

**Company Registration No. 08320065 (England and Wales)**

**TRANSFORM TRUST**

**(A COMPANY LIMITED BY GUARANTEE)**

**TRUSTEES' REPORT AND AUDITED ACCOUNTS**

**FOR THE YEAR ENDED 31 AUGUST 2016**

# TRANSFORM TRUST

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# TRANSFORM TRUST

## REFERENCE AND ADMINISTRATIVE DETAILS

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### Trustees

P Munro (Chair)  
R Meredith (Accounting officer)  
A Day  
R Periam \*  
Prof T Greany \*  
Prof Q Gu  
V Lloyd

\* members of the finance committee  
The trustees are also directors of the Academy Trust

### Members

P Munro  
Venerable D Picken  
Southwell and Nottingham Diocese Educational Trust

### Executive Team

- Chief Executive Officer
- Teaching School Director
- Chief Finance Officer
- Associate Head
- Teaching School Project Lead
- Teaching School Administrator
- Governor Services Coordinator
- Governor Services Projects
- Management Accountant

R Meredith  
S Heesom  
S Cox  
R Williamson  
A Turner  
A Lees  
M North  
H Poultney  
K Felstead  
J Limb  
C Smith  
Fr A Nicolls  
W Porter

### Company secretary

S Cox

### Company registration number

08320065 (England and Wales)

### Registered office

110b Main Road  
Wilford  
Nottingham  
NG11 7AL

## TRANSFORM TRUST

### REFERENCE AND ADMINISTRATIVE DETAILS

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#### **Academies operated**

	<b>Location</b>	<b>Principal</b>
Sneinton St Stephen's Church of England Academy	Nottingham	K Lee
Edale Rise Primary and Nursery School	Nottingham	S O'Connor
Highbank Primary and Nursery School	Nottingham	G Civil
Brocklewood Primary School	Nottingham	H Tarrant
Rosslyn Park Primary and Nursery School	Nottingham	S Mason
Allenton Community Primary School	Derby	J Fordham
Bulwell St Mary's CoE Primary School	Nottingham	D Farthing
Burford Primary and Nursery School	Nottingham	S Farrington

#### **Independent auditor**

UHY Hacker Young  
14 Park Row  
Nottingham  
NG1 6GR

#### **Bankers**

Lloyds Bank  
Market Square House  
Old Market Square  
Nottingham  
NG1 6FD

#### **Solicitors**

Browne Jacobson  
Mowbray House  
Castle Meadow Road  
Nottingham  
NG2 1BJ

# **TRANSFORM TRUST**

## **TRUSTEES' REPORT**

### **FOR THE YEAR ENDED 31 AUGUST 2016**

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The trustees present their annual report together with the accounts and independent auditor's reports of the charitable company for the period 1 September 2015 to 31 August 2016. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The Trust's principal object and activity has been to manage the provision of education to pupils between the ages of 3 and 11. The academies operated by the Trust are listed on page 2 of these financial statements. Bulwell St Mary's CoE Primary School and Burford Primary and Nursery School joined the trust on 1st August 2016.

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the financial statements and comply with the company's Memorandum and Articles of Association, applicable laws and 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 published on 16 July 2014 (FRS102).

#### **Structure, governance and management**

##### Constitution

The 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 trust.

The trustees of Transform Trust are also the directors of the charitable company for the purposes of company law. The charitable company is known as Transform Trust.

Details of the trustees who served during the year are included in the reference and administrative details on page 1.

##### Members' liability

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

##### Trustees' indemnities

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

## **TRANSFORM TRUST**

### **TRUSTEES' REPORT (CONTINUED)**

#### **FOR THE YEAR ENDED 31 AUGUST 2016**

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##### Method of recruitment and appointment or election of trustees

Members of the charitable company are nominated by the Diocese of Southwell & Nottingham Educational Trust, the main sponsor of the Trust. Under the terms of its Articles, the Academy Trust shall have the following Directors:

- The number of Directors shall be not less than four but (unless otherwise determined by ordinary resolution) shall not be subject to any maximum.
- A minimum of 4 Directors appointed by the Members under Article 50
- Up to 2 Academy Directors under Article 51-52
- Up to 2 Parent Governors appointed under Articles 53-56
- The Chief Executive Officer under Article 57

##### Terms of office

The term of office for any Director shall be 4 years unless varied by local agreement, save that this time limit shall not apply to the Chief Executive Officer. Subject to remaining eligible to be a particular type of Director, any Director may be re-appointed or re-elected.

##### Policies and procedures adopted for the induction and training of trustees

The training and induction provided for new Trustees depends on their previous experience. All Trustees are provided with previous minutes and face to face inductions with the Company Secretary/Chief Finance Officer, plus provided copies of documents that they will need to undertake their role as Trustees. The annual strategic planning day for Trustees was held on 11th December 2015 (and also on 5th February 2016) to review and update the strategic plan, to review the ethos and vision for the Trust, and to ensure the resource plans are enablers for the plan. No new Trustees were appointed during the financial year, and all named Trustees served for the full financial period.

# TRANSFORM TRUST

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2016

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#### Organisational structure

The organisational structure consists of four levels: the Trustees, the Executive Team, the Member School Local Governing Body and the Member School Leadership Team. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at the individual School level.

The Trustees are responsible for setting general policy, adopting an annual plan and budget, setting vision, strategy, direction and culture for the Trust, and performance management of the CEO. This is firmly centred on the objective to improve life chances for every child within Transform Trust.

The Executive team are responsible for implementation of strategy and delivery against the annual plan and budget. To ensure all schools in the Multi Academy Trust are delivering improving school standards at a rate agreed by the Trust Board.

The School Local Governing Body and School Leadership Teams are delegated authority to govern/manage each School implementing the policies adopted by Trust and Local Governing Body. As a group the School Leadership Teams are responsible for the authorisation of spending up to a level delegated to them within agreed budgets and the appointment of staff, although appointment boards for posts in the Senior Leadership Team always contain a Governor. Headteacher posts will always include the CEO. Some spending control is devolved to members of the School Leadership Team, with finance limits set requiring a member of the Executive Team to countersign.

The School Leadership Teams are responsible for the day to day operation of the School, in particular organising the teaching staff, facilities and students. This structure empowers staff at all levels to take responsibility to improve and review their working practice.

#### Arrangements for setting pay and remuneration of key management personnel

The remuneration of the Chief Executive Officer is recommended by the CEO Performance Management Committee comprising 2 Directors and agreed by all Directors. The remuneration for other Key Management is awarded by the CEO within the Trust framework for Support staff.

#### Related parties and other connected charities and organisations

The Trust works closely with Transform Teaching School Alliance, NCTL as well as Nottingham University and Nottingham and Derby City local authorities in supporting schools. The Chief Executive holds regular sessions with an Operational group consisting of Headteachers of Trust schools.

### **Objectives and activities**

#### Objects and aims

The Company's object ("the Object") is specifically restricted to the following:

- 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 Academies which shall offer a broad and balanced curriculum and which shall include:

(i) Church of England schools designated as such which shall be conducted in accordance with the principles, practices and tenets of the Church of England both generally and in particular in relation to arranging for religious education and daily acts of worship, and having regard to any advice issued by the Diocesan Board of Education; and

(ii) other Academies whether with or without a designated religious character; but in relation to each of the Academies to recognise and support their individual ethos, whether or not designated Church of England.

## **TRANSFORM TRUST**

### **TRUSTEES' REPORT (CONTINUED)**

#### **FOR THE YEAR ENDED 31 AUGUST 2016**

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##### Objectives, strategies and activities

During 2015/6, the principal activity of the charitable company was the operation of 6 primary academies in Nottingham and Derby. At the end of the year 2 further primary academies joined the Trust (1st August 2016) and this is recognised within the Balance Sheet, although for only 1 month in the financial statements. The primary schools vary in size from single form entry to 3 form entry.

Directors believe the sustainability of Transform Trust has been further enhanced in the growth to 8 schools. Both new schools are Ofsted rated “Good” and bring further capacity to the Trust. Further controlled growth will result in further financial resiliency and proportionate reductions in risk. Given the intimacy of the relationship with membership of the Transform Teaching School, we would expect further growth opportunity to manifest with schools already well known to the Trust.

Transform Trust’s children remain central to all our endeavours. We will judge everything that takes place in our schools according to its impact on the children. Decisions will be made in accordance with the prime directive that Transform Trust is a place of learning for the whole school community.

Each School produces a Development Plan on an annual basis where it details how it intends to achieve the aims and objectives for the year.

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

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

##### Public benefit

The Directors confirm that they have complied with the Charities Act 2006 to have due regard to the Charities Commission’s general guidance on public benefit and in particular to its supplementary public benefit on advancing education. We have reviewed our aims and objectives and in planning our future activities. In particular, the Directors consider how planned activities will contribute to the aims and objectives they have set.

Transform Trust is a Multi Academy Trust catering for children aged 3 to 11 and strives to promote and support the advancement of education within a local context. The schools provide an extensive programme of educational and recreational activity - all designed to contribute to the overall education of our students in areas such as academic distinction, music, the arts and sport.

Wherever possible the school also aims to contribute to the benefit of the wider public, by making available the premises to third parties for the provision of educational and other opportunities. For example: Local Residents Group Parents Group to support children.

In setting our objectives and planning our activities the Directors have given careful consideration to the Charity Commission's general guidance on public benefit. The Directors believe that the Academy Trust's aims, together with the activities outlined above, are demonstrably to the public benefit.

# TRANSFORM TRUST

## TRUSTEES' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2016

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#### Strategic report

##### Achievements and performance

No Ofsted Inspections have been held this year.

Across both Primary Key Stage levels, Sneinton delivered outstanding outcomes once again, exceeding against National standards in every category of attainment and progress. At Key Stage 2 every Trust school delivered above floor progress reflecting consistent and tangible impact being made on outcomes for Trust children. We continue to subject our schools to external scrutiny by Challenge Partners, and also to peer review within Transform Teaching School. We have also appointed new Chairs of Governors at Edale Rise and Allenton Community Primaries, and have appointed a substantive Head at Rosslyn Park.

We also now welcome Burford and Bulwell St Mary's C of E Primaries to the Trust, both schools Ofsted rated "Good" and with already strong KS2 attainment and progress data. We have appointed a new Chair of Governors at Bulwell St Mary's.

#### Key performance indicators

The Directors also consider that the following are key performance indicators for the Academy Trust:

- Pupils numbers (leading directly to the Education Funding Agency ("EFA") funding level)
- General financial stability - aim for income to match expenditure each year
- Percentage of income received from EFA spent on total staff costs
- Staff Vacancies
- Introduction of specialist teachers
- Ofsted inspection results
- Capital expenditure per pupil
- Foundation pupil intake – admissions procedure followed due to being oversubscribed
- Active involvement in partnership of schools and Transform Trust

#### Going concern

After making appropriate enquiries, the board of trustees has a reasonable expectation that the trust has adequate resources to continue in operational existence for the foreseeable future. For this reason the board of trustees continues to adopt the going concern basis in preparing the accounts. 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 recurrent income is obtained from the EFA in the form of 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 in the statement of financial activities.

The academy's total funds at the end of the period are £16,718,833, of which £22,563,007 is in the restricted fixed asset fund, leaving a total deficit reserve balance of both general restricted and unrestricted funds of £5,844,174; this is due to the LGPS deficit of £7,820,000. However, the LGPS liability will not materialise in the near future and actual reserve funding available to the academy excluding the LGPS liability is £1,975,826, of which £261,304 is restricted funding and £1,714,522 is unrestricted funding.

At 31 August 2016, the net book value of fixed assets was £22,563,007 and movements in tangible fixed assets are shown in note 11 to the financial statements. During the period the assets were used exclusively for providing education and the associated support services to the pupils of the Academy.

## TRANSFORM TRUST

### TRUSTEES' REPORT (CONTINUED)

#### FOR THE YEAR ENDED 31 AUGUST 2016

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##### Reserves policy

The Trustees review the reserve levels of the Academy Trust throughout the year. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of the reserves. The Trustees will always try to match income with expenditure in the current year (set and manage a balanced budget), will only carry forward reserves that it considers necessary.

The Trustees have determined that the appropriate level of free reserves should be equivalent to one month's cost, approximately £1.3m. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grant income and to provide a cushion to deal with unexpected emergencies such as urgent maintenance or long term sickness where unforeseen costs are incurred.

The Trustees will monitor the level of reserves to ensure that they are maintained at the required level. In the event they are partly used, the Trust will strive to rebuild free reserves up to the level needed.

The pension reserve held within restricted funds was in deficit by £7,820,000 at 31 August 2016. This does not mean that an immediate liability for this amount crystallises. The deficit position will result in a cash flow effect for the academy trust in the form of employer's pension contributions as assessed by the actuary.

##### Investment policy and powers

The Academy Trust seeks to maximise returns from investments, minimise risk and maintain flexibility and access to funds.

##### Principal risks and uncertainties

Each academy evaluates and monitors its own risks, and the Trust maintains its own risk register. The main risks that the Academy is exposed to are summarised below. For each of these risks the likelihood and impact have been considered together with appropriate action and management plans:

Operational and reputational - this covers risks to the running of the Academy Trust (including the capacity of staff and buildings to meet the needs of pupils) and its performance in delivering the curriculum.

Financial - covering risks to the Academy Trust's financial position, including revenue streams, cost control and cash management.

The risks to which the Academy Trust is exposed arise both internally and externally. External risks include those in respect of future funding levels, competition, changes to rules and regulations, and the financial position of the staff pension schemes.

The current portfolio of schools have the following Ofsted judgements: Sneinton – Outstanding; Edale Rise – Good; Highbank – RI; Brocklewood – Serious Weaknesses; Allenton – Special Measures; Rosslyn Park – Special Measures

## **TRANSFORM TRUST**

### **TRUSTEES' REPORT (CONTINUED)**

#### **FOR THE YEAR ENDED 31 AUGUST 2016**

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##### Risk management

The Trustees have assessed the major risks to which the Trust is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the Trust, and its finances. The Local Governing Bodies for each School have implemented a number of systems to assess risks that the school faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. They have introduced 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 manage risk. Where significant financial risk still remains they have ensured they have adequate insurance cover. The Trust has an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

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

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

The existence of these financial instruments exposes the Academy Trust to a number of financial risks which are described in more detail below. The main risks arising from the Trust's financial instruments are liquidity risk and cash flow interest rate risk.

Liquidity risk - The Trust manages its cash resources, including sufficient working capital, so that all its operating needs are met without the need for short-term borrowing.

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

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

##### **Plans for future periods**

The Regional School Commissioner has granted 3 Academy Orders in favour of Transform Trust in December 2016. These are for 3 Primary Schools based in Nottingham and Derby City. This will grow the Trust portfolio to 11 Primary Schools.

##### **Funds held as custodian trustee on behalf of others**

The Academy Trust does not currently hold any funds on behalf of others.

# TRANSFORM TRUST

## TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

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### **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.

A resolution proposing that UHY Hacker Young be reappointed as auditor of the charitable company will be put to the members.

The trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 16 December 2016 and signed on its behalf by:

R Periam  
Trustee

R Meredith  
Accounting officer

# TRANSFORM TRUST

## GOVERNANCE STATEMENT

### FOR THE YEAR ENDED 31 AUGUST 2016

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#### Scope of responsibility

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

The board of trustees has delegated the day-to-day responsibility to the Chief Executive Officer, as accounting officer, for ensuring 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 Transform Trust and the Secretary of State for Education. She is also responsible for reporting to the board of trustees 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 board of trustees has formally met 6 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustees	Meetings attended	Out of possible
P Munro (Chair)	5	6
R Meredith (Accounting officer)	6	6
A Day	6	6
R Periam	4	6
Prof T Greany	5	6
Prof Q Gu	6	6
V Lloyd	2	6

P Munro has been elected Chair of Trust Board with effect from 1st September 2016.

#### Governance review

Directors conduct a continual review of governance across the Trust, both at Director and Local Governing Body level. It is a standing agenda item at all regular Board Meetings. Schemes of Delegation for all schools were reviewed and signed off in March 2016 and will be reviewed again in March 2017. Terms of Reference setting out roles and responsibilities of Directors, Executive Team, Local Governing Body & Headteacher were reviewed and signed off in March 2016 and will be reviewed again in March 2017. Directors also agreed to formally re-constitute a Finance & Audit Committee comprising 2 Directors: Roger Periam (Chair) and Professor Toby Greany. Terms of Reference have been agreed and the first meeting will be held on December 8th 2016.

#### Review of value for money

As accounting officer the Principal has responsibility for ensuring that the 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.

## **TRANSFORM TRUST**

### **GOVERNANCE STATEMENT (CONTINUED)**

#### **FOR THE YEAR ENDED 31 AUGUST 2016**

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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. The accounting officer for the trust has delivered improved value for money during the year by:

- appointment of management accountant at Trust Centre delivering 5 days in-house support to all Trust schools and improving the quality of internal audit. This appointment saved money on the previous arrangement buying in a smaller package of external support.
- collective buying of Rising Stars curriculum package across all schools securing a 20% discount in so doing.
- moving all Trust schools into the Risk Protection Arrangement (RPA) scheme – ending the long term arrangement with Zurich insurers.
- offering all Trust schools a comprehensive Governor services package including clerking and training – higher quality and more comprehensive for a comparable cost.
- offering all Trust Governing Bodies & Finance Committees finance expertise and support for nil cost.
- restructuring the reading recovery programme in a Trust school.

#### **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 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 Transform Trust for the period 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and accounts.

#### **Capacity to handle risk**

The board of trustees has reviewed the key risks to which the trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the trust's significant risks that has been in place for the period 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the board of trustees.

## **TRANSFORM TRUST**

### **GOVERNANCE STATEMENT (CONTINUED)**

#### **FOR THE YEAR ENDED 31 AUGUST 2016**

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##### **The risk and control framework**

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

The Board of Trustees has once again considered the need for a specific Internal Audit function and recognises the value of this function run by the CFO. Roger Periam (now formally in his role as Chair of the Finance & Audit Committee) has received Internal Audit reports during the year for all schools, and the Board have been updated with specific issues raised.

Schools and Academies Finance Limited are appointed to provide internal audit assurance for Trust Centre processes, all schools are managed by Trust Centre finance staff.

There was no material control or other issues reported by the internal auditor during the year.

On a termly basis, the Chief Finance Officer shares the reports with the board of trustees discussing the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities. Actions are agreed to remediate and further improve the control framework as a result.

There was no material control or other issues reported by the internal auditor during the year.

##### **Review of effectiveness**

As accounting officer the Chief Executive Officer 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;
- the financial management and governance self-assessment process;
- the work of the executive managers within the trust who have responsibility for the development and maintenance of the internal control framework.

**TRANSFORM TRUST**

**GOVERNANCE STATEMENT (CONTINUED)**

**FOR THE YEAR ENDED 31 AUGUST 2016**

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The accounting officer has been advised by internal and external audit following their review of the system of internal control, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the board of trustees on 16 December 2016 and signed on its behalf by:

R Periam  
Trustee

R Meredith  
Accounting officer

## **TRANSFORM TRUST**

### **STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE**

#### **FOR THE YEAR ENDED 31 AUGUST 2016**

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As accounting officer of Transform Trust I have considered my responsibility to notify the trust 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 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 trust's board of trustees are able to identify any material irregular or improper use of funds by the trust, or material non-compliance with the terms and conditions of funding under the trust's funding agreement and the Academies Financial Handbook 2015.

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

- Following conversion to academy on 1st August 2016, a potential fraud has been uncovered in a Trust school for the period 2012-2016 (pre-academisation) relating to cash handling in the school. The EFA have been informed and an investigation is currently underway. The potential impact on financial statements is expected to be immaterial.

R Meredith  
**Accounting Officer**

16 December 2016

## **TRANSFORM TRUST**

### **STATEMENT OF TRUSTEES' RESPONSIBILITIES**

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The trustees (who also act as governors for Transform Trust and are also the directors of Transform Trust for the purposes of company law) are responsible for preparing the Trustees' Report and the accounts 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 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 2015 and the Academies Accounts Direction 2015 to 2016;
- 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 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 accounts may differ from legislation in other jurisdictions.

Approved by order of the board of trustees on 16 December 2016 and signed on its behalf by:

R Periam  
**Trustee**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRANSFORM TRUST**

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We have audited the accounts of Transform Trust for the year ended 31 August 2016 set out on pages 21 to 49. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

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

### **Respective responsibilities of trustees and auditors**

As explained more fully in the Trustees' Responsibilities Statement set out on page 16, the trustees, who are also the directors of Transform Trust for the purposes of company law, are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the accounts**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/auditscope/private](http://www.frc.org.uk/auditscope/private).

### **Opinion on accounts**

In our opinion the accounts:

- give a true and fair view of the state of the charitable company's affairs as 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 United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and the Academies Accounts Direction 2015 to 2016.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.

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

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**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:

- 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.

**Elizabeth Searby BSc FCA (Senior Statutory Auditor)**  
**UHY Hacker Young**

**Chartered Accountants**

**Statutory Auditor**

14 Park Row

Nottingham

NG1 6GR

Dated: 16 December 2016

## **INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO TRANSFORM TRUST AND THE EDUCATION FUNDING AGENCY**

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In accordance with the terms of our engagement letter dated 14 May 2013 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 by Transform Trust 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 Transform Trust and EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Transform 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 Transform Trust and EFA, for our work, for this report, or for the conclusion we have formed.

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

The accounting officer is responsible, under the requirements of Transform Trust's funding agreement with the Secretary of State for Education dated 29 May 2012 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 trust's income and expenditure.

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

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The work undertaken to draw to our conclusion includes:

- Planned our assurance procedures including identifying key risks,
- Carried out sample testing of controls,
- Carried out substantive testing including analytical review, and
- Concluded on procedures carried out.

**Conclusion**

In the course of our work, except for the matters listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the 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.

- Following conversion to academy status on 1st August 2016, a potential fraud has been uncovered in a Trust school for the period 2012-2016 (pre-academisation) relating to cash handling in the school. The Trust has informed the EFA and a full investigation by the Trust is in progress. We have not identified that this potential fraud has any impact on our conclusions in respect of this report

Elizabeth Searby BSc FCA  
**Reporting Accountant**  
UHY Hacker Young

Dated: 16 December 2016

## TRANSFORM TRUST

### STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2016

	Notes	Unrestricted Funds £	General £	Restricted funds: Fixed asset £	Total 2016 £	Total 2015 £
<b>Income and endowments from:</b>						
Donations and capital grants	2	3,030	-	93,900	96,930	1,300,377
Donations - transfer from local authority on conversion	24	516,164	(133,000)	8,363,467	8,746,631	9,643,329
Charitable activities:						
- Funding for educational operations	4	-	13,092,854	-	13,092,854	8,860,503
Other trading activities	3	229,042	130,247	-	359,289	407,948
Investments	5	1,695	-	-	1,695	1,256
<b>Total income and endowments</b>		<u>749,931</u>	<u>13,090,101</u>	<u>8,457,367</u>	<u>22,297,399</u>	<u>20,213,413</u>
<b>Expenditure on:</b>						
Charitable activities:						
- Educational operations	7	229,042	13,360,353	365,150	13,954,545	9,434,735
<b>Total expenditure</b>	6	<u>229,042</u>	<u>13,360,353</u>	<u>365,150</u>	<u>13,954,545</u>	<u>9,434,735</u>
<b>Net income/(expenditure)</b>		520,889	(270,252)	8,092,217	8,342,854	10,778,678
Transfers between funds		-	(128,480)	128,480	-	-
<b>Other recognised gains and losses</b>						
Actuarial gains/(losses) on defined benefit pension schemes	18	-	(3,710,000)	-	(3,710,000)	(19,000)
<b>Net movement in funds</b>		<u>520,889</u>	<u>(4,108,732)</u>	<u>8,220,697</u>	<u>4,632,854</u>	<u>10,759,678</u>
<b>Reconciliation of funds</b>						
Total funds brought forward		1,193,633	(3,449,964)	14,342,310	12,085,979	1,326,301
Total funds carried forward		<u>1,714,522</u>	<u>(7,558,696)</u>	<u>22,563,007</u>	<u>16,718,833</u>	<u>12,085,979</u>

## TRANSFORM TRUST

### STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED) INCLUDING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2016

Comparative year information		Unrestricted	Restricted funds:		Total
Year ended 31 August 2015		Funds	General	Fixed asset	2015
	Notes	£	£	£	£
<b>Income and endowments from:</b>					
Donations and capital grants	2	7,771	-	1,292,606	1,300,377
Donations - transfer from local authority on conversion	24	1,004,293	(3,004,680)	11,643,716	9,643,329
Charitable activities:					
- Funding for educational operations	4	-	8,860,503	-	8,860,503
Other trading activities	3	301,736	106,212	-	407,948
Investments	5	1,256	-	-	1,256
<b>Total income and endowments</b>		<u>1,315,056</u>	<u>5,962,035</u>	<u>12,936,322</u>	<u>20,213,413</u>
<b>Expenditure on:</b>					
Charitable activities:					
- Educational operations	7	301,736	8,856,885	276,114	9,434,735
<b>Total expenditure</b>	<b>6</b>	<u>301,736</u>	<u>8,856,885</u>	<u>276,114</u>	<u>9,434,735</u>
<b>Net income/(expenditure)</b>		1,013,320	(2,894,850)	12,660,208	10,778,678
Transfers between funds		-	(195,019)	195,019	-
<b>Other recognised gains and losses</b>					
Actuarial gains/(losses) on defined benefit pension schemes	18	-	(19,000)	-	(19,000)
<b>Net movement in funds</b>		1,013,320	(3,108,869)	12,855,227	10,759,678
<b>Reconciliation of funds</b>					
Total funds brought forward		180,313	(341,095)	1,487,083	1,326,301
Total funds carried forward		<u>1,193,633</u>	<u>(3,449,964)</u>	<u>14,342,310</u>	<u>12,085,979</u>

# TRANSFORM TRUST

## BALANCE SHEET

AS AT 31 AUGUST 2016

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		2016		2015	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	11		22,563,007		14,342,310
<b>Current assets</b>					
Stocks	12	13,759		18,763	
Debtors	13	1,247,103		983,177	
Cash at bank and in hand		1,475,287		1,472,051	
		<u>2,736,149</u>		<u>2,473,991</u>	
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	14	(760,323)		(1,074,322)	
<b>Net current assets</b>			<u>1,975,826</u>		<u>1,399,669</u>
<b>Net assets excluding pension liability</b>			<u>24,538,833</u>		<u>15,741,979</u>
Defined benefit pension liability	18		(7,820,000)		(3,656,000)
<b>Net assets</b>			<u><u>16,718,833</u></u>		<u><u>12,085,979</u></u>
<b>Funds of the trust:</b>					
<b>Restricted funds</b>	16				
- Fixed asset funds			22,563,007		14,342,310
- Restricted income funds			261,304		206,036
- Pension reserve			(7,820,000)		(3,656,000)
<b>Total restricted funds</b>			<u>15,004,311</u>		<u>10,892,346</u>
<b>Unrestricted income funds</b>	16		<u>1,714,522</u>		<u>1,193,633</u>
<b>Total funds</b>			<u><u>16,718,833</u></u>		<u><u>12,085,979</u></u>

The accounts set out on pages 21 to 49 were approved by the board of trustees and authorised for issue on 16 December 2016 and are signed on its behalf by:

R Periam  
Trustee

R Meredith  
Accounting officer

Company Number 08320065

# TRANSFORM TRUST

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 AUGUST 2016

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	Notes	2016		2015	
		£	£	£	£
<b>Cash flows from operating activities</b>					
Net cash provided by (used in) operating activities	19		(386,143)		775,472
Cash funds transferred on conversion			516,164		648,314
			<u>130,021</u>		<u>1,423,786</u>
<b>Cash flows from investing activities</b>					
Dividends, interest and rents from investments		1,695		1,256	
Capital grants from DfE and EFA		93,900		168,881	
Payments to acquire tangible fixed assets		(222,380)		(363,901)	
		<u>(126,785)</u>		<u>(193,764)</u>	
<b>Change in cash and cash equivalents in the reporting period</b>			3,236		1,230,022
Cash and cash equivalents at 1 September 2015			1,472,051		242,029
<b>Cash and cash equivalents at 31 August 2016</b>			<u>1,475,287</u>		<u>1,472,051</u>

# TRANSFORM TRUST

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 AUGUST 2016

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#### 1 Accounting policies

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

##### 1.1 Basis of preparation

The accounts of the 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 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

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

These accounts for the year ended 31 August 2016 are the first accounts of Transform Trust prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 September 2014. The reported financial position and financial performance for the previous period are not materially affected by the transition to 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 trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the 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 Conversion to an academy trust

The conversion from state maintained school to academy trust involved the transfer of identifiable assets and liabilities and the operation of the schools for £nil consideration. The substance of the transfers is that of a gift and they have been accounted for on that basis as set out below.

The assets and liabilities transferred on conversion from the predecessor schools to the academy trust have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in Donations – transfer from local authority on conversion in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. Further details of the transactions are set out in note 24.

##### 1.4 Income

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

# TRANSFORM TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2016

---

#### 1 Accounting policies

(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 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 when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

##### Sponsorship income

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

##### Donations

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

##### Other income

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

##### Donated goods, facilities and services

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

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

# TRANSFORM TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2016

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#### 1 Accounting policies

(Continued)

##### 1.5 Expenditure

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

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges 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 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 trust's educational operations, including support costs and costs relating to the governance of the trust apportioned to charitable activities.

##### Governance costs

These include the costs attributable to the trust's compliance with constitutional and statutory requirements, including audit, strategic management, trustees' meetings and reimbursed expenses.

##### Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

# TRANSFORM TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2016

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#### 1 Accounting policies

(Continued)

##### 1.6 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.

Tangible fixed assets include eight properties at the balance sheet date. Six properties are held under 125-year leases from Nottingham City Council. The fair value of the asset is included within leasehold property, with a corresponding amount shown as 'income from donations' (in the year of conversion to academy status) in the restricted fixed asset fund.

Two properties are held under a licence to occupy contained within church supplemental agreements between the Secretary of State for Education, the trust and the Diocese of Southwell and Nottingham (the "Diocese"). The freehold of these properties is owned by the Diocese.

The trustees consider that the church supplemental agreements convey a right to occupy both properties for the purpose of maintaining the schools at those sites, and the ability to control the economic benefits arising from those properties. On the assumption that these properties continue to be made available to the trust under the terms of the church supplemental agreements, the trustees consider that it is appropriate to recognise the value of the assets, being the rights to use the properties, within tangible fixed assets on the balance sheet. The corresponding amount is recognised as 'income from donations' within the restricted fixed asset fund.

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. 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 trust's depreciation policy. 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 land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Long leasehold land & buildings	50 years
Computer equipment	3 years
Fixtures, fittings & equipment	5 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.

# TRANSFORM TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2016

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#### 1 Accounting policies

(Continued)

##### 1.7 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 trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods of services it must provide.

##### 1.8 Leased assets

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

##### 1.9 Stock

Stock is valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less further costs to completion and disposal. Provision is made for obsolete and slow moving stock.

##### 1.10 Taxation

The trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by chapter 3 part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

##### 1.11 Pensions benefits

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 18, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions are recognised in the period to which they relate.

# TRANSFORM TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2016

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#### 1 Accounting policies

(Continued)

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

#### 1.12 Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by Department for Education 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 and Department for Education.

#### 1.13 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 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 18, 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.

## TRANSFORM TRUST

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 AUGUST 2016

#### 2 Donations and capital grants

	<b>Unrestricted funds £</b>	<b>Restricted funds £</b>	<b>Total 2016 £</b>	<b>Total 2015 £</b>
Donated fixed assets	-	-	-	1,123,725
Capital grants	-	93,900	93,900	168,881
Other donations	3,030	-	3,030	7,771
	<u>3,030</u>	<u>93,900</u>	<u>96,930</u>	<u>1,300,377</u>

The income from donations and capital grants was £96,930 (2015: £1,300,377) of which £3,030 was unrestricted (2015: £7,771) and £93,900 was restricted fixed assets (2015: £1,292,606).

#### 3 Other trading activities

	<b>Unrestricted funds £</b>	<b>Restricted funds £</b>	<b>Total 2016 £</b>	<b>Total 2015 £</b>
Other income	86,680	15,561	102,241	83,472
Catering income	-	66,352	66,352	68,869
Staff recharges	142,362	-	142,362	226,702
Trip income	-	48,334	48,334	28,905
	<u>229,042</u>	<u>130,247</u>	<u>359,289</u>	<u>407,948</u>

The income from other trading activities was £359,289 (2015: £407,948) of which £229,042 was unrestricted (2015: £301,736) and £130,247 was restricted (2015: £106,212).

**TRANSFORM TRUST**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 AUGUST 2016**

**4 Funding for the trust's educational operations**

	<b>Unrestricted funds £</b>	<b>Restricted funds £</b>	<b>Total 2016 £</b>	<b>Total 2015 £</b>
<b>DfE / EFA grants</b>				
General annual grant (GAG)	-	10,110,916	10,110,916	6,767,195
Other DfE / EFA grants	-	2,008,688	2,008,688	1,466,568
	<u>-</u>	<u>12,119,604</u>	<u>12,119,604</u>	<u>8,233,763</u>
<b>Other government grants</b>				
Special educational projects	-	973,250	973,250	626,740
	<u>-</u>	<u>973,250</u>	<u>973,250</u>	<u>626,740</u>
<b>Total funding</b>	<u>-</u>	<u>13,092,854</u>	<u>13,092,854</u>	<u>8,860,503</u>

The income from funding for educational operations was £13,092,854 (2015: £8,860,503) of which £13,092,854 was restricted (2015: £8,860,503).

**5 Investment income**

	<b>Unrestricted funds £</b>	<b>Restricted funds £</b>	<b>Total 2016 £</b>	<b>Total 2015 £</b>
Short term deposits	1,695	-	1,695	1,256
	<u>1,695</u>	<u>-</u>	<u>1,695</u>	<u>1,256</u>

The income from funding for investment income was £1,695 (2015: £1,256) of which £1,695 was unrestricted (2015: £1,256).

**6 Expenditure**

	<b>Staff costs £</b>	<b>Premises &amp; equipment £</b>	<b>Other costs £</b>	<b>Total 2016 £</b>	<b>Total 2015 £</b>
<b>Academy's educational operations</b>					
- Direct costs	8,733,345	-	844,337	9,577,682	6,512,976
- Allocated support costs	1,914,015	799,496	1,663,352	4,376,863	2,921,759
	<u>10,647,360</u>	<u>799,496</u>	<u>2,507,689</u>	<u>13,954,545</u>	<u>9,434,735</u>
<b>Total expenditure</b>	<u>10,647,360</u>	<u>799,496</u>	<u>2,507,689</u>	<u>13,954,545</u>	<u>9,434,735</u>

# TRANSFORM TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2016

#### 6 Expenditure (Continued)

Net income/(expenditure) for the year includes:	2016	2015
	£	£
Fees payable to auditor for:		
- Audit	21,300	17,500
- Other services	3,200	3,000
Operating lease rentals	22,973	10,512
Depreciation of tangible fixed assets	365,150	276,114
	<u>          </u>	<u>          </u>

#### Central services

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

- financial services;
- legal services;
- educational support services;
- HR services

The trust charges for these services on the following basis:

- flat percentage of income (5%);

The amounts charged during the year were as follows:

	Total
	£
Sneinton St Stephen's Church of England Academy	59,066
Edale Rise Primary and Nursery School	77,901
Highbank Primary and Nursery School	69,136
Brocklewood Primary School	151,031
Rosslyn Park Primary and Nursery School	170,639
Allenton Community Primary School	100,345
Bulwell St Mary's CoE Primary School	6,635
Burford Primary and Nursery School	4,831
	<u>          </u>
	<u>639,584</u>

**TRANSFORM TRUST**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 AUGUST 2016**

**7 Charitable activities**

	<b>Unrestricted funds £</b>	<b>Restricted funds £</b>	<b>Total 2016 £</b>	<b>Total 2015 £</b>
Direct costs - educational operations	229,042	9,348,640	9,577,682	6,512,976
Support costs - educational operations	-	4,376,863	4,376,863	2,921,759
	<u>229,042</u>	<u>13,725,503</u>	<u>13,954,545</u>	<u>9,434,735</u>

The expenditure on educational operations was £13,954,545 (2015: £9,434,735) of which £229,042 was unrestricted (2015: £301,736), £13,360,353 was restricted (2015: £8,856,885) and £365,150 was restricted fixed assets (2015: £276,114).

	<b>2016 £</b>	<b>2015 £</b>
<b>Analysis of support costs</b>		
Support staff costs	1,914,015	1,347,740
Depreciation and amortisation	365,150	276,114
Technology costs	135,813	89,897
Premises costs	695,328	432,463
Other support costs	1,067,736	711,536
Governance costs	198,821	64,009
	<u>4,376,863</u>	<u>2,921,759</u>

**8 Staff costs**

	<b>2016 £</b>	<b>2015 £</b>
Wages and salaries	8,453,744	5,632,974
Social security costs	602,705	347,919
Operating costs of defined benefit pension schemes	1,461,702	979,617
Staff costs	<u>10,518,151</u>	<u>6,960,510</u>
Staff development and other staff costs	129,209	64,125
Total staff expenditure	<u>10,647,360</u>	<u>7,024,635</u>

# TRANSFORM TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2016

#### 8 Staff costs

(Continued)

##### Staff numbers

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

	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>
Teachers	161	125
Teaching assistants, administration and support	315	267
	<u>476</u>	<u>392</u>

##### Higher paid staff

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

	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>
£60,000 - £70,000	7	5
£70,000 - £80,000	1	-
£80,000 - £90,000	-	1
£90,000 - £100,000	1	-
£100,000 - £110,000	-	1
£110,000 - £120,000	1	-
	<u>11</u>	<u>7</u>

The employment cost of several members of staff is recharged to Transform Teaching School Alliance Limited, which is a subsidiary of this company, and to other schools. The total salary costs recharged to other entities in the year to 31 August 2016 was £142,362 (2015: £178,170).

##### Key management personnel

The key management personnel of the trust comprise the trustees and the senior management team. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the trust was £310,251 (2015: £227,665).

## TRANSFORM TRUST

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 AUGUST 2016

#### 9 Trustees' remuneration and expenses

The Principal and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of Principal and staff, and not in respect of their services as trustees. Other trustees did not receive any payments, other than expenses, from the academy trust in respect of their role as trustees. During the year, travel and subsistence payments totalling £65 (2015: £2,567) were reimbursed to 1 trustee (2015: 4 trustees).

The value of trustees' remuneration, including pension costs, was as follows:

R Meredith(Chief Executive Officer) £130,000 - £135,000 (2015: £120,000-£125,000)

Other related party transactions involving the trustees are set out within the related parties note.

#### 10 Trustees and officers insurance

In accordance with normal commercial practice, the trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on trust business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the year ended 31 August 2016 was £679 (2015: £679).

#### 11 Tangible fixed assets

	Long leasehold land & buildings	Computer equipment	Fixtures, fittings & equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 September 2015	14,468,621	152,765	78,589	14,699,975
Transfer on conversion	8,363,467	-	-	8,363,467
Additions	10,987	52,949	158,444	222,380
At 31 August 2016	22,843,075	205,714	237,033	23,285,822
<b>Depreciation</b>				
At 1 September 2015	269,208	64,955	23,502	357,665
Charge for the year	288,305	49,888	26,957	365,150
At 31 August 2016	557,513	114,843	50,459	722,815
<b>Net book value</b>				
At 31 August 2016	22,285,562	90,871	186,574	22,563,007
At 31 August 2015	14,199,413	87,810	55,087	14,342,310

# TRANSFORM TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2016

#### 11 Tangible fixed assets

(Continued)

Two schools joined the Trust on 1 August 2016 and the properties were donated to the Trust by Nottingham City Council ("NCC") at their depreciated replacement cost of £8,363,467.

At 31 August 2016 the Trust holds six properties under 125 year leases from NCC and Derby City Council. These properties are included at their depreciated replacement cost at the date of conversion to academy status.

The freehold of the properties at Sneinton St Stephen's Church of England Primary School and Bulwell St Mary's Primary and Nursery School is held by the Diocese of Southwell and Nottingham. The properties are occupied by the trust's schools in accordance with the terms of church supplemental agreements, dated 23 December 2014 and 28 July 2016 respectively, between the Trust, the Secretary of State for Education and the Diocese of Southwell and Nottingham. These agreements are the legal basis for the trust to occupy the properties for the purposes of operating the two schools.

Land adjacent to Bulwell St Mary's Primary and Nursery school, which is being used as playing fields, is held on a 125-year lease from Nottingham City Council.

Land and buildings includes land valued at £1,969,000 which is not subject to depreciation.

12	Stocks	2016 £	2015 £
	Stock	13,759	18,763
		<u>13,759</u>	<u>18,763</u>
13	Debtors	2016 £	2015 £
	Trade debtors	21,187	39,365
	Amounts owed by group undertakings	-	55,016
	VAT recoverable	153,831	237,772
	Other debtors	2,032	4,245
	Prepayments and accrued income	1,070,053	646,779
		<u>1,247,103</u>	<u>983,177</u>

# TRANSFORM TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2016

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<b>14 Creditors: amounts falling due within one year</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Trade creditors	294,132	334,626
Amounts owed to group undertakings	9,625	-
Other creditors	3,284	241,595
Accruals and deferred income	453,282	498,101
	<u>760,323</u>	<u>1,074,322</u>
	<u><u>760,323</u></u>	<u><u>1,074,322</u></u>
<b>15 Deferred income</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Deferred income is included within:		
Creditors due within one year	304,589	277,193
	<u>304,589</u>	<u>277,193</u>
	<u><u>304,589</u></u>	<u><u>277,193</u></u>
Deferred income at 1 September 2015	277,193	23,664
Released from previous years	(277,193)	(23,664)
Amounts deferred in the year	304,589	277,193
	<u>304,589</u>	<u>277,193</u>
<b>Deferred income at 31 August 2016</b>	<u><u>304,589</u></u>	<u><u>277,193</u></u>

At the balance sheet date the Academy had received various grants in advance for expenditure which will be incurred from the autumn term 2016.

TRANSFORM TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2016

16 Funds

	Balance at 1 September 2015	Incoming resources	Resources expended	Gains, losses & transfers	Balance at 31 August 2016
	£	£	£	£	£
<b>Restricted general funds</b>					
General Annual Grant	206,036	10,110,916	(9,927,168)	(128,480)	261,304
Other DfE / EFA grants	-	2,008,688	(2,008,688)	-	-
Other government grants	-	973,250	(973,250)	-	-
Other restricted funds	-	130,247	(130,247)	-	-
	<u>206,036</u>	<u>13,223,101</u>	<u>(13,039,353)</u>	<u>(128,480)</u>	<u>261,304</u>
Funds excluding pensions	206,036	13,223,101	(13,039,353)	(128,480)	261,304
Pension reserve	(3,656,000)	(133,000)	(321,000)	(3,710,000)	(7,820,000)
	<u>(3,449,964)</u>	<u>13,090,101</u>	<u>(13,360,353)</u>	<u>(3,838,480)</u>	<u>(7,558,696)</u>
<b>Restricted fixed asset funds</b>					
DfE / EFA capital grants	1,787,125	93,900	(84,875)	128,480	1,924,630
Conversions and donations	12,555,185	8,363,467	(280,275)	-	20,638,377
	<u>14,342,310</u>	<u>8,457,367</u>	<u>(365,150)</u>	<u>128,480</u>	<u>22,563,007</u>
<b>Total restricted funds</b>	<u>10,892,346</u>	<u>21,547,468</u>	<u>(13,725,503)</u>	<u>(3,710,000)</u>	<u>15,004,311</u>
<b>Unrestricted funds</b>					
General funds	<u>1,193,633</u>	<u>749,931</u>	<u>(229,042)</u>	<u>-</u>	<u>1,714,522</u>
<b>Total funds</b>	<u>12,085,979</u>	<u>22,297,399</u>	<u>(13,954,545)</u>	<u>(3,710,000)</u>	<u>16,718,833</u>

# TRANSFORM TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2016

#### 16 Funds

(Continued)

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

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 applied to specific capital purposes imposed by the Education Funding Agency, Department for Education or other funders where the asset acquired or created is held for specific purpose.

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

The pension reserve held within restricted funds was in deficit by £7,820,000 at 31 August 2016. This does not mean that an immediate liability for this amount crystallises. The deficit position will result in a cash flow effect for the academy trust in the form of employer's pension contributions as assessed by the actuary.

#### Total funds analysis by academy

	<b>Total</b>
	<b>£</b>
Fund balances at 31 August 2016 were allocated as follows:	
Sneinton St Stephen's Church of England Academy	213,832
Edale Rise Primary and Nursery School	325,751
Highbank Primary and Nursery School	68,168
Brocklewood Primary School	110,349
Rosslyn Park Primary and Nursery School	361,905
Allenton Community Primary School	259,721
Bulwell St Mary's CoE Primary School	462,565
Burford Primary and Nursery School	77,119
Transform Trust	96,416
	<hr/>
Total before fixed assets fund and pension reserve	1,975,826
Restricted fixed asset fund	22,563,007
Pension reserve	(7,820,000)
	<hr/>
Total funds	16,718,833
	<hr/> <hr/>

**TRANSFORM TRUST**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 AUGUST 2016**

**16 Funds**

**(Continued)**

**Total cost analysis by academy**

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

	<b>Teaching and educational support staff costs</b>	<b>Other support staff costs</b>	<b>Educational supplies</b>	<b>Other costs excluding depreciation</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Sneinton St Stephen's Church of England Academy	853,555	136,314	106,744	239,300	1,335,913
Edale Rise Primary and Nursery School	960,057	153,573	100,588	221,960	1,436,178
Highbank Primary and Nursery School	901,240	233,853	66,361	196,646	1,398,100
Brocklewood Primary School	2,009,531	538,440	228,525	382,439	3,158,935
Rosslyn Park Primary and Nursery School	2,194,310	394,462	292,987	527,579	3,409,338
Allenton Community Primary School	1,304,531	238,044	127,233	228,077	1,897,885
Bulwell St Mary's CoE Primary School	81,838	13,166	-	2,385	97,389
Burford Primary and Nursery School	64,283	12,487	-	3,154	79,924
Transform Trust	234,791	193,676	51,109	296,157	775,733
	<u>8,604,136</u>	<u>1,914,015</u>	<u>973,547</u>	<u>2,097,697</u>	<u>13,589,395</u>

**17 Analysis of net assets between funds**

	<b>Unrestricted Funds</b>	<b>Restricted funds:</b>		<b>Total 2016</b>
	<b>£</b>	<b>General</b>	<b>Fixed asset</b>	<b>£</b>
		<b>£</b>	<b>£</b>	
<b>Fund balances at 31 August 2016 are represented by:</b>				
Tangible fixed assets	-	-	22,563,007	22,563,007
Current assets	1,714,522	1,021,627	-	2,736,149
Creditors falling due within one year	-	(760,323)	-	(760,323)
Defined benefit pension liability	-	(7,820,000)	-	(7,820,000)
	<u>1,714,522</u>	<u>(7,558,696)</u>	<u>22,563,007</u>	<u>16,718,833</u>

# TRANSFORM TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2016

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#### 18 Pensions and similar obligations

The 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 Nottinghamshire County Council and Derbyshire County Council. 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 related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £Nil (2015: £113,338) were payable to the schemes at 31 August 2016 and are included within creditors.

#### Teachers' Pension Scheme

##### Introduction

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

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

##### Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014.

The key elements of the valuation and subsequent consultation are:

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

# TRANSFORM TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2016

#### 18 Pensions and similar obligations

(Continued)

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS will be as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to the TPS in the period amounted to £686,716 (2015: £621,337).

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

#### Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are between 18% and 22.8% for employers and between 5.5% and 8.5% for employees. The estimated value of employer contributions for the forthcoming year is £605,000.

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

The scheme is in deficit at 31 August 2016.

The trustees will take advice from their actuaries in relation to a plan to reduce the deficit through contribution rates. The deficit for one school, which is part of the Derby City Council Scheme, is being cleared by additional payments amounting to £24,000 per annum.

<b>Total contributions made</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Employer's contributions	603,000	458,000
Employees' contributions	188,000	144,000
Total contributions	<u>791,000</u>	<u>602,000</u>

**TRANSFORM TRUST**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 AUGUST 2016**

**18 Pensions and similar obligations (Continued)**

<b>Principal actuarial assumptions</b>	<b>2016</b>	<b>2015</b>
	<b>%</b>	<b>%</b>
Rate of increases in salaries	3.9	4.5
Rate of increase for pensions in payment	2.3	2.7
Discount rate	2.2	4.0
Inflation assumption (CPI)	2.3	3.6
Commutation of pensions to lump sums	50.0	50.0
	<u>          </u>	<u>          </u>

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

	<b>2016</b>	<b>2015</b>
	<b>Years</b>	<b>Years</b>
Retiring today		
- Males	22.1	22.1
- Females	25.1	25.2
Retiring in 20 years		
- Males	24.4	24.2
- Females	27.5	27.6
	<u>          </u>	<u>          </u>

<b>The trust's share of the assets in the scheme</b>	<b>2016</b>	<b>2015</b>
	<b>Fair value</b>	<b>Fair value</b>
	<b>£</b>	<b>£</b>
Equities	3,230,000	2,394,000
Bonds	412,000	289,000
Gilts	151,000	79,000
Cash	206,000	128,000
Property	527,000	396,000
Other assets	173,000	96,000
	<u>          </u>	<u>          </u>
Total market value of assets	4,699,000	3,382,000
	<u>          </u>	<u>          </u>
Actual return on scheme assets - gain/(loss)	568,000	(49,000)
	<u>          </u>	<u>          </u>

**TRANSFORM TRUST**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 AUGUST 2016**

<b>18 Pensions and similar obligations</b>	<b>(Continued)</b>	
<b>Amounts recognised in the statement of financial activities</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Current service cost (net of employee contributions)	788,000	596,000
Net interest cost	136,000	60,000
	<u>                    </u>	<u>                    </u>
<b>Changes in the present value of defined benefit obligations</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Obligations at 1 September	7,038,000	1,025,000
Obligations acquired on conversion	133,000	5,145,000
Current service cost	788,000	596,000
Interest cost	285,000	200,000
Employee contributions	188,000	144,000
Actuarial loss	4,129,000	(72,000)
Benefits paid	(42,000)	-
	<u>                    </u>	<u>                    </u>
At 31 August	12,519,000	7,038,000
	<u>                    </u>	<u>                    </u>
<b>Changes in the fair value of the trust's share of scheme assets</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Assets at 1 September	3,382,000	526,000
Assets acquired on conversion	-	2,205,000
Interest income	149,000	140,000
Return on plan assets (excluding amounts included in net interest):		
Actuarial gain	419,000	(91,000)
Employer contributions	603,000	458,000
Employee contributions	188,000	144,000
Benefits paid	(42,000)	-
	<u>                    </u>	<u>                    </u>
At 31 August	4,699,000	3,382,000
	<u>                    </u>	<u>                    </u>

# TRANSFORM TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2016

#### 19 Reconciliation of net income to net cash flows from operating activities

	2016	2015
	£	£
Net income for the reporting period	8,342,854	10,778,678
Adjusted for:		
Net deficit/(surplus) transferred on conversion	(8,746,631)	(9,643,329)
Donated fixed assets	-	(1,123,725)
Capital grants from DfE/EFA and other capital income	(93,900)	(168,881)
Investment income	(1,695)	(1,256)
Defined benefit pension costs less contributions payable	185,000	138,000
Defined benefit pension net finance cost/(income)	136,000	60,000
Depreciation of tangible fixed assets	365,150	276,114
(Increase)/decrease in stocks	5,004	(17,478)
(Increase)/decrease in debtors	(263,926)	(722,818)
Increase/(decrease) in creditors	(313,999)	908,867
Stocks, debtors and creditors transferred on conversion	-	291,300
<b>Net cash used in operating activities</b>	<b>(386,143)</b>	<b>775,472</b>

#### 20 Commitments under operating leases

At 31 August 2016 the total future minimum lease payments under non-cancellable operating leases were as follows:

	2016	2015
	£	£
Amounts due within one year	41,004	28,704
Amounts due between two and five years	80,308	79,287
	<u>121,312</u>	<u>107,991</u>

#### 21 Capital commitments

	2016	2015
	£	£
Expenditure contracted for but not provided in the accounts	24,822	-

## TRANSFORM TRUST

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 AUGUST 2016

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#### 22 Related party transactions

Owing to the nature of the trust's operations 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 trustees have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the trust's financial regulations and normal procurement procedures.

The following related party transactions took place in the period of account:

##### **TT2014**

TT2014 is wholly owned by Transform Trust. During the previous year, Transform Trust recharged staff costs and other expenses totalling £46,981 to TT2014.

##### **Transform Teaching School Alliance Limited ("TTSA")**

TTSA is wholly owned by the Trust. It provides membership and staff training and advice to the Educational Sector. During the year, the Trust recharged staff costs and other expenses totalling £55,496 (2015: £96,118) to TTSA. The Trust purchased services costing £87,643 (2015: £15,099) from TTSA and received a donation of £2,965 (2015: £293) from TTSA. The balance owed to TTSA by the Trust at 31 August 2016 was £9,625 (2015: £55,016 owed by TTSA to the Trust).

##### **Bulwell St Mary's School**

The Chief Executive Officer of the Trust is Executive Head at Bulwell St Mary's school. The Trust recharged staff costs to Bulwell St Mary's school amounting to £42,978 (2015: £77,952) and procured staff services from Bulwell St Mary's school amounting to £6,251 (2015: £3,869). This school joined the trust from 1st August 2016 and the transactions disclosed here relate to the period before conversion.

##### **South Wilford School**

The Chief Executive Officer of the Trust is Executive Head at South Wilford school. The Trust recharged staff costs to South Wilford School, amounting to £28,806 (2015: £35,336) and incurred costs of £1,072 (2015: £6,177). As at 31st August 2016 the Trust is owed £9,632 (2015: £11,279).

Also during the year there were transactions with a family member of R Meredith, trustee, amounting to £2,795 (2015: £8,762) in relation to the provision of professional services.

#### 23 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.

# TRANSFORM TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2016

#### 24 Conversion to an academy

On 1 August 2016 Bulwell St Mary's CoE Primary School and Burford Primary and Nursery School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Transform Trust from Nottingham County Council. The value of net assets on conversion was £8,746,631, being £3,860,786 in respect of Bulwell St Mary's CoE Primary School and £4,885,845 in respect of Burford Primary and Nursery School.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair values and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the statement of financial activities as donations – transfer from local authority on conversion.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the statement of financial activities.

Academy	Location	Date of conversion
Bulwell St Mary's CoE Primary School	Nottingham	1 August 2016
Burford Primary and Nursery School	Nottingham	1 August 2016

#### Bulwell St Mary's CoE Primary School

	<b>2016</b>
<b>Net assets transferred:</b>	<b>£</b>
Cash	433,886
LGPS pension surplus/(deficit)	(53,000)
	<u>380,886</u>

	<b>Unrestricted Funds</b>	<b>Restricted funds:</b>		<b>Total</b>
<b>Funds surplus/(deficit) transferred:</b>	<b>£</b>	<b>General</b>	<b>Fixed asset</b>	<b>2016</b>
		<b>£</b>	<b>£</b>	<b>£</b>
Tangible fixed assets - leasehold land and buildings	-	-	3,479,900	3,479,900
Budget surplus on LA funds	433,886	-	-	433,886
LGPS pension deficit	-	(53,000)	-	(53,000)
<b>Net assets</b>	<u>433,886</u>	<u>(53,000)</u>	<u>3,479,900</u>	<u>3,860,786</u>

# TRANSFORM TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 AUGUST 2016

#### 24 Conversion to an academy (Continued)

##### Burford Primary and Nursery School

	<b>2016</b>
<b>Net assets transferred:</b>	<b>£</b>
Cash	82,278
LGPS pension surplus/(deficit)	(80,000)
	2,278
	2,278

	<b>Unrestricted</b>	<b>Restricted funds:</b>		<b>Total</b>
<b>Funds surplus/(deficit) transferred:</b>	<b>Funds</b>	<b>General</b>	<b>Fixed asset</b>	<b>2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Tangible fixed assets - leasehold land and buildings	-	-	4,883,567	4,883,567
Budget surplus on LA funds	82,278	-	-	82,278
LGPS pension deficit	-	(80,000)	-	(80,000)
	82,278	(80,000)	4,883,567	4,885,845
<b>Net assets</b>	82,278	(80,000)	4,883,567	4,885,845

#### 25 Post balance sheet events

The Regional Schools Commissioner has granted 3 Academy Orders in favour of Transform Trust in December 2016. These are for 3 Primary Schools based in Nottingham and Derby City. This will grow the Trust portfolio to 11 Primary Schools.