3	-	543	546
Donations - transfer from local authority on conversion		55	(625)	2,896	2,326
Charitable activities:					
- Funding for educational operations	4	-	10,865	-	10,865
Other trading activities	5	160	265	-	425
Investments	6	1	-	-	1
Total		<u>219</u>	<u>10,505</u>	<u>3,439</u>	<u>14,163</u>
Expenditure on:					
Charitable activities:					
- Educational operations	9	<u>13</u>	<u>11,419</u>	<u>597</u>	<u>12,029</u>
Total	7	<u>13</u>	<u>11,419</u>	<u>597</u>	<u>12,029</u>
Net income/(expenditure)		206	(914)	2,842	2,134
Transfers between funds	18	-	(741)	741	-
Other recognised gains/(losses)					
Actuarial losses on defined benefit pension schemes	20	<u>-</u>	<u>(765)</u>	<u>-</u>	<u>(765)</u>
Net movement in funds		206	(2,420)	3,583	1,369
Reconciliation of funds					
Total funds brought forward		<u>345</u>	<u>(2,301)</u>	<u>22,311</u>	<u>20,355</u>
Total funds carried forward		<u>551</u>	<u>(4,721)</u>	<u>25,894</u>	<u>21,724</u>

THE SOVEREIGN TRUST

BALANCE SHEET

AS AT 31 AUGUST 2021

		2021	2020
	Notes	£'000	£'000
Fixed assets			
Tangible assets	13	25,322	25,643
Current assets			
Debtors	14	391	974
Cash at bank and in hand		1,881	997
		2,272	1,971
Current liabilities			
Creditors: amounts falling due within one year	15	(574)	(875)
Net current assets		1,698	1,096
Total assets less current liabilities		27,020	26,739
Creditors: amounts falling due after more than one year	16	(45)	(76)
Net assets before defined benefit pension scheme liability		26,975	26,663
Defined benefit pension scheme liability	20	(7,376)	(4,939)
Total net assets		19,599	21,724
Funds of the academy trust:			
Restricted funds	18		
- Fixed asset funds		25,322	25,894
- Restricted income funds		920	218
- Pension reserve		(7,376)	(4,939)
Total restricted funds		18,866	21,173
Unrestricted income funds	18	733	551
Total funds		19,599	21,724

The accounts were approved by the trustees and authorised for issue on 16 December 2021 and are signed on their behalf by:



David Rowntree
Chair of trustees

Company Number 09666511

THE SOVEREIGN TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2021

		2021		2020	
	Notes	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Net cash provided by operating activities	21		1,232		150
Cash funds transferred on conversion			-		55
			<u>1,232</u>		<u>205</u>
Cash flows from investing activities					
Dividends, interest and rents from investments		-		1	
Capital grants from DfE Group		(23)		251	
Capital funding received from sponsors and others		33		292	
Purchase of tangible fixed assets		(327)		(1,033)	
		<u></u>		<u></u>	
Net cash used in investing activities			(317)		(489)
Cash flows from financing activities					
New long term bank loan		-		71	
Repayment of long term bank loan		(31)		(2)	
		<u></u>		<u></u>	
Net cash (used in)/provided by financing activities			(31)		69
Net increase/(decrease) in cash and cash equivalents in the reporting period			884		(215)
Cash and cash equivalents at beginning of the year			<u>997</u>		<u>1,212</u>
Cash and cash equivalents at end of the year			<u><u>1,881</u></u>		<u><u>997</u></u>

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2021

1 Accounting policies

The Sovereign Trust is a charitable company. The address of its principal place of business is given on page 1 and the nature of its operations are set out in the trustees' report.

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

1.1 Basis of preparation

The accounts 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 2020 to 2021 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.

1.2 Going concern

The trustees assess whether the use of going concern is appropriate, ie whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charitable 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 accounts 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 accounts.

1.3 Income

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

Grants

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

General Annual Grant is recognised in full in the statement of financial activities in the period for which it is receivable, and any abatement in respect of the period is deducted from income and recognised as a liability.

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

Sponsorship income

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the statement of financial activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

1 Accounting policies

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 accounts until they are sold. This income is recognised within 'Income from other trading activities'.

Donated fixed assets

Donated fixed assets are measured at fair value unless it is impractical to measure this reliably, in which case the cost of the item to the donor is 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.

Transfer of assets on conversion

Where assets and liabilities are received by the academy trust on conversion to an academy, the transferred net 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 academy trust. Income equal to the net assets transferred on conversion is recognised within donations and capital grant income.

1.4 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably. This includes redundancy payments and settlement payments.

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 are allocated on the portion of the asset's use.

All resources expended are inclusive of irrecoverable VAT.

Expenditure on raising funds

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

Charitable activities

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

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

1 Accounting policies

1.5 Tangible fixed assets and depreciation

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 that require 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 on a straight-line/reducing balance basis over its expected useful life, as follows:

Leasehold land and buildings	Land - 0.8% straight line, buildings - 2% straight line
Assets under construction	nil until brought into use
Computer equipment	33 1/3% straight line
Fixtures, fittings & equipment	20% reducing balance
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 and reclassified to freehold or leasehold land and buildings.

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

1.6 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.

1.7 Leased assets

Rentals payable under operating leases are charged on a straight line basis over the period of the lease.

1.8 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. Prepayments are not financial instruments.

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

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

1 Accounting policies

Financial liabilities

Trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost. Taxation and social security are not included in the financial instruments disclosure definition.

Government loans are recognised at their nominal value and reduced by subsequent repayments.

Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

1.9 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.

1.10 Pensions 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 and the assets are held separately from those of the academy trust.

The TPS is an unfunded scheme and contributions are calculated 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 based on quadrennial valuations using a prospective unit credit method. The TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions are recognised in the period to which they relate.

The LGPS is a funded multi-employer scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to net income or expenditure 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.

1.11 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.

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

1 Accounting policies

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

1.12 PFI arrangements

The academy trust has a PFI arrangement in place in New Park Academy which covers rent, rates, maintenance and facility management arrangements. Payments are accounted for in the period to which they relate.

1.13 Agency arrangements

The academy trust acts as an agent in distributing 16-19 bursary funds from the ESFA. Payments received from the ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The funds received and paid and any balances held are disclosed in note 26.

2 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, 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 2019 has been used by the actuary in valuing the pensions liability at 31 August 2021. 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.

Critical areas of judgement

The trustees have considered the apportionment of depreciation between direct and support costs. The majority of fixed assets are almost entirely used for the provision of education and only a small part for support services. Therefore, a 90% direct cost and 10% support cost apportionment is considered appropriate.

3 Donations and capital grants

	Unrestricted funds £'000	Restricted funds £'000	Total 2021 £'000	Total 2020 £'000
Capital grants	-	(23)	(23)	251
Other donations	-	33	33	295
	<u>-</u>	<u>10</u>	<u>10</u>	<u>546</u>

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

4 Funding for the academy trust's educational operations

	Unrestricted funds £'000	Restricted funds £'000	Total 2021 £'000	Total 2020 £'000
DfE / ESFA grants				
General annual grant (GAG)	-	4,490	4,490	4,082
Other DfE / ESFA grants:				
UIFSM	-	15	15	9
Pupil premium	-	278	278	273
Others	-	83	83	79
	-	4,866	4,866	4,443
Other government grants				
Local authority grants	-	6,773	6,773	6,372
	-	6,773	6,773	6,372
COVID-19 additional funding (DfE/ESFA)				
Catch-up premium	-	116	116	-
Other DfE/ESFA COVID-19 funding	-	63	63	50
	-	179	179	50
Total funding	-	11,818	11,818	10,865

The academy trust received £6,773,000 (2020: £6,372,000) from the local authorities in the year, being £5,324,000 (2020: £5,157,000) High Needs Top Up funding, £325,000 teachers pay and pension grants (2020: £221,000 – reclassified from DfE grants in 2020), £60,000 Alternative Provision PRU funding (2020: £60,000), £605,000 (2020: £485,000) Out of Borough funding, £401,000 (2020: £414,000) unitary charge funding, £45,000 (2020: £35,000) pupil premium funding and £13,000 of other funding.

The academy trust received £179,000 of coronavirus related funding being £116,000 catch-up premium, £30,000 exceptional support funding and £33,000 for mass testing. Costs incurred in respect of this funding totalled £179,000 and so no funds are carried forward at the year end.

Following the reclassification in the Academies Accounts Direction 2020/21 of some grants received from the Department for Education and ESFA, the academy trust's funding for Universal Infant Free School Meals and Pupil Premium is no longer reported under the Other DfE Group grants heading, but as separate lines under the Other DfE/ESFA grants heading. The prior year numbers have been reclassified.

There were no unfulfilled conditions or other contingencies relating to the grants in the year.

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

5 Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	Total 2021 £'000	Total 2020 £'000
Hire of facilities	40	-	40	34
Catering income	33	-	33	27
RPA insurance claims	-	-	-	65
Other income	118	169	287	299
	<u>191</u>	<u>169</u>	<u>360</u>	<u>425</u>

6 Investment income

	Unrestricted funds £'000	Restricted funds £'000	Total 2021 £'000	Total 2020 £'000
Short term deposits	-	-	-	1

7 Expenditure

	Staff costs £'000	Non-pay expenditure Premises £'000	Other £'000	Total 2021 £'000	Total 2020 £'000
Academy's educational operations					
- Direct costs	7,599	584	652	8,835	8,360
- Allocated support costs	2,152	1,048	722	3,922	3,669
	<u>9,751</u>	<u>1,632</u>	<u>1,374</u>	<u>12,757</u>	<u>12,029</u>

Net Income/(expenditure) for the year includes:

	2021 £'000	2020 £'000
Fees payable to auditor for:		
- Audit	16	16
- Other services	-	23
Operating lease rentals	427	462
Depreciation of tangible fixed assets	649	597
Net interest on defined benefit pension liability	90	73

8 Central services

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

- human resources;
- financial services;
- legal services;
- educational support services

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

8 Central services

The academy trust charges for these services on the basis of 6% of GAG and LA Top-Up income.

The amounts charged during the year were as follows:

	2021 £'000	2020 £'000
Manor Academy	191	144
Pictor Academy	155	115
New Park School	175	142
Longford Park School	75	57
	<u>596</u>	<u>458</u>

9 Charitable activities

	Unrestricted funds £'000	Restricted funds £'000	Total 2021 £'000	Total 2020 £'000
Direct costs				
Educational operations	-	8,835	8,835	8,360
Support costs				
Educational operations	9	3,913	3,922	3,669
	<u>9</u>	<u>12,748</u>	<u>12,757</u>	<u>12,029</u>

	2021 £'000	2020 £'000
Analysis of costs		
Direct costs		
Teaching and educational support staff costs	7,599	7,322
Staff development	35	25
Depreciation	584	537
Technology costs	11	22
Educational supplies and services	565	409
Examination fees	16	19
Other direct costs	25	26
	<u>8,835</u>	<u>8,360</u>

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

9 Charitable activities

Support costs

	2021	2020
	£'000	£'000
Support staff costs	2,197	1,900
Depreciation	65	60
Technology costs	116	120
Maintenance of premises and equipment	696	678
Cleaning	125	122
Energy costs	107	104
Rent, rates and other occupancy costs	37	36
Insurance	17	7
Security and transport	1	5
Catering	174	217
Interest on define benefit pension scheme	90	73
Legal costs	121	112
Other support costs	134	199
Governance costs	42	36
	<u>3,922</u>	<u>3,669</u>

Premises costs includes PFI charges totalling £411,000 (2020: £448,000). These amounts are paid to the local authority, are index linked and the academy trust is committed to these payments until 2030.

10 Staff

Staff costs

Staff costs during the year were:

	2021	2020
	£'000	£'000
Wages and salaries	6,721	6,442
Social security costs	653	602
Pension costs	2,188	1,916
	<u>9,562</u>	<u>8,960</u>
Staff costs - employees	9,562	8,960
Agency staff costs	179	188
Staff restructuring costs	10	15
	<u>9,751</u>	<u>9,163</u>
Staff development and other staff costs	80	84
	<u>9,831</u>	<u>9,247</u>

Staff restructuring costs comprise:

Severance payments	<u>10</u>	<u>15</u>
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THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

10 Staff

Non statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £4,086 (2020: £5,968). Individually, there was 1 payment of £4,086.

Staff numbers

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

	2021 Number	2020 Number
Teachers	82	77
Administration and support	169	191
Management	6	6
	<u>257</u>	<u>274</u>

Higher paid staff

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

	2021 Number	2020 Number
£60,001 - £70,000	3	2
£70,001 - £80,000	-	1
£80,001 - £90,000	3	2
£90,001 - £100,000	-	1
£100,001 - £110,000	1	-
	<u>1</u>	<u>6</u>

Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. Prior year figures have been re-stated due to a change in the composition of the central senior leadership team. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the academy trust was £636,000 (2020: £585,000).

11 Trustees' remuneration and expenses

One or more of the 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, and not in respect of their services as trustees.

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

B Owens (Accounting Officer and trustee)

Remuneration: £105,001 - £110,000 (2020: £95,001 - £100,000)

Employer's pension contributions: £25,001 - £30,000 (2020: £20,001 - £25,000)

During the period ended 31 August 2021, travel and subsistence expenses totalling £54 (2020: £173) were reimbursed to 1 trustee (2020: 1 trustee).

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

12 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 trust 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.

13 Tangible fixed assets

	Leasehold land and buildings	Assets under construction	Computer equipment	Fixtures, fittings & equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 September 2020	26,160	78	279	1,668	138	28,323
Transfer	-	(78)	-	78	-	-
Additions	-	-	40	287	-	327
At 31 August 2021	26,160	-	319	2,033	138	28,650
Depreciation						
At 1 September 2020	1,582	-	193	807	98	2,680
Charge for the year	412	-	50	178	8	648
At 31 August 2021	1,994	-	243	985	106	3,328
Net book value						
At 31 August 2021	24,166	-	76	1,048	32	25,322
At 31 August 2020	24,578	78	86	861	40	25,643

The net book value of land and buildings comprises:

	2021 £'000	2020 £'000
Long leaseholds (over 50 years)	24,166	24,578

The land and buildings for New Park Academy are provided on a PFI contract which at 31 August 2021 had a further 9 years to run. The land and buildings are owned by Salford City Council.

Land and buildings desktop valuations were received in the year from the DfE for 2 of the academies in the trust for which no adjustments have been made. Longford Park School was valued at £4,045,000 (cost at conversion included above is £2,896,000) and Manor Academy was valued at £5,635,000 (cost at conversion included above is £12,157,000).

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

14 Debtors

	2021 £'000	2020 £'000
Trade debtors	62	88
VAT recoverable	104	276
Prepayments and accrued income	225	610
	<u>391</u>	<u>974</u>

15 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Government loans	7	6
Trade creditors	180	277
Other taxation and social security	158	156
Other creditors	3	4
Accruals and deferred income	226	432
	<u>574</u>	<u>875</u>

16 Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Government loans	<u>45</u>	<u>76</u>
Analysis of loans	2021 £'000	2020 £'000
Wholly repayable within five years	52	82
Less: included in current liabilities	<u>(7)</u>	<u>(6)</u>
Amounts included above	<u>45</u>	<u>76</u>
Loan maturity		
Debt due in one year or less	7	6
Due in more than one year but not more than two years	6	9
Due in more than two years but not more than five years	20	27
Due in more than five years	<u>19</u>	<u>39</u>
	<u>52</u>	<u>81</u>

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

16 Creditors: amounts falling due after more than one year

At the balance sheet date, the academy trust had the following loans:

Manor Academy - £9,564 outstanding Salix loan relating to previous capital projects.

Manor Academy - £33,740 outstanding CIF loan relating to electrical works completed in 2020-21. This was reduced in 2020-21 by the ESFA from the original £60,450 loan shown in the prior year due to an underspend on the CIF project.

Pictor Academy - £8,444 outstanding Salix loan relating to previous boiler works.

Salix loans are interest free loans approved by the Education and Skills Funding Agency (ESFA) repayable in equal instalments over 8 years.

The CIF loan was also approved by the ESFA as part of the CIF bid and has an interest rate of 2.29% and is repayable over 10 years.

17 Deferred Income

	2021 £'000	2020 £'000
Deferred income is included within:		
Creditors due within one year	21	17
Deferred income at 1 September 2020	17	8
Released from previous years	(17)	(8)
Resources deferred in the year	21	17
Deferred income at 31 August 2021	21	17

At the balance sheet date, the academy trust was holding £8,000 (2020: £12,000) received in advance for Universal Infant Free School Meals grant for the 2020/21 financial year, £nil (2020: £2,000) trips income received in advance, £1,000 (2020: £3,000) of other grant income receipted in advance of the 2020/21 financial year and £12,000 (2020: £nil) of invoices raised in advance for outreach support SLAs.

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

18 Funds

	Balance at 1 September 2020 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2021 £'000
Restricted general funds					
General Annual Grant (GAG)	210	4,490	(3,723)	(67)	910
UIFSM	-	15	(15)	-	-
Pupil premium	-	278	(278)	-	-
Other DfE / ESFA grants	8	83	(81)	-	10
COVID-19 catch-up premium	-	116	(116)	-	-
Other DfE/ESFA COVID-19 funding	-	63	(63)	-	-
Other government grants	-	6,773	(6,773)	-	-
Other restricted funds	-	169	(169)	-	-
Pension reserve	(4,939)	-	(881)	(1,556)	(7,376)
	<u>(4,721)</u>	<u>11,987</u>	<u>(12,099)</u>	<u>(1,623)</u>	<u>(6,456)</u>
Restricted fixed asset funds					
Inherited on conversion	22,853	-	(466)	-	22,387
DfE group capital grants	2,256	(23)	(110)	-	2,123
Capital expenditure from GAG	475	-	(48)	67	494
Local authority capital grants	249	25	(18)	-	256
Other capital grants	61	8	(7)	-	62
	<u>25,894</u>	<u>10</u>	<u>(649)</u>	<u>67</u>	<u>25,322</u>
Total restricted funds	<u>21,173</u>	<u>11,997</u>	<u>(12,748)</u>	<u>(1,556)</u>	<u>18,866</u>
Unrestricted funds					
General funds	<u>551</u>	<u>191</u>	<u>(9)</u>	<u>-</u>	<u>733</u>
Total funds	<u>21,724</u>	<u>12,188</u>	<u>(12,757)</u>	<u>(1,556)</u>	<u>19,599</u>

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

18 Funds

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 objects of the academy and are restricted to both the day to day running of the academy and capital expenditure.

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 board of trustees may use in the pursuance of the academy's objects and are expendable at the discretion of the trustees.

The transfer of £67,000 from restricted general GAG fund to restricted fixed asset fund relates to capital additions for which there was no specific capital funding.

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2021.

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

	Balance at 1 September 2019 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2020 £'000
Restricted general funds					
General Annual Grant (GAG)	123	4,082	(3,708)	(287)	210
Other DfE / ESFA grants	454	361	(353)	(454)	8
Other government grants	-	6,422	(6,422)	-	-
Other restricted funds	-	265	(265)	-	-
Pension reserve	(2,878)	(625)	(671)	(765)	(4,939)
	<u>(2,301)</u>	<u>10,505</u>	<u>(11,419)</u>	<u>(1,506)</u>	<u>(4,721)</u>
Restricted fixed asset funds					
Transfer on conversion	20,452	2,896	(495)	-	22,853
DfE group capital grants	1,605	251	(54)	454	2,256
Capital expenditure from GAG	230	-	(42)	287	475
Local authority capital grants	-	254	(5)	-	249
Other capital grants	24	38	(1)	-	61
	<u>22,311</u>	<u>3,439</u>	<u>(597)</u>	<u>741</u>	<u>25,894</u>
Total restricted funds	<u>20,010</u>	<u>13,944</u>	<u>(12,016)</u>	<u>(765)</u>	<u>21,173</u>
Unrestricted funds					
General funds	<u>345</u>	<u>219</u>	<u>(13)</u>	<u>-</u>	<u>551</u>
Total funds	<u>20,355</u>	<u>14,163</u>	<u>(12,029)</u>	<u>(765)</u>	<u>21,724</u>

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

18 Funds

Total funds analysis by academy

	2021 £'000	2020 £'000
Fund balances at 31 August 2021 were allocated as follows:		
Manor Academy	340	34
Pictor Academy	296	157
New Park School	750	447
Longford Park School	216	82
Central services	51	49
Total before fixed assets fund and pension reserve	1,653	769
Restricted fixed asset fund	25,322	25,894
Pension reserve	(7,376)	(4,939)
Total funds	19,599	21,724

Total cost analysis by academy

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

	Teaching and educational support staff £'000	Other support staff costs £'000	Educational supplies £'000	Other costs excluding depreciation £'000	Total 2021 £'000	Total 2020 £'000
Manor Academy	2,571	112	82	471	3,236	3,047
Pictor Academy	2,107	181	46	293	2,627	2,531
New Park School	2,041	187	459	535	3,222	3,188
Longford Park School	1,224	78	33	158	1,493	1,492
Central services	-	457	-	192	649	503
	7,943	1,015	620	1,649	11,227	10,761

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

19 Analysis of net assets between funds

	Unrestricted Funds £'000	Restricted funds: General £'000	Fixed asset £'000	Total Funds £'000
Fund balances at 31 August 2021 are represented by:				
Tangible fixed assets	-	-	25,322	25,322
Current assets	733	1,539	-	2,272
Creditors falling due within one year	-	(574)	-	(574)
Creditors falling due after one year	-	(45)	-	(45)
Defined benefit pension liability	-	(7,376)	-	(7,376)
Total net assets	733	(6,456)	25,322	19,599
Fund balances at 31 August 2020 are represented by:				
Tangible fixed assets	-	-	25,643	25,643
Current assets	551	1,169	251	1,971
Creditors falling due within one year	-	(875)	-	(875)
Creditors falling due after one year	-	(76)	-	(76)
Defined benefit pension liability	-	(4,939)	-	(4,939)
Total net assets	551	(4,721)	25,894	21,724

20 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 2016, and that of the LGPS related to the period ended 31 March 2019.

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' Pension Scheme Regulations 2014. Membership is automatic for teachers in academies. All teachers have the option to opt out of the TPS following enrolment.

The TPS is an unfunded scheme to which both the member and employer makes contributions, as a percentage of salary. These contributions are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

20 Pension and similar obligations

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 every 4 years. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education on 5 March 2019.

The key elements of the valuation and subsequent consultation are:

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

The next valuation result is due to be implemented from 1 April 2023.

The employer's pension costs paid to the TPS in the period amounted to £808,000 (2020: £735,000).

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are 20.6% for employers and 5.5 to 12.5% for employees.

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

Total contributions made	2021 £'000	2020 £'000
Employer's contributions	595	583
Employees' contributions	174	158
Total contributions	769	741

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

20 Pension and similar obligations

Principal actuarial assumptions	2021 %	2020 %
Rate of increase in salaries	3.65	3.0
Rate of increase for pensions in payment/inflation	2.90	2.2
Discount rate for scheme liabilities	1.65	1.7

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

	2021 Years	2020 Years
Retiring today		
- Males	20.5	20.5
- Females	23.3	23.1
Retiring in 20 years		
- Males	21.9	22.0
- Females	25.3	25.0

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

Manor Academy & Pictor Academy

Change in assumptions at 31 August 2021:	Approximate % increase to liabilities	Approximate monetary amount (£'000)
0.1% decrease in Real Discount Rate	3%	264
1 year increase in member life expectancy	4%	412
0.1% increase in the Salary Increase Rate	0%	35
0.1% increase in the Pension Increase Rate (CPI)	2%	225

New Park Academy

Change in assumptions at 31 August	Approximate % increase to liabilities	Approximate monetary amount (£'000)
0.1% decrease in Real Discount Rate	3%	102
1 year increase in member life expectancy	4%	147
0.1% increase in the Salary Increase Rate	0%	9
0.1% increase in the Pension Increase Rate (CPI)	2%	92

Longford Park School

Change in assumptions at 31 August	Approximate % increase to liabilities	Approximate monetary amount (£'000)
0.1% decrease in Real Discount Rate	3%	71
1 year increase in member life expectancy	4%	83
0.1% increase in the Salary Increase Rate	0%	9
0.1% increase in the Pension Increase Rate (CPI)	3%	61

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

20 Pension and similar obligations

The academy trust's share of the assets in the scheme	2021 Fair value £'000	2020 Fair value £'000
Equities	6,171	4,494
Bonds	1,304	1,057
Cash and other liquid assets	609	595
Property	608	463
Total market value of assets	8,692	6,609

The actual return on scheme assets was £1,378,000 (2020: £(480,000)).

Amount recognised in the Statement of Financial Activities	2021 £'000	2020 £'000
Current service cost	1,383	1,181
Past service cost	3	-
Interest income	(118)	(98)
Interest cost	208	136
Total operating charge	1,476	1,219

Changes in the present value of defined benefit obligations	2021 £'000	2020 £'000
At 1 September 2020	11,548	8,818
Obligations acquired on conversion	-	1,092
Current service cost	1,383	1,181
Interest cost	208	201
Employee contributions	174	158
Actuarial loss	2,816	157
Benefits paid	(64)	(59)
Past service cost	3	-
At 31 August 2021	16,068	11,548

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

20 Pension and similar obligations

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

	2021 £'000	2020 £'000
At 1 September 2020	6,609	5,940
Assets acquired on conversion	-	467
Interest income	118	128
Actuarial (gain)/loss	1,260	(608)
Employer contributions	595	583
Employee contributions	174	158
Benefits paid	(64)	(59)
At 31 August 2021	8,692	6,609

21 Reconciliation of net (expenditure)/income to net cash flow from operating activities

	2021 £'000	2020 £'000
Net (expenditure)/income for the reporting period (as per the statement of financial activities)	(569)	2,134
Adjusted for:		
Net surplus on conversion to academy	-	(2,326)
Capital grants from DfE and other capital income	(10)	(543)
Investment income receivable	-	(1)
Defined benefit pension costs less contributions payable	791	598
Defined benefit pension scheme finance cost	90	73
Depreciation of tangible fixed assets	649	597
Decrease/(increase) in debtors	583	(481)
(Decrease)/increase in creditors	(302)	155
(Decrease) in provisions	-	(56)
Net cash provided by operating activities	1,232	150

22 Analysis of changes in net funds

	1 September 2020 £'000	Cash flows £'000	31 August 2021 £'000
Cash	997	884	1,881
Loans falling due within one year	(6)	(1)	(7)
Loans falling due after more than one year	(76)	31	(45)
	915	914	1,829

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

23 Long-term commitments, including operating leases

At 31 August 2021 the total of the academy trust's future minimum lease payments under non-cancellable operating leases was:

	2021 £'000	2020 £'000
Amounts due within one year	12	12
Amounts due in two and five years	18	6
	<u>30</u>	<u>18</u>

At 31 August 2021 the total of the academy trust's future minimum lease payments under other contractual commitments was:

	2021 £'000	2020 £'000
Amounts due within one year	410	412
Amounts due in two and five years	1,639	1,648
Amounts due after five years	1,024	1,854
	<u>3,073</u>	<u>3,914</u>

PFI Commitments

New Park Academy is a PFI school operating under a PFI contract due to expire in 2030. Upon the conversion to an academy on 1 June 2018, the Trust contracted with Salford City Council to discharge the financial obligations of unitary charges for the remainder of the contract. The unitary charge amounted to £411,000 in 2020/21 and is expected to be £410,000 in 2021-22. The unitary charge commitment for the remaining 9 years of the PFI contract is included in the operating lease commitments shown above.

24 Related party transactions

Owing to the nature of the academy trust and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trustees have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the AFH and in accordance with the academy trust's financial regulations and normal procurement procedures relating to connected and related party transactions. The following related party transactions took place in the financial period.

T Wrench, son of B Owens, a trustee, is employed by the academy trust as a site manager. T Wrench's appointment was made in open competition and B Owens was not involved in the decision-making process regarding appointment. T Wrench is paid within the normal pay scale for his role and receives no special treatment as a result of his relationship to a trustee.

Services totalling £nil (2020: £891) were purchased from The Education Specialists Ltd, a company which E Austin, trustee, is director. No amounts were owed by the academy trust at the year end.

THE SOVEREIGN TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2021

25 Members' liability

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

26 Agency arrangements

The academy trust distributes 16-19 bursary funds to students as an agent for ESFA. In the accounting period ending 31 August 2020 the trust received £2,816 (2020: £3,755) and disbursed £nil (2020: £nil) from the fund. An amount of £2,816 (2020: £3,755) is included in creditors relating to undistributed funds that is repayable to ESFA.