

The Fulwood Academy

(A Company Limited by Guarantee)

Annual Report and Financial Statements

Year ended 31 August 2016

Company Registration Number: 6960253

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Trustees' Report

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period to 31 August 2016. The annual report serves the purpose of both a trustees' report, and a directors' report under company law.

The trust operates an academy for pupils aged 11 to 19 serving a catchment area in Preston. It has a pupil capacity of 1200 and had a roll of 740 in the school census on 6th October 2016.

Structure, Governance and Management

Constitution

The Academy is a company limited by guarantee and an exempt charity. The Academy was incorporated on 13 July 2009 and commenced trading on 1 September 2009. The charitable company's memorandum and articles of association are the primary governing documents of the Academy. Members of the charitable company are nominated by Sir Charles Dunstone, the main sponsor of the Academy. The articles of association require the members of the charitable company to appoint at least three trustees to be responsible for the statutory and constitutional affairs of the charitable company and the management of the Academy. The charitable company is known as The Fulwood Academy.

Details of the trustees and governors who served throughout the year are included in the Reference and Administrative Details on page 3.

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.

Principal Activities

The principal object and activity of the charitable company is the operation of the Fulwood Academy to provide education for pupils of different abilities between the ages of 11 and 19.

The company also maintains the Fulwood Academy Endowment Fund. The Fund was created to hold the endowment to be paid by the Academy's sponsor, the Charles Dunstone Charitable Trust, and totals £2 million, fully paid. The trustees are responsible for determining the specific uses of Endowment Fund income, which will be used to counter the educational impact of disadvantage and deprivation, and for educational work within the local community. This income should not be used to meet the normal running costs of the Academy.

Trustees' Report *(continued)*

Method of Recruitment and Appointment or Election of Trustees and Governors

The trustees are appointed by the Academy sponsor; the trustee board may appoint up to three co-opted trustees, and the Secretary of State for Education may appoint trustees in exceptional circumstances. No trustees were co-opted nor were appointments made by the Secretary of State in 2015/2016. Trustees may be removed by the person or persons who appointed them. The governors are appointed by the Academy sponsor, with the exception of a parent governor, who is elected by parents of the students at the Academy, two staff governors, who are elected by the staff of the Academy, and a local government representative who is appointed by Lancashire County Council. The Education Funding Agency may appoint an observer to the governing body.

Policies and Procedures Adopted for the Induction and Training of Governors

All governors are provided with copies of procedures, minutes, accounts, budgets, plans and other documents that they need to undertake their role as governors.

Organisational Structure

The Academy is governed by the trustee board which delegates functions as appropriate to a Local Governing Body who are appointed by the trustees as a committee. Trustees are directors of the charitable company for the purposes of the Companies Act 2006 and trustees for the purposes of charity legislation. The organisational structure of the Academy consists of three levels: The trustees, governors, and the Senior Leadership Team. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

The trustees are responsible for setting general policy, adopting an annual plan and budget, monitoring the Academy by the use of budgets and making major decisions about the direction of the Academy, and senior staff appointments. The governors are responsible for monitoring the performance of the Principal and Senior Leadership Team on a regular basis.

The Senior Leadership Team members are the Principal, two Vice Principals, the Director of Finance and Business and three Assistant Principals. These managers control the Academy at an executive level implementing the policies laid down by the governors and reporting back to them. As a group the Senior Leadership Team are responsible for the authorisation of spending within agreed budgets and the appointment of staff.

Arrangements for setting pay and remuneration of key management personnel

Pay decisions are reviewed annually each September by a committee of three governors following a robust performance management process set by the Principal and Senior Leadership Team. Staff members have to show success in three mutually agreed objectives in order for a decision to be recommended for any pay progression.

Trustees' Report *(continued)*

Once this process has been completed a list of recommendations are then submitted to a panel of three governors for final approval. Trustees and governors receive no remuneration in relation to their roles, and act in a voluntary capacity with their work at Fulwood Academy.

The only exception this are the two Staff Governors who receive salaries based on their purely day to day responsibilities, and nothing further for their governance responsibilities.

Related parties and other Connected Charities and Organisations

Fulwood Academy is sponsored by Sir Charles Dunstone. The academy receives funding from 'The Charles Dunstone Charitable Trust' through the form of donations. The charity is a grant making trust applying funds to various charities at the trustees discretion. The Charles Dunstone Charitable trust has connections with many organisations in the arts and culture, community care, education, training, medical and social welfare sectors.

Fulwood Academy confirms it does not have any connections or links, directly or indirectly to any of the other charities supported by the Charles Dunstone Charitable Trust.

Objectives and Activities

Objects and Aims

In accordance with the articles of association the charitable company has adopted a "Scheme of Government" approved by the Secretary of State for Education. The Scheme of Government specifies, amongst other things, the basis for admitting students to the Academy, the catchment area from which the students are drawn, and that the curriculum should develop the substance of the national curriculum.

The main objectives of the Academy during the period ended 31 August 2016 are summarised below:

- To improve outcomes for all pupils
- To implement a new broad and balanced curriculum
- To raise expectations and aspirations
- To model lifelong learning approaches amongst staff and students
- To value and practice exemplary teaching
- To initiate and practice collaboration and partnerships with pupils, colleagues, parents and carers and the communities of Fulwood to build regional, national and international networks to benefit our students
- To provide value for money for the funds expended
- To comply with all appropriate statutory and curriculum requirements
- To conduct the Academy's business in accordance with the highest standards of integrity, probity and openness

Trustees' Report *(continued)*

Objectives, Strategies and Activities

The Academy's main strategy is encompassed in its ethos, vision, and values wherein the Academy is committed to young people's entitlement to a good education, and students of all abilities will be supported to achieve their full potential. Staff and students are committed to the Academy's vision "Ambition and Achievement For All" and values of "Aim High", "Work Hard", "Be Nice", "No Excuses".

To this end the Academy aims to provide:

- A curriculum which will focus on understandings and competence that have enduring and intrinsic value
- Opportunities to show students how to incorporate new information into their existing knowledge through activities that induce critical thinking with conceptual as well as practical real life problems
- Successful personalised learning approaches which relate to and build on the learner's experience, knowledge and cognitive skills and thus develop their confidence and competence - leading towards autonomy, emancipation and self-actualisation
- Opportunities that focus on each individual's potential, developing their learning skills (particularly in relation to ICT) and enhancing creativity, personal and social skills

Public Benefit

The Academy's catchment includes some of the most deprived areas of Lancashire. Pupils are admitted in accordance with the admissions policy agreed with the Department for Education (DfE), which is based on the Academy's catchment area. Pupils are able to study a wide range of subjects, and in addition the Academy offers a range of activities and experiences (extra-curricular activities) for its pupils, funded from donations and other non-restricted income, which help our students to broaden their horizons beyond the immediate area.

Strategic Report

Achievements and Performance

2015/2016 saw the fourth cohort of A Level and Level 3 BTEC students complete their education at the Academy.

A Level results are disappointing and very similar to 2014/15 with students achieving an average academic grade of D+. Level 3 BTEC vocational and tech level subjects once again performed better than the academic subjects. Here, the students achieved a positive value added score. Nevertheless, the vast majority of students in Year 13 in 2016 went on to their first choice destination of university, college or apprenticeship.

Trustees' Report *(continued)*

Strategic Report *(continued)*

In 2015/16 the decision was made to close the sixth form so that all the best teaching is focused on the main school in the drive to raise standards and improve outcomes for all pupils by the end of Year 11. Therefore the final cohort for the Sixth Form will leave in the Summer of 2017.

Direct comparisons of the 2015/16 GCSE results with previous years is not possible due to a change of accountability measures. However, unvalidated data from 2016 shows that the progress of students was not yet good and the improvement in results in 2014/15 were not sustained. Lower-attaining and most-able disadvantaged pupils are making stronger progress in English and mathematics than those in the middle-ability band.

The Academy was inspected by OFSTED in June 2015. Their report on the overall effectiveness of the Academy was 'Requires Improvement' a pleasing increase from the previous inspection report in 2014 of 'Inadequate'. The Leadership and Management of the Academy achieved an effectiveness of 'Good', the previous inspection reported this as 'Inadequate' and Behaviour and safety have been graded as 'Good'.

The Academy's extra-curricular programme has been extended to include Years 7-9 on a Friday afternoon, offering a wide range of activities.

Going Concern

After making appropriate enquiries, the Governing Body has a reasonable expectation that the Academy has adequate resources to continue in operational existence for the foreseeable future. A letter of support has been received in relation to the ongoing support from the Charles Dunstone Charitable Trust, up to a level of £1.86m. For these reasons it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Financial Review

Most of the Academy's income is obtained from the EFA in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the EFA during the period ended 31 August 2016 and the associated expenditure are shown as restricted funds (non fixed assets) in the Statement of Financial Activities. The Academy also receives grants for fixed assets from the EFA. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed assets fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

During the year ended 31 August 2016, total expenditure of £6,187,000 was greater than recurrent grant funding from the EFA together with other incoming resources. The excess of expenditure

Trustees' Report *(continued)*

Strategic Report *(continued)*

over income for the year was £107,000 (2015: £629,000), prior to actuarial movements on the pension scheme.

The all-weather sports pitch, currently funded from restricted non-fixed asset funds, is still expected to be redesignated to a functional endowment, at which point the loan from the restricted non-fixed asset fund to the restricted fixed asset fund will be repaid from the endowment.

At 31 August 2016 the net book value of fixed assets was £588,000 (2015: £693,000) and movements in tangible fixed assets are shown in note 13 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy. The Academy's non-teaching staff are entitled to membership of the Local Government Pension Scheme. The Academy's share of the Scheme's assets is currently assessed to be less than its liabilities in the Scheme, and consequently the Academy balance sheet includes a net liability of £908,000 (2015: £142,000).

Financial and Risk Management Objectives and Policies

The Academy will carry a cash balance into 2016/2017 which is smaller than in previous years, cash flow will therefore continue to be closely managed. The recent decline in student numbers will affect grant funding in 2016/2017 and beyond, and the Academy intends to utilise its cash balances to cushion the impact of falling grants over time supported by further funds from the Sponsor. The Academy does carry a pension deficit, which has increased from £142,000 as at 31 August 2015 to £908,000 as at 31 August 2016, however the current cash impact this deficit has on the Academy is limited to annual contributions of £172,000 per annum.

Reserves Policy

The Academy's "free" reserves are its funds after excluding restricted funds and the permanent endowment fund. "Reserves" are therefore the resources the Academy has or can make available to spend for any or all of the Academy's purposes once it has met its commitments and covered its other planned expenditure. More specifically "free reserves" represent income to the Academy which is to be spent at the trustees' discretion in furtherance of any of the Academy's objects but which is not yet spent, committed or designated.

The Academy is in a development phase. Whilst demands on the Academy's free reserves will therefore vary over the coming years, the Academy's long-term policy is that the appropriate level of free reserves should be equivalent to one month's expenditure, currently estimated to be

Trustees' Report *(continued)*

Strategic Report *(continued)*

between £450,000 and £650,000. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

The Academy's current level of free reserves stand at £252,000 (2015: £239,000). However, it does hold substantial balances to be used for the Academy's charitable purposes. In the medium term, the Academy intends to build up its free reserves to the level required, which will be achieved as pupil numbers and income levels improve over the next medium to long term.

Investment Policy

The trustees agree all investments made by the Academy. Investments are made with regard to Charity Commission guidance in relation to investments. Currently all investments are held in cash.

Principal Risks and Uncertainties

The Academy maintains a detailed risk register that is discussed by the Senior Leadership Team and key risks are then reported to the Governing Body. The Academy's key risks currently are academic, based around standards and examination results, falling student rolls and the Academy's ability to offset historic low admissions with increasing student numbers into year 7.

Risk Management

The governors have assessed the major risks to which the Academy is exposed, in particular those relating to the specific teaching, student progress, data reliability and other operational areas of the Academy, and its finances. The governors have implemented a number of systems to assess risks that the Academy faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. They have systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of school grounds) and internal financial controls (see below) in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover. The Academy has an effective system of internal financial controls, as disclosed in the Governance Statement.

Key Performance Indicators

The key performance indicators of the Academy are considered to be pupil outcomes, pupil numbers, incoming resources and Expenditure. These KPI's are discussed within the Strategic Report within 'Achievements and Performance' and 'Financial Review'.

Trustees' Report *(continued)*

Strategic Report *(continued)*

Plans for Future Periods

In setting our objectives and planning our activities the trustees have given careful consideration to the Charity Commission's general guidance on public benefit.

The Academy will continue striving to improve the levels of performance of its pupils at all levels and continue its efforts to ensure its students get jobs or a place in higher education once they leave. The Academy's targets for 2016/2017 are to secure improved outcomes for pupils, raising pupils numbers on roll and securing at least "Requires Improvement" with Ofsted overall and Good for Leadership and Management.

Auditor

In so far as the trustees are aware:

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

The Trustees' Report, incorporating a strategic report, is approved by order of the members of the board of trustees, as the company directors on 14th December 2016 and signed on its behalf by:

Raj Kalia

Trustee and Chair of Governors

Governance Statement

Scope of Responsibility

As Trustees and Governors (“the Governing Body”), we acknowledge we have overall responsibility for ensuring The Fulwood Academy has an effective and appropriate system of control, financial and otherwise. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Governing Body has delegated the day-to-day responsibility to the Principal, as accounting officer, for ensuring that financial controls conform with the requirements of both propriety and good financial management, and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Fulwood Academy and the Secretary of State for Education. They are also responsible for reporting to the governing body any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees’ Report and in the Statement of Trustees’ Responsibilities. The Governing Body has met on four occasions during the year. Attendance during the year at meetings of the Governing Body was as follows: -

Governor		Meetings Attended	Out of a possible
R Kalia	Chair of Governors	3	3
S Henry	Principal	4	4
A Banes	Governor	4	4
A Darbourne	Governor	4	4
A Ellis	Non Teacher Staff Governor	4	4
P Haslam	Governor	3	4
W Pallant	Parent Governor	3	3
C Ponsonby	Governor	4	4
D Walker	LEA Governor	3	3
D Waring	Teacher Governor	4	4
F Wood	Trustee and Governor	3	4

In addition to these meetings there was regular dialogue between both the Principal and Chair of Governors, and the Chair of Governors and Sponsor.

Governance Statement *(continued)*

Value for Money Statement

The Principal, as accounting 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 its 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.

Resources were effectively deployed in 2015-16 to help secure the removal of 'Special Measures' in June 2016. Indeed the Academy secured a 'good judgement for leadership and management'.

Set out below how the accounting officer details how the Academy trust's use of its resources has provided good value for money during the academic year:

Improving educational results

1. The staffing structure is reviewed constantly, but particularly in February / March to ensure staffing is efficiently covering the teaching required after Option choices at GCSE and subject choices for A level and level 3 subjects have been made.

The Academy restructured to introduce Directors of Faculty to bring experience and additional capacity to drive the Academy forward.

2. The Academy continues to use resources to improve Literacy and reading levels particularly at KS3.
 - A Chatterbox Scheme is organised by a Literacy Co-ordinator in the morning before lessons for paired reading.
 - An Accelerated Reading Scheme continues to be used to promote reading levels.
 - A full-time Librarian runs the Library/Learning Centre for study/reading and research.

The Academy made use of sponsorship funds to provide blazers for the students and scholarships and ensure pupils from disadvantaged backgrounds had equal opportunities at the academy to progress their studies.

- The Academy has made additional investments in continuing professional development, particularly to train middle leaders in securing stronger outcomes for students. We have placed three staff on the NPQSL programme and eleven on the NPQML programme. The Academy has introduced Blue Sky software to manage staff performance

Governance Statement *(continued)*

management and introduced IRIS to develop the quality of learning and teaching.

- An additional Maths teacher and also an additional English teacher were appointed until August 2016 to create capacity in those departments to target individuals and groups who were underperforming.
 - Teaching Assistants are assigned to particular faculties and used to intervene with students to improve progress.
 - The Academy has also acquired the services of a trained Ofsted Inspector to act as the Academy Improvement Partner. He provides support to the senior and middle leadership team and acts as quality assurance for the Academy.
3. Our Academy+ Unit does much work with individual students. Dyslexic students receive 1:1 attention as do EAL students. Individual students are mentored by Teaching Assistants and by Sixth Form students in Chatterbox. Additional pastoral support is given, with counselling, nurture groups etc.
 4. We work with the Future Leaders, The Middle Leaders and TeachFirst organisations, to improve our teaching and learning.
 5. An extra-curricular programme for Year 7 was introduced in 2012 on a lengthened Friday afternoon. This programme has now been opened to Years 7-9 and provides a rich variety of extra-curricular activities.
 6. The Academy is now tracking the Pupil Premium spending to evidence impact on student achievement. We can show much improved attendance figures due to alternative provision for disengaged students, and work done by our staff such as in attendance, behaviour and pastoral appointments which brought our attendance figure up to above the National Average.

Financial Governance

In addition to following the Academies Financial Handbook, the Academy has its own Financial Regulations Manual, which details information on the academy's accounting procedures.

Purchasing

Many of the educational material orders are placed with regular suppliers with best prices negotiated at budget holder level. A significant discount has also been negotiated with a book supplier. Increased internet usage, with easy price comparison, has also given better opportunity to get lowest cost.

Governance Statement *(continued)*

Income Generation

Circumstances within the Academy (i.e. transfer to new building late in 2012) have been such that much of the revenue from lettings has been temporarily suspended due to planning permissions for floodlights being declined and therefore income from letting the 3G astro turf pitch is limited.

Controls

Regular budget monitoring reports are reviewed on an ongoing basis. External audit reports are prepared on an annual basis by KPMG LLP and these reports challenge many of the financial procedures.

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 Fulwood Academy Trust for the year ended 31 August 2016 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 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's significant risks that has been in place for the year ended 31 August 2016 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'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

Governance Statement *(continued)*

- financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

The Governing Body has considered the need for a specific internal audit function and decided to use Moore and Smalley LLP as an independent reviewer instead of an internally appointed Responsible Officer (“RO”).

Moore and Smalley last reported to the Governing Body on 22nd June 2016. Moore and Smalley undertook a review of internal financial systems and procedures to ensure that an adequate internal control framework has been maintained in the year.

Review of Effectiveness

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

- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of executive managers within the Academy who have responsibility for the development and maintenance of the internal control framework.

The accounting officer has been advised of the implications of the result of the review of the system of internal control by the Governing Body and a plan to address weaknesses and ensure continuous improvement of the system in place.

Approved by order of the members of the Governing Body on 14th December 2016 and signed on its behalf by:

Raj Kalia
Trustee and Chair of Governors

Stephen Henry
Accounting Officer

Statement on Regularity, Propriety and Compliance

As accounting officer of The Fulwood Academy I have considered my responsibility to notify the academy trust's board of trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

I confirm that I and the academy trust 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 2015.

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 EFA.

.....

Stephen Henry
Accounting Officer

Statement of Trustees' Responsibilities

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

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

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

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

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

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

Approved by order of the members of the board of trustees on 14th December 2016 and signed on its behalf by

Raj Kalia
Trustee and Chair of Governors



Independent auditor's report to the members of The Fulwood Academy

We have audited the financial statements of The Fulwood Academy for the year ended 31 August 2016 set out on pages 21 to 48. The financial reporting framework that has been applied in their preparation is applicable law, the Academies Accounts Direction 2015 to 2016, and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and in respect of the separate opinion in relation to compliance with the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency ('EFA') on terms that have been agreed. 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 auditors' report and, in respect of the separate opinion in relation to compliance with the Academies Accounts Direction 2015 to 2016 issued by the EFA, those matters that we have agreed to state to them in our 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 its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Directors and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 16, the Trustees (who act as Directors of the charitable company for the purposes of company law) are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those auditing standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs at 31 August 2016, 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 UK Generally Accepted Accounting Practice;
- have been prepared in accordance with the Companies Act 2006;

- have been prepared in accordance with the Academies Accounts Direction 2015 to 2016 issued by the EFA.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information in the Trustees' Annual Report, which constitutes the Strategic Report and the Directors' Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Sue Suchoparek (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

1 St Peter's Square
Manchester
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Independent Reporting Accountant's Assurance Report on Regularity to The Fulwood Academy and the Education Funding Agency

In accordance with the terms of our engagement letter dated 10th November 2016 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received during the period 1 September 2015 to 31 August 2016 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 Fulwood Academy (the Academy Trust) and EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Academy Trust and EFA 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 Academy Trust and EFA, for our work, for this report, or for the conclusion we have formed.

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

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

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2015 to 2016. 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 2015 to 31 August 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2015 to 2016 issued by EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw our conclusion included:

- Documenting the framework of authorities which govern the activities of the Academy Trust;
- Reviewing the evidence supporting the representations included in the Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the output from the self-assessment questionnaires completed by all staff with Budget Holder responsibility and the Principal on behalf of the Governing Body;
- Testing compliance with delegated authorities for a sample of material transactions;
- Testing transactions with connected parties to determine whether the Trust has complied with the 'at cost' requirements of the Academies Financial Handbook 2015
- Confirming through enquiry and sample testing that the Trust has complied with its procurement policies and that these policies comply with delegated authorities; and
- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

This list is not exhaustive and we performed additional procedures designed to provide us with sufficient appropriate evidence to express a negative conclusion on regularity consistent with the requirements of Part 9 of the Academies Accounts Direction 2015 to 2016.

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 2015 to 31 August 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Sue Suchoparek
Reporting Accountant
for and on behalf of KPMG LLP
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

Statement of Financial Activities for the year ended 31 August 2016

(including Income and Expenditure Account)

	Note	Unrestricted Funds £000	Restricted Funds - Non-Fixed Assets £000	Restricted Fixed Asset Funds £000	Fulwood Academy Endowment Fund £000	Total Year Ended 31 August 2016 £000	Total Year Ended 31 August 2015 £000
Incoming Resources							
Incoming resources from generated funds:		-	-	-	-	-	-
Donations & capital grants	3	1	1,652	-	-	1,653	994
Activities for generating funds	4	39	-	-	-	39	40
Incoming resources from charitable activities:	5	1	-	-	-	1	43
Funding for the Academy's educational operations	6	-	4,370	17	-	4,387	4,660
Total incoming resources		41	6,022	17	-	6,080	5,737
Expenditure							
Charitable activities: Academy's educational operations	8	(28)	(6,052)	(107)	-	(6,187)	(6,420)
Total Expenditure	7	(28)	(6,052)	(107)	-	(6,187)	(6,420)
Net incoming/(outgoing) resources before transfers		13	(30)	(90)	-	(107)	(683)
Gross transfers between funds		-	-	-	-	-	-
Net income/(expenditure) for the year		13	(30)	(90)	-	(107)	(683)
Actuarial (loss)/gain on defined pension benefit scheme	23	-	(674)	-	-	(674)	(42)
Net movement in funds		13	(704)	(90)	-	(781)	(725)
Reconciliation of funds							
Funds brought forward		239	(656)	710	2,000	2,293	3,018
Funds/(deficit) carried forward at 31 August 2016		252	(1,360)	620	2,000	1,512	2,293

All of the Academy's activities derive from continuing operations during the above two financial periods. The notes on pages 24 to 48 form an integral part of these financial statements.

Balance sheet at 31 August 2016

	Note	2016 £000s	2015 £000s
Fixed assets			
Tangible assets	12	588	693
		<hr/>	<hr/>
		588	693
		<hr/>	<hr/>
Current assets			
Debtors	13	100	59
Cash at bank and in hand		2,303	2,067
		<hr/>	<hr/>
		2,403	2,126
		<hr/>	<hr/>
Current liabilities			
Creditors: Amounts falling due within one year	14	(571)	(384)
		<hr/>	<hr/>
Net current assets		1,832	1,742
		<hr/>	<hr/>
Total assets less current liabilities		2,420	2,435
		<hr/>	<hr/>
Net assets excluding pension liability			
Defined benefit pension scheme liability	23	(908)	(142)
		<hr/>	<hr/>
Net assets including pension liability		1,512	2,293
		<hr/>	<hr/>
Funds			
Restricted funds			
Permanent endowment	16	2,000	2,000
Restricted fixed asset fund	16	620	710
Restricted non-fixed asset (deficit)/fund - before pension liability	16	(452)	(514)
Defined benefit pension scheme liability	16	(908)	(142)
		<hr/>	<hr/>
Restricted funds		1,260	2,054
		<hr/>	<hr/>
Unrestricted funds			
Unrestricted fund	16	252	239
		<hr/>	<hr/>
Total unrestricted funds		252	239
		<hr/>	<hr/>
Total funds		1,512	2,293
		<hr/>	<hr/>

The notes on pages 24 to 48 form an integral part of these financial statements.

The financial statements were approved by the trustees, and authorised for issue on 14 December 2016 and are signed on their behalf by:

Raj Kalia

Trustee and Chair of Governors

COMPANY NUMBER: 6960253

Cash flow statement for the year ended 31 August 2016

	Note	Year ended 31 August 2016 £000s	Year ended 31 August 2015 £000s
Cash flows from operating activities			
Net cash provided by (used in) operating activities	18	220	407
Cash flows from investing activities		1	5
Capital income and expenditure	19	15	(7)
Change in cash and cash equivalents in the reporting period	20	236	405
Cash and cash equivalents at 1 September 2015		2,067	1,662
Cash and cash equivalents at 31 August 2016		2,303	2,067

The notes on pages 24 to 48 form an integral part of these financial statements.

Notes to the financial statements

1 Statement of Accounting Policies

Basis of Preparation

The financial statements of the academy trust, which is public benefit entity under FRS102, a 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 2015 to 2016 issued by the EFA, the Charities Act 2011 and the Companies Act 2006.

A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

Fulwood Academy meets the definition of a public benefit entity under FRS 102.

Going Concern

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of approval of the financial statements.

After making appropriate enquiries, the Governing Body has a reasonable expectation that the Academy has adequate resources to continue in operational existence for the foreseeable future. The Governing Body has reviewed forecasts for the Academy for the next 4 financial years. Whilst income levels are expected to decline in line with pupil numbers for the next 2 financial years, the cost base of the Academy is expected to remain stable and a further £1.86m of financial support has been committed from the Charles Dunstone Charitable Trust in order for the Academy to meet its liabilities as they fall due. From 2017/18 income levels and pupil numbers are expected to increase with the Academy forecasted to achieve in year surpluses from 2019/20.

For these reasons the going concern basis of preparation is considered appropriate in these financial statements.

Incoming Resources

All incoming resources are recognised when the Academy has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

Notes (continued)

- **Grants receivable**

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 entitlement of receipt its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of Financial Activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Under the funding agreement with the Secretary of State the academy trust was subject to limits at 31 August 2016 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes.

The academy trust has not exceeded these limits during the year ended 31 August 2016.

- **Sponsorship income**

Sponsorship income provided to the Academy, which amounts to a donation, is recognised in the Statement of Financial Activities in the period in which it is receivable, where there is certainty of receipt and the amount can be reliably measured.

- **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 goods have been provided or on completion of the service.

- **Donated Services and gifts in kind**

The value of donated services and gifts in kind provided to the Academy are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the Academy can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities, except where the gift in kind was a fixed asset in which case the amount is included in the appropriate fixed asset category at a depreciated replacement cost and depreciated over the useful economic life in accordance with Academy's policies.

The Academy has not yet signed a lease in relation to the new school. The Academy will enter into a 125 year lease for the entire site, including the refurbished main hall and sports hall, once snagging issues are resolved. The premises have been externally valued and will be capitalised into the balance sheet once the lease is signed and depreciated over their estimated useful life, deemed to be 50 years. A notional rent charge of £580,855 has been made which will continue annually until the Academy is transferred on completion of the lease.

Expenditure

All expenditure is recognised in the period in which a liability is incurred and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

- **Charitable activities**

These are costs incurred on the Academy's educational operations.

All Expenditure are inclusive of irrecoverable VAT.

Tangible Fixed Assets

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

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

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 basis over its expected useful lives, as follows:

Land and buildings	5 - 50 years
Fixtures, fittings and equipment	3 - 10 years
ICT equipment	3 years

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

losses are recognised in the Statement of Financial Activities.

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.

Taxation

The Academy 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 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.

Pensions Benefits

Retirement benefits to employees of the Academy are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes, are contracted out of the State Earnings-Related Pension Scheme ('SERPS'), and the assets are held separately from those of the Academy.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 23, the TPS is a multi-employer scheme and the Academy is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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

Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

Fund Accounting

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

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

Restricted general funds comprise all other restricted funds received and include grants from the Education Funding Agency.

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, 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 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes (continued)

2 General Annual Grant (GAG)

	2016 £000	2015 £000
GAG brought forward from previous year	-	-
GAG allocation for current year	4,052	4,291
Total GAG available to spend	4,052	4,291
Recurrent expenditure from GAG	4,052	4,291
Fixed assets purchased from GAG	-	-
GAG carried forward to next year	-	-
Maximum permitted GAG carry forward at end of current period (12% of allocation for current year)	486	515
GAG to surrender to DfE	-	-
(12% rule breached if result is positive)	No breach	No breach

3 Donations and capital grants

	Unrestricted Funds £000	Restricted Funds £000	Total 2016 £000	Total 2015 £000
Private sponsorship	-	1,037	1,037	50
Notional rent	-	581	581	581
Other donations	1	34	35	363
	1	1,652	1,653	994

Notes *(continued)*

4 Activities for generating funds

	Unrestricted Funds £000	Restricted Funds £000	Total 2016 £000	Total 2015 £000
Hire of facilities	4	-	4	-
Sundry income	35	-	35	40
	<hr/>	<hr/>	<hr/>	<hr/>
	39	-	39	40
	<hr/>	<hr/>	<hr/>	<hr/>

5 Investment income

	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total 2016 £000	Total 2015 £000
Bank interest	1	-	-	1	43
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes *(continued)*

6 Funding for the Academy's educational operations

	Unrestricted funds	Restricted funds non fixed assets	Restricted fixed assets funds	Total 2016	Total 2015
	£000	£000	£000	£000	£000
DfE/EFA capital grant	-				
Academy main		-	17	17	18
building grants					
	-	-	17	17	18
DfE / EFA revenue grants					
General Annual	-	4,052	-	4,052	4,291
Grant (GAG) (note 2)					
Other DfE / EFA grants	-	-	-	-	1
	-	4,052	-	4,052	4,292
Other Government grants					
School Standards	-	310	-	310	342
Specialist Schools and	-	3	-	3	-
Academies Trust					
Funding via Local Authority	-	5	-	5	8
	-	318	-	318	350
	-	4,370	17	4,387	4,660

Notes *(continued)*

7 Expenditure

	Staff costs	Premises	Other costs	Total 2016	Total 2015
	£000	£000	£000	£000	£000
Academy's educational operations					
Direct costs	3,665	-	404	4,069	4,195
Allocated support costs	759	107	1,220	2,086	2,206
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	4,424	107	1,624	6,155	6,401
Governance costs including allocated support costs	-	-	28	28	19
Other finance (income)/costs	-	-	4	4	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	4,424	107	1,656	6,187	6,420
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

	2016	2015
	£000	£000
Outgoing resources for the year include:		
Fees payable to auditor - audit	22	19
	<hr/>	<hr/>
	22	19
	<hr/>	<hr/>

Notes (continued)

8 Charitable activities - Academy's educational operations

	Restricted fixed asset funds	Restricted Funds	Total 2016	Total 2015
	£000	£000	£000	£000
Direct costs				
Teaching & educational support staff costs	-	3,665	3,665	3,639
Educational supplies	-	155	155	266
Examination fees	-	61	61	70
Staff development	-	40	40	34
Educational consultancy	-	58	58	73
Other direct costs	-	90	90	113
	-	4,069	4,069	4,195
Allocated support costs				
Support staff costs	-	759	759	686
Depreciation	107	-	107	114
Recruitment and support	-	11	11	12
Maintenance of premises & equipment	-	65	65	90
Cleaning	-	4	4	4
Rent & Rates	-	532	532	565
Heat and lighting	-	130	130	203
Insurance	-	24	24	64
Security and Transport	-	2	2	2
Catering	-	100	100	96
Other support costs	-	352	352	370
	107	1,979	2,086	2,206
	107	6,048	6,155	6,401

Notes (continued)

9 Governance costs

	Unrestricted Funds £000	Restricted Funds £000	Total 2016 £000	Total 2015 £000
Audit of financial statements	22	-	22	19

10 Staff costs

(a) Staff costs during the period were:

	2016 £000	2015 £000
Wages and salaries	3,311	3,350
Social security costs	277	252
Pension costs	543	587
	<hr/>	<hr/>
	4,131	4,189
Supply teacher costs	174	124
Severance payments	119	12
	<hr/>	<hr/>
	4,424	4,325
	<hr/>	<hr/>

(b) Non statutory/non-contractual staff severance payments

Severance payments were made totalling £118,885 (2015 £12,000). Individually, the payments were £17,500, £16,580, £14,500, £14,000, £12,750, £12,000, £12,000, £7,000, £6,650, £3,755 and £2,150.

(c) Staff numbers

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

	2016 No.	2015 No.
Teaching staff	65	67
Educational support	15	16
Administration and support	33	31
Management	1	1
	<hr/>	<hr/>
	114	115
	<hr/>	<hr/>

Notes (continued)

(d) Higher paid staff

The number of employees whose emoluments fell within the following bands was:

	2016	2015
	No.	No.
£60,001 - £70,000	1	1
£70,001 - £80,000	1	-
£90,001 - £100,000	-	-
£110,001 - £120,000	1	1
£140,001 - £150,000	-	-
	3	2
	3	2

All of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2016, pension contributions for these staff amounted to £27,190 (2015: £16,230).

(e) Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £263,417 (2015: £194,450).

10 Governors' remuneration and expenses

Principal and staff governors only receive remuneration in respect of services they provide undertaking the roles of Principal and staff and not in respect of their services as governors. Other governors did not receive any payments, other than expenses, from the Academy in respect of their role as governors. The value of the Principals' remuneration was £122,536 in 2016 (2015: £129,100). The value of staff governors' remuneration to one governor (2015: 2) was £44,898 (2015: £75,501). During the year ended 31 August 2016, travel and subsistence expenses totalling £Nil (2015: £Nil) were reimbursed (2015: Nil).

11 Governors', trustees' and officers' insurance

In accordance with normal commercial practice the Academy has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £1,000,000 on any one claim and the cost for the year ended 31 August 2016 was included within the overall insurance premium.

Notes *(continued)*

12 Tangible fixed assets

	Land and Buildings	Furniture and equipment	Computer equipment and software	Total
	£000s	£000s	£000s	£000
Cost				
At 31 August 2015	796	136	151	1,083
Additions	2	-	-	2
Disposals	-	-	-	-
At 31 August 2016	798	136	151	1,085
Accumulated depreciation				
At 31 August 2015	(164)	(76)	(150)	(390)
Charged in period	(82)	(24)	(1)	(107)
Disposals	-	-	-	-
At 31 August 2016	(246)	(100)	(151)	(497)
Net book values				
At 31 August 2015	632	60	1	693
At 31 August 2016	552	36	-	588

Notes *(continued)*

13 Debtors

	2016	2015
	£000	£000
Amounts due within one year:		
Trade debtors	3	4
VAT recoverable	50	21
Permanent endowment	-	-
Prepayments and accrued income	47	34
	100	59

14 Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Trade creditors	75	77
Other taxation and social security	71	132
Accruals and deferred income	425	175
	571	384

	2016	2015
	£000	£000
Deferred income		
Deferred income at 31 August 2015	-	20
Resources deferred in the year	-	-
Amounts released from previous years	-	(20)
	-	-
Deferred income at 31 August 2016	-	-

Notes *(continued)*

15 Funds

	Balance at 31 August 2015	Incoming resources	Expenditu e	Gains, losses and transfers	Balance at 31 August 2016
	£000s	£000s	£000s	£000s	£000s
Restricted non-fixed asset funds including pension liability					
General Annual Grant (GAG)	(72)	4052	(4,293)	308	(5)
Standards Fund	-	310	(6)	(304)	-
Special Grants	5	-	-	(5)	-
LEA funding	-	8	(8)	-	-
Donation for rent of premises	-	581	(581)	-	-
Donation for educational operations	-	1,037	(1,037)	-	-
Loan to restricted fixed asset funds	(447)	-	-	-	(447)
Trustee Grant	-	34	(34)	-	-
Pension reserve	(142)	-	(92)	(674)	(908)
	(656)	6,022	(6,051)	(675)	(1,360)
Restricted permanent endowment fund	2,000	-	-	-	2,000
Restricted Fixed Asset Funds					
DfE capital grants	412	17	(107)	-	322
Capital expenditure from GAG	(150)	-	(2)	-	(152)
Trustee Grant	1	-	2	-	3
Loan from restricted non- fixed asset funds	447	-	-	-	447
Donation for transferred assets	-	-	-	-	-
	710	17	(107)	-	620
Unrestricted Funds					
Donations and capital grants	2	-	-	-	2
Activities for generating funds	160	39	(28)	1	172
Investment income	77	1	-	-	78
	239	40	(28)	1	252

Notes (continued)

16 Funds

Notes

- (i) General Annual Grant must be used for the normal running costs of the Academy. The Academy is allowed to carry forward up to 12% of the current GAG. Of the carried forward amount, up to 2% of GAG can be used for general purposes at the discretion of the Academy, but any balance over 2% must be used for capital purposes.
- (ii) Special grants are awarded by the EFA to boost performance within the Academy.
- (iii) LEA funding relates to funding supplied for pupils with Statements of High Needs, passed on to the Academy from the authority's own funding.
- (iv) Restricted fixed assets were funded by government grants.
- (v) The restricted endowment fund is The Fulwood Academy Endowment Fund. The interest may be transferred to unrestricted funds and will be used to counter the educational impact of disadvantage and deprivation, and for educational work within the local community. The all-weather sports pitch, currently funded from restricted funds, is expected to be redesignated to a functional endowment, at which point the loan of £447k from restricted funds to restricted fixed asset funds will be repaid from the endowment.
- (vi) The costs and income associated with the defined benefit pension scheme have been recorded in the restricted non-fixed asset fund. Staff costs are paid from this fund, including contributions to the LGPS, and the pension liability has therefore been aligned with these costs.

17 Analysis of net assets between funds

Fund balances at 31 August 2016 are represented by:	Unrestricted funds £000s	Restricted funds - non-fixed asset £000s	Restricted fixed asset funds £000s	Permanent endowment £000s	Total 2016 £000s	Total 2015 £000s
Tangible fixed assets	-	-	588	-	588	693
Net current assets	252	119	32	2,000	2,403	1,742
Defined benefit pension scheme liability	-	(908)	-	-	(908)	(142)
	<hr/> 252	<hr/> (789)	<hr/> 620	<hr/> 2,000	<hr/> 2,083	<hr/> 2,293
	<hr/> <hr/>					<hr/> <hr/>

18 Reconciliation of net income to net cash outflow from operating activities

	2016 £000	2015 £000
Net income	(107)	(629)
Depreciation (note 13)	107	114
Capital grants from DfE and other capital income	(17)	(18)
Interest receivable (note 5)	(1)	(43)
Pensions scheme employer contributions (note 23)	(87)	(124)
Pension Scheme service cost (note 23)	172	197
Pension scheme finance cost (note 23)	4	3
Pension scheme administration cost (note 23)	3	3
(Increase)/decrease in debtors	(41)	1,085
(Decrease)/increase in creditors	187	(181)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	220	407
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

19 Capital expenditure and financial investment:

	2016	2015
	£000	£000
Purchase of tangible fixed assets	2	25
Capital grants from DfE/EFA	(17)	(18)
	(15)	7
Net cash (inflow)/outflow from capital expenditure and financial investment	(15)	7

20 Analysis of changes in net funds

	At 31 August		At 31 August
	2015	Cash Flows	2016
	£000	£000	£000
Cash in hand and at bank	2,067	236	2,303

21 Contingent liabilities

During the period of the Funding Agreement, in the event of the sale or disposal by other means of any asset for which a Government capital grant was received, the Academy is required either to re-invest the proceeds or to repay to the Secretary of State for Education the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State.

Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the Academy serving notice, the Academy shall repay to the Secretary of State sums determined by reference to:

- (a) the value at that time of the Academy's site and premises and other assets held for the purpose of the Academy; and
- (b) the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement.

Upon termination of the Funding Agreement the Academy's pension liability is expected to transfer to any successor organisation.

Notes (continued)

22 Pension and similar obligations

The Academy's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the Lancashire County Pension Fund. Both are defined-benefit schemes. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 (published 9 June 2015) and of the LGPS 31 March 2013. There were no outstanding or prepaid contributions at either the beginning or the end of the financial year. The next LGPS valuation is due in 2016.

Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis - these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Notes (continued)

Valuation of The Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- ▣ employer contribution rates were set at 16.4% of pensionable pay;
- ▣ total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- ▣ an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS was implemented in September 2016.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

<https://www.teacherspensions.co.uk/news/employers/2015/06/publication-of-the-valuation-report.aspx>

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1 April 2014 and the reformed scheme will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £371,489 (2015: £329,233).

Notes (continued)

23 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 August 2016 was £132,000 (2015:£152,000) of which employer's contributions totalled £87,000 (2015: £124,000) and employees' contributions totalled £45,000 (2015: £42,000). The agreed contribution rates for the period ended 31 August 2016 were 11.4% (to March 2014) and 11.6% (from April 2014) for employers; employees' rates varied according to salary.

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

Principal Actuarial Assumptions:	At 31 August 2016	At 31 August 2015
Rate of increase in salaries	3.3%	3.8%
Rate of increase for pensions in payment / inflation	1.9%	2.3%
Discount rate for scheme liabilities	2.1%	4.0%
Inflation assumption (CPI)	1.8%	2.3%
Commutation of pensions to lump sums	0.0%	0.0%

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

	At 31 August 2016	At 31 August 2015
<i>Retiring today</i>		
Males	23.0	22.9
Females	25.6	25.4
<i>Retiring in 20 years</i>		
Males	25.2	25.1
Females	27.9	27.8

Notes *(continued)*

23 Pension and similar obligations *(continued)*

The Academy's share of the assets and liabilities in the scheme and the expected rates of return were:

	Fair value at 31 August 2016	Fair value at 31 August 2015
Equities	1,231	854
Government bonds	-	136
Other bonds	80	64
Property	303	226
Cash	112	32
Other	1,464	1,168
Total market value of assets	3,190	2,480
Present value of scheme liabilities		
- Funded	(4,098)	(2,622)
Deficit in the scheme	(908)	(142)

Notes *(continued)*

23 Pension and similar obligations *(continued)*

The expected long term return on cash is equal to bank base rates. The expected return on bonds is determined by reference to UK long dated gilt and bond yields. The expected rate of return on equities and property have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions.

The actual return on the scheme assets in the period was £630,000 (2015: £132,000).

Amounts recognised in the statement of financial activities:

	2016 £000	2015 £000
Current service cost	172	155
Admin Expenses	3	3
Effect of curtailments	-	51
Interest cost	4	(3)
	179	206
Total operating charge	179	206

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

	2016 £000	2015 £000
At 1 September	2,622	2,298
Current service cost	172	155
Curtailement charge	-	51
Interest cost	105	91
Employee contributions	45	42
Remeasurement (liabilities) loss/(gain)	1,203	59
Benefits paid	(49)	(74)
	4,098	2,622
At 31 August	4,098	2,622

Notes *(continued)*

23 Pension and similar obligations *(continued)*

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

	2016	2015
	£000	£000
At 1 September	2480	2,293
Expected return on assets	101	94
Remeasurements of assets	529	4
Administration expenses	(3)	(3)
Employer contributions	87	124
Employee contributions	45	42
Benefits paid	(49)	(74)
	3,190	2,480
At 31 August	3,190	2,480

The estimated value of employer contributions for the year ended 31 August 2016 is £172,000.

The five-year history of experience adjustments is as follows:

	2016	2015	2013	2012	2011
	£000	£000	£000	£000	£000
Present value of defined benefit obligations	(4,098)	(2,622)	(2,298)	(2,275)	(2,052)
Fair value of share of scheme assets	3,190	2,480	2,293	2,117	1,786
	(908)	(142)	(5)	(158)	(266)
Experience adjustments on share of scheme assets					
Amount £000	176	152	188	144	48
Experience adjustments on scheme liabilities:					
Amount £000	-	-	-	-	-

Notes (continued)

24 Related Party Transactions

The remuneration of the trustees, who are the key management personnel of the Academy, is disclosed in note 11.

The Academy's non-trustee governors made no claims during the period for travel expenses to attend meetings. During the period two (2015: three) governors received a salary and benefits in kind totalling £164,859 (2015: £139,612).

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

There were no other related party transactions noted in the current or previous period.