

The Bay Learning Trust
(A Company Limited by Guarantee)

Annual Report and Financial Statements

Year Ended 31st August 2018

The Bay Learning Trust

Annual Report and Financial Statements

Year Ended 31st August 2018

Contents

| | Page |
|--|-------------|
| Reference and Administrative Details | 2 |
| Trustees' Report | 4 |
| Governance Statement | 10 |
| Statement on Regularity, Propriety and Compliance | 13 |
| Statement of Trustees' Responsibilities | 14 |
| Independent Auditor's Report to the Members | 15 |
| Independent Reporting Accountant's Assurance Report on Regularity | 18 |
| Statement of Financial Activities incorporating Income & Expenditure Account | 20 |
| Balance Sheet | 21 |
| Statement of Cash Flows | 22 |
| Notes to the Financial Statements | 23 |

The Bay Learning Trust

Reference and Administrative Details

Year Ended 31st August 2018

In the period from 1st September 2016 – 31st August 2017 the Ripley CE Academy Trust was reconstituted as a Multi Academy Trust named The Bay Learning Trust.

1st September 2017 – 31st August 2018

The Bay Learning Trust:

Members

Prof J Crewdson
Mr S Whittaker
Rev C Newlands
Prof C J Carr

Trustees

Rev Canon P Ballard
Mrs D Cheetham
Prof J Crewdson (Chairman)
Mr M Dudfield (appointed 27th March 2018)
Mrs J Garnett
Rev M Gisbourne (retired 24th July 2018)
Mrs N Gomersall
Mrs E Nicholls (Accounting Officer)
Mrs J Watson
Mr R Webb
Cllr Mrs V Wilson

The Bay Learning Trust Executive Team

Mrs E Nicholls (CEO)
Mr M Wood (Principal, Ripley St Thomas CE Academy)
Mrs V Michael (Executive Headteacher, Carnforth High School)
Mr T Iddon (Headteacher, Carnforth High School)
Mr A McKinnell (Finance Director)
Mr I Gomersall (Director of Operations)
Mrs J Bostock (Director of Teaching School)
Mrs J Rees (Clerk to the Trust)

Company Registration Number

07588464

Principal and Registered Office

The Lodge
Ashton Road
Lancaster
LA1 4RR

Independent Auditor

CWR Chartered Accountants
20 Mannin Way
Lancaster Business Park
Caton Road
Lancaster
LA1 3SW

The Bay Learning Trust

Reference and Administrative Details

Year Ended 31st August 2018

Bankers

Lloyds Bank PLC
49 Market Street
Lancaster
LA1 1JH

Solicitors

Hill Dickinson
No 1 St Paul's Square
Liverpool
L3 9SJ

The Bay Learning Trust

Trustees' Report

Year Ended 31st August 2018

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period from the 1st September 2017 to the 31st August 2018. The annual report serves the purposes of both a trustees' report, and a directors' report including a strategic report under company law.

The Trust operates two academies for pupils aged 11-18 in Lancaster, Lancashire; Ripley St Thomas Church of England Academy and Carnforth High School.

1. Structure, Governance and Management

1.1 Constitution

The Academy Trust is a company limited by guarantee and an exempt charity. The charitable company's Memorandum and Articles of Association are the primary governing documents of the Academy Trust. The trustees of The Bay Learning Trust are also the directors of the charitable company for the purposes of company law. The charitable company is known as The Bay Learning Trust.

Details of the trustees who served throughout the year except as noted are included in the Reference and Administrative Details on page 2.

1.2 Members' Liability

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

1.3 Trustees' Indemnities

The trustees' are indemnified in respect of their legal liability for financial loss arising as a result of a negligent act, accidental error or omission in the course of their official duties. The limit of this indemnity is £10,000,000 (note 11).

1.4 Method of Recruitment and Appointment or Election of Trustees

The Members appoint a minimum of 7 trustees. In addition the trustees may appoint up to 6 co-opted trustees.

1.5 Policies and Procedures Adopted for the Induction and Training of Trustees.

Newly appointed trustees are provided with recent minutes and other key documents prior to an induction session with the CEO and Chair of Trustees. The trustees have access to training, and the agenda of each trustees' meeting includes a focus item on key issues.

1.6 Organisational Structure

The trustees are responsible for setting general policy, adopting an annual plan and budget, monitoring the Trust by the use of budgets and making major decisions about the direction of the Trust, capital expenditure and all Trust staff appointments.

The Bay Learning Trust Executive Team consists of the Chief Executive Officer, Principal of Ripley St Thomas CE Academy, Executive Headteacher of Carnforth High School, Headteacher of Carnforth High School, Finance Director, Director of Operations, Director of Teaching School, and the Clerk to the Trust. These leaders control the Trust at an executive level implementing the policies laid down by the trustees and reporting back to them. As a group the Trust Executive Team is responsible for the authorisation of spending within agreed budgets and the appointment of staff, though appointment boards for posts in the Executive Team always contain a Trustee.

The Bay Learning Trust

Trustees' Report

Year Ended 31st August 2018

1.7 Arrangements for Setting Pay and Remuneration of Key Management Personnel

Arrangements for setting pay and remuneration are set out in the Trust Pay Policy.

1.8 Related Parties and Other Connected Charities and Organisations

There are no connected organisations in the year. Related party transactions are disclosed in note 28 to the accounts.

2. Objectives and Activities

2.1 Objects and Aims

The aim of the Trust is to build a family of primary and secondary schools in the geographical area around Morecambe Bay that work closely together to secure an excellent education for all our young people. The Trust will

- Provide value for money for the funds expended
- Comply with all appropriate statutory and curriculum requirements
- Conduct Trust business in accordance with the highest standards of integrity, probity and openness

2.2 Objectives, Strategies and Activities

The Trust's strategic objectives include:

- To improve and sustain high levels of school performance
- To develop a self-sustaining community that learns from each other and from the best available external practice
- To allow schools to focus on teaching and learning through a central team that supports them with finance, buildings and staffing
- To ensure that our schools remain financially sustainable
- To develop our premises to create the best possible learning environment

The trustees recognise that equal opportunities should be an integral part of all good practice within the workplace. The Academy 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.

2.3 Public Benefit

The trustees have considered the Charity Commission's guidance on Public Benefit. The key public benefit is currently delivered by the Trust through the maintenance and development of the high quality education provided by its academies.

In doing this academies not only offer a broadly-based academic education but aim to educate the whole individual. A very wide range of extra-curricular activities, educational trips, visits and foreign trips is offered and undertaken.

The Bay Learning Trust

Trustees' Report

Year Ended 31st August 2018

Strategic report

3. Achievements and Performance

For the majority of subjects at GCSE, this was the first time new courses have been examined. For Maths and English, this is the second year of the new qualifications. The new GCSEs are more challenging in terms of content and there have been significant changes to assessment methods and grading, including a significant reduction in coursework in many subjects. Both schools in the Trust rose to the challenge and results either improved or remained stable across key measures. Action plans have been drawn up by schools to address any less well-performing areas.

Results at A level were very strong across a large range of subjects and high numbers at Ripley and strong in a number of areas at Carnforth with a smaller number of students.

Numbers on roll are increasing at both schools.

The Trust continues to improve its estate with a number of refurbishment projects completed over the year. A Capital Improvement Fund (CIF) bid for significant improvements to the roofs and the boilers at Carnforth was successful and the work has been completed. Both academies continue to pursue excellence in all aspects of provision with high expectations and a culture of hard work at its core. The past year has continued to see an emphasis on developing the new curriculum at all Key Stages. Teachers and leaders have had significant extra workload and pressure in managing and implementing these changes and schemes of work and resources are now in place to allow our young people to succeed.

The Trust is fortunate to have a committed and dedicated staff and governing bodies who understand that every child matters and are willing to do whatever it takes to enable young people to achieve. We look forward to a productive and positive year ahead.

3.1 Key Performance Indicators

The Trust monitors the performance of its schools through a number of termly dashboards produced against key indicators as defined by Ofsted and the Department for Education (DfE). The Trust operates in line with the requirements of its Funding Agreement with the Education and Skills Funding Agency (ESFA) and manages its reserves in line with the policies set out on page 7.

3.2 Going Concern

After making appropriate enquiries, the Board of Trustees has a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies note of the financial statements (note 1).

4. Financial Review

4.1 Operating and Financial Review

Most of the Academy's income is obtained from the DfE in the form of its General Annual Grant (GAG), the use of which is restricted to particular purposes; i.e. the objectives of the Academy. The GAG received during the period covered by this report and the associated expenditure is shown as restricted funds in the statement of financial activities.

On conversion to an academy on the 1st May 2011, all of the fixed assets of Ripley St Thomas CE Academy were transferred to the new Academy Trust, and in June 2018 all of the assets of Carnforth High School were transferred to the new Academy Trust and are shown under transfers on conversion on the Statement of Financial Activities. The balance sheet restricted fixed asset fund is reduced by depreciation charges over the expected useful life of the assets concerned, as explained in note 1 to the Financial Statements.

The Bay Learning Trust

Trustees' Report

Year Ended 31st August 2018

Restricted expenditure for the period covered by this report was more than covered by the GAG received from the ESFA together with other restricted incoming resources.

At 31st August 2018 the Trust held revenue fund balances of £1,896,000 (2017 - £1,239,000) comprising £1,311,000 of restricted general funds (2017 - £774,000) and £585,000 of unrestricted funds (2017 - £465,000). In addition to this the pension reserve shows a deficit of £2,562,000 (2017 - £2,091,000). The increase in funds represents the joining of Carnforth to the Trust along with specific monies allocated to the Trust to develop the Multi Academy Trust.

The trustees remain concerned with the large deficit that the Local Government Pension Fund is reporting, (see note 27 to the Financial Statements) but are aware of the deficit recovery programme now in place.

4.2 Reserves Policy

The trustees review the reserve levels of each Academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves.

Under its Funding Agreement with the Secretary of State for Education The Bay Learning Trust is permitted to hold unlimited reserves at the year end.

The trustees' Finance Committee has reviewed these reserve levels and believes that they should provide sufficient working capital to cover delays between spending and receipt of grants and to allow for unexpected emergencies. The Academy will maintain free reserves at a minimum level of 2% of GAG up to a maximum of 10% of GAG as an appropriate cushion.

As at 31st August 2018 the trustees consider that the Trust's reserves of GAG and unrestricted funds held are satisfactory for the level of the Trust's operations.

4.3 Investment Policy

The Trust aims to manage cash balances to provide the working capital required for its day-to-day operations, whilst protecting the long-term value of any surpluses against inflation. The Trust therefore aims to invest surplus cash funds in a way that optimises returns whilst ensuring there is minimal risk of loss of these funds. In order to make the best use of surplus cash funds to generate additional income the Trust must ensure the following objectives are met:

- Manage cash flow to ensure that sufficient cash balances are maintained in the current account to cover the working capital requirements of the Trust.
- Ensure there is minimal risk to loss of the capital value of any cash funds invested by ensuring that the Trust is only exposed to low risk investments.
- Protect the capital value of the invested funds against inflation.
- Ensure optimum returns on the funds invested.
- Ensure that income generated from investments is used for furthering the Trust's aims.
- Investments must be placed with FSA registered companies.
- The CEO is responsible for the management of investments, with responsibility delegated to the Finance Director.

Regular cash flow forecasts are to be prepared and monitored to ensure there are adequate liquid funds to meet all payroll commitments and outstanding creditors due for payment.

Where cash flow forecasts indicate that a base level of cash funds will be surplus to the day-to-day requirements of the Trust these funds may be invested following approval by the Finance Committee.

In making decisions with regard to investment options the Finance Director will compare interest rates and returns across the market to ensure the Trust is getting a fair return, having due regard for the economic situation at that time.

The Bay Learning Trust

Trustees' Report

Year Ended 31st August 2018

In general, the cash shall be invested in short term investment accounts, with an average duration of less than one year. Proposals for longer term investments would need further approval of **the Finance Committee.**

4.4 Principal Risks and Uncertainties

The continuing existence of the Trust can best be guaranteed by the standards of education at Ripley St Thomas CE Academy and Carnforth High School in its widest sense, which it provides. These are the preferred schools for many families who could easily favour another. Anything less than oversubscription could signal the beginning of financial and educational problems.

The principal risk to the Trust is the maintenance of pupil numbers as funding is directly related to the number of pupils on roll. Emerging risks include the sharp rise in the cost of travel as this is an increasing barrier to parents opting to send their children to Ripley St Thomas CE Academy and Carnforth High School and the forthcoming rises in employer costs. These coupled with the cuts to sixth form funding and the Education Services Grant are likely to affect our ability to develop facilities and offer our usual breadth of curriculum going forward.

4.5 Risk Management

The trustees have assessed the major risks to which the Academy is exposed. The trustees have implemented a number of systems to assess risks in the operational areas of the Academy and in relation to the control of finance. A Risk Register has been completed and is reviewed annually.

Where significant financial risk still remains they have ensured they have adequate insurance cover. The Academy has an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

5. Plans for Future Periods

The Trust will continue to work to maintain the performance of its students at all levels. Additionally, it will continue to review the curriculum content to ensure future pathways for students, particularly in the light of curriculum change and financial constraints.

Ripley continues to support the wider system through its role as a National Teaching School and to contribute towards the workforce through its role as a School Centred Initial Teacher Training (SCITT). Our SCITT was the first to have an Ofsted inspection under the new framework and we were delighted to achieve Outstanding in all categories.

The Trust continues to focus on delivering outstanding teaching and learning through ensuring all staff members are highly trained. It continues to pursue its ambition to raise achievement even further, working towards improved outcomes for our students in both terminal examinations and rates of progress. Directors and leaders retain a commitment to ensure all students have a high quality education.

The Trust aims to grow the number of schools within the Morecambe Bay Area. In May 2018 the Trust was designated as the sponsor for Morecambe Community High School, a local large secondary school, following its Ofsted "inadequate" grading. The Trust is now working closely with the DfE, the LA and the school on the conversion process. Additionally, one other local secondary school and one primary school are in the process of consultation regarding academisation and joining the trust.

The Bay Learning Trust

Trustees' Report

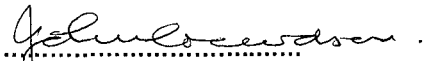
Year Ended 31st August 2018

6. Auditor

In so far as the trustees are aware:

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

The trustees' report, incorporating a strategic report, was approved by order of the Board of Trustees, as the company directors, on the6/12/18..... and signed on the board's behalf by:



Prof J Crewdson
Chair of Trustees

The Bay Learning Trust

Governance Statement

Year Ended 31st August 2018

7.1 Scope of Responsibility

As trustees, we acknowledge we have overall responsibility for ensuring that The Bay Learning 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 CEO, 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 The Bay Learning Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

7.2 Governance

The information on governance included here supplements that information described in the Trustees' Report and in the Statement of Trustees Responsibilities.

Trustees are allocated to one or more of three Committees which are as follows: Finance and Resources, Quality and Standards, and Audit. Other ad hoc committees are convened as and when needed. These committees meet on a regular termly cycle. Under the agreed Scheme of Delegation, each academy has a Local Governing Body with the required two parent representatives to support the work of the Board of Trustees.

Six financial updates are received by the Board of Trustees per year: three at the meetings of the Board of Trustees and three at the meetings of the Finance and Resources Committee.

The Board of Trustees has formally met three times during the period 1st September 2017 to 31st August 2018. Attendance at this meeting of the Board of Trustees was as follows:

| Trustee | Meetings attended | Out of a possible |
|-------------------------------------|--------------------------|--------------------------|
| Rev Canon P Ballard | 2 | 3 |
| Mrs D Cheetham | 2 | 3 |
| Prof J Crewdson (Chairman) | 3 | 3 |
| Mr M Dudfield | 1 | 1 |
| Mrs J Garnett | 3 | 3 |
| Rev M Gisbourne | 3 | 3 |
| Mrs N Gomersall | 3 | 3 |
| Mrs E Nicholls (Accounting Officer) | 3 | 3 |
| Mrs J Watson | 2 | 3 |
| Mr R Webb | 1 | 3 |
| Cllr Mrs V Wilson | 2 | 3 |

The Finance Committee is a sub-committee of the Board of Trustees and formally met twice during the period 1st September 2017 to 31st August 2018. Trustee attendance during the year at meetings of the Finance Committee was as follows:

| Trustee | Meetings attended | Out of a possible |
|--|--------------------------|--------------------------|
| Rev Canon P Ballard (Chair of Finance Committee) | 2 | 2 |
| Prof J Crewdson | 2 | 2 |
| Mr M Dudfield | 1 | 1 |
| Rev M Gisbourne | 2 | 2 |
| Mr R Webb | 1 | 2 |

The Bay Learning Trust

Governance Statement

Year Ended 31st August 2018

7.3 Review of Value for Money

As Accounting Officer the CEO has responsibility for ensuring that the Academy Trust delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the Academy 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. Pupils and students make very good progress at Ripley and Carnforth High School, in no small measure due to judicious use of money and resources. Examples of success in ensuring best value are given below:

- **Benchmarking:** The Finance Director is a member of a regional group of 300 school and academy business managers, and attends a local group of 25 academy business managers. Both groups focus on sharing best practice and comparing prices for goods and services. Collaborative purchasing opportunities have enabled the Trust to obtain discounts on costs of a number of purchases. Financial benchmarking exercises carried out during the year, utilising professionally produced reports to compare key income and expenditure types with local and national academies of similar size and form indicate that our costs were below the median, across the board, and show that the strict budgeting and financial control has been effective.
- **Options appraisal:** The Trust has clear systems for purchasing, with a hierarchy for purchasing decisions including Trustee authorisation at the highest level. Purchases of goods and services valued at over £5,000 require three quotes, although in practice we generally obtain quotes for goods and services of much lower value, to ensure best value. Orders for all goods and services are authorised only after meeting the stringent procedures for obtaining value for money. Even relatively low value orders are intercepted by the Finance Manager or Director of Business & Finance if they are not considered to be cost-effective.
- **Negotiation:** The Finance Director and his team have successfully driven down costs through determined negotiation with suppliers throughout the year. Quotations for goods and services have been routinely challenged and most prices have subsequently been reduced. Significant reductions have continued to be achieved in many cases.

7.4 The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Trust's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Trust for the year ended 31st August 2018 and up to the date of approval of the annual report and financial statements.

The Bay Learning Trust

Governance Statement

Year Ended 31st August 2018

7.5 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 on-going process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the year ended 31st August 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

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

The trustees have considered the need for a specific internal audit function and have decided not to appoint an internal auditor. However, the trustees have appointed CWR, as Responsible Officer (RO). The RO's role includes giving advice on financial matters and performing a range of checks on the Trust's financial systems. On a quarterly basis, the RO reports to the trustees, through the Finance Committee on the operation of the systems of control and on the discharge of the trustees financial responsibilities. The RO function has been fully delivered in line with the ESFA's requirements and no material control issues arose as a result of the RO's work.

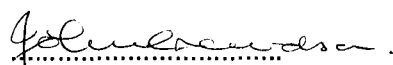
7.7 Review of Effectiveness

As Accounting Officer, the CEO has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

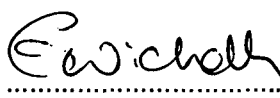
- the Board of Trustees;
- the Responsible Officer;
- Audit Committee
- external audit;
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

Internal financial procedures have been updated and reviewed as applicable. All recommendations by the Responsible Officer have been considered and implemented if appropriate

Approved by order of the members of the Board of Trustees on the6/12/18..... and signed on its behalf by:



Prof J Crewdson
Chair of Trustees



Mrs E Nicholls
Accounting Officer

The Bay Learning Trust

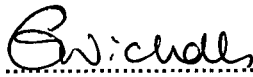
Statement on Regularity, Propriety and Compliance

Year Ended 31st August 2018

As Accounting Officer of The Bay Learning Trust I have considered my responsibility to notify the Academy Trust Board of Trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the Academy Trust, under the funding agreement in place between the Academy Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

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

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



Mrs E Nicholls
Accounting Officer

Date: 6/12/18

The Bay Learning Trust

Statement of Trustees' Responsibilities

Year Ended 31st August 2018

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

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

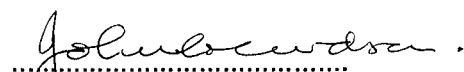
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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

The trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls which conform to the requirements both of propriety and good financial management. They are also responsible for ensuring that grants received from the Education & Skills Funding Agency and Department for Education have been applied for the purposes intended.

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

Approved by order of the members of the Board of Trustees on the6/12/18..... and signed on its behalf by:



Prof J Crewdson
Chair of Trustees

The Bay Learning Trust

Independent Auditor's Report to the Members of The Bay Learning Trust

Year Ended 31st August 2018

Opinion

We have audited the financial statements of The Bay Learning Trust (the 'Academy Trust') for the year ended 31st August 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education & Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the Academy Trust's affairs as at the 31st August 2018, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education & Skills Funding Agency.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The trustees are responsible for the other information. The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

(Continued)

The Bay Learning Trust

Independent Auditor's Report to the Members of The Bay Learning Trust

Year Ended 31st August 2018

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report (incorporating the strategic report and the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 14, the trustees (who are also the directors of the Academy Trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

(Continued)

The Bay Learning Trust

Independent Auditor's Report to the Members of The Bay Learning Trust

Year Ended 31st August 2018

Auditor's responsibilities for the audit of the financial statements


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

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

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

Use of our report

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


.....
Mr Robert Mitchell ACA (Senior Statutory Auditor)
For and on behalf of CWR Chartered Accountants
20 Mannin Way
Lancaster Business Park
Caton Road
Lancaster
LA1 3SW

Date:14/12/2018.....

The Bay Learning Trust

Independent Reporting Accountant's Assurance Report on Regularity to The Bay Learning Trust and the Education & Skills Funding Agency

Year Ended 31st August 2018

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

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

Respective responsibilities of The Bay Learning Trust's Accounting Officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of The Bay Learning Trust's funding agreement with the Secretary of State for Education and the Academies Financial Handbook, extant from 1st September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year from the 1st September 2017 to the 31st August 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2017 to 2018 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw our conclusions includes:

- Obtaining evidence including those tests relevant to the circumstances of the Academy Trust as prescribed in Section 9.4 of the Academies Accounts Direction 2017 to 2018 issued by the ESFA; and
- Planning and performing any additional tests we deemed necessary to express an opinion on regularity.

(Continued)


The Bay Learning Trust

**Independent Reporting Accountant's Assurance Report on Regularity to The Bay Learning Trust
and the Education & Skills Funding Agency**

Year Ended 31st August 2018

Conclusion

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


.....
Mr Robert Mitchell ACA (Senior Statutory Auditor)
For and on behalf of CWR Chartered Accountants
20 Mannin Way
Lancaster Business Park
Caton Road
Lancaster
LA1 3SW

Date: 14/12/2018

The Bay Learning Trust

Statement of Financial Activities (including Income and Expenditure Account)

Year Ended 31st August 2018

| | Note | Unrestricted Funds £000 | Restricted General Funds £000 | Restricted Fixed Asset Funds £000 | Total 2018 £000 | Total 2017 £000 |
|--|-----------|-------------------------------|--|--|--------------------------------|--------------------------------|
| Income and endowments from: | | | | | | |
| Donations and capital grants | 2 | - | 398 | 434 | 832 | 324 |
| Transfer from local authority on conversion | 30 | 227 | (857) | 7,490 | 6,860 | - |
| Charitable activities: | | | | | | |
| Funding for the Academy Trust's educational operations | 3 | - | 9,220 | - | 9,220 | 8,366 |
| Teaching schools | 31 | 6 | 48 | - | 54 | 51 |
| Other trading activities | 4 | 554 | - | - | 554 | 497 |
| Investments | 5 | 6 | - | - | 6 | 5 |
| Total | | 793 | 8,809 | 7,924 | 17,526 | 9,243 |
| Expenditure on: | | | | | | |
| Raising funds | | - | - | - | - | - |
| Charitable activities: | | | | | | |
| Academy trust's educational operations | 7 | 548 | 9,242 | 182 | 9,972 | 9,093 |
| Teaching schools | 31 | 6 | 48 | - | 54 | 51 |
| Other | | - | - | - | - | - |
| Total | | 554 | 9,290 | 182 | 10,026 | 9,144 |
| Net income/(expenditure) | | 239 | (481) | 7,742 | 7,500 | 99 |
| Transfers between funds | 17 | (119) | 114 | 5 | - | - |
| Other recognised gains/(losses) | | | | | | |
| Actuarial gains on defined benefit pension schemes | 17, 27 | - | 585 | - | 585 | 378 |
| Net movement in funds | | 120 | 218 | 7,747 | 8,085 | 477 |
| Reconciliation of funds: | | | | | | |
| Total funds brought forward | 17 | 465 | (1,469) | 13,026 | 12,022 | 11,545 |
| Total funds carried forward | 17 | 585 | (1,251) | 20,773 | 20,107 | 12,022 |

All income and expenditure derive from continuing activities.

The statement of financial activities includes all gains and losses recognised during the year.

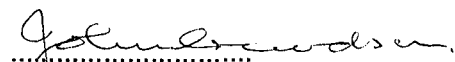
The Bay Learning Trust

Balance Sheet

Year Ended 31st August 2018

| | Notes | 2018 £000 | 2018 £000 | 2017 £000 | 2017 £000 |
|---|-------|--------------|--------------|--------------|--------------|
| Fixed assets | | | | | |
| Tangible assets | 12 | | 20,575 | | 13,026 |
| Current assets | | | | | |
| Stocks | 13 | 5 | | 5 | |
| Debtors | 14 | 428 | | 131 | |
| Cash at bank and in hand | | 2,614 | | 1,764 | |
| | | 3,047 | | 1,900 | |
| Liabilities | | | | | |
| Creditors: Amounts falling due within one year | 15 | (838) | | (635) | |
| Net current assets | | | 2,209 | | 1,265 |
| Total assets less current liabilities | | | 22,784 | | 14,291 |
| Creditors: Amounts falling due after more than one year | 16 | | (115) | | (178) |
| Net assets excluding pension liability | | | 22,669 | | 14,113 |
| Defined benefit pension scheme liability | 27 | | (2,562) | | (2,091) |
| Net assets including pension liability | | | 20,107 | | 12,022 |
| Funds of the Academy Trust: | | | | | |
| Restricted funds | | | | | |
| Fixed asset fund | 17 | 20,773 | | 13,026 | |
| Restricted income fund | 17 | 1,311 | | 622 | |
| Pension reserve | 17 | (2,562) | | (2,091) | |
| Total restricted funds | | | 19,522 | | 11,557 |
| Unrestricted income funds | 17 | | 585 | | 465 |
| Total funds | | | 20,107 | | 12,022 |

The financial statements on pages 20 to 50 were approved by the trustees, and authorised for issue on the6/12/18..... and are signed on their behalf by:



Prof J Crewdson
Chair of Trustees

Company Limited by Guarantee
Registration Number: 07588464

The Bay Learning Trust

Statement of Cash Flows

Year Ended 31st August 2018

| | Notes | 2018 £000 | 2017 £000 |
|--|-------|--------------|--------------|
| Cash flows from operating activities | | | |
| Net cash provided by operating activities | 21 | 815 | 139 |
| Cash flows provided by/(used in) investing activities | 23 | 199 | (345) |
| Cash flows from financing activities | 22 | (164) | (61) |
| Change in cash and cash equivalents in the reporting period | | <u>850</u> | <u>(267)</u> |
| Cash and cash equivalents at 1st September 2017 | | 1,764 | 2,031 |
| Cash and cash equivalents at 31st August 2018 | 24 | <u>2,614</u> | <u>1,764</u> |

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

1 Accounting policies

General information and basis of preparation

The Bay Learning Trust is a company limited by guarantee incorporated in England. The address of the registered office is given in the Reference and Administrative Details given on page 2 of these financial statements and the principal place of business is The Lodge, Ashton Road, Lancaster, LA1 4RR. The nature of the Academy Trusts operations and principal activities are set out in the Trustees' Report on page 4.

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

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.

Going concern

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

Income

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

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

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

1 Accounting policies (continued)

Income (continued)

- **Donations**

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

- **Other income**

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

- **Donated goods, facilities and services**

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

- **Transfer on conversion**

Where assets and liabilities are received by the Academy Trust on conversion to an academy, the transferred assets are measured at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to the Academy Trust. An equal amount of income is recognised for the transfer on conversion within Donations and capital grant income to the net assets received. The basis of measurement for transferred premises is via a valuation of the premises on a depreciated replacement cost model as carried out by a RICS approved valuer.

Expenditure

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

- **Expenditure on raising funds**

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

- **Charitable activities**

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

All resources expended are inclusive of irrecoverable VAT.

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

1 Accounting policies (continued)

Tangible fixed assets

Assets costing £5,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

Depreciation is provided on all tangible fixed assets other than freehold land and assets under construction, 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 buildings | Over the remainder of the 125 year lease straight line |
| Fixtures, fittings and equipment | 33% straight line |
| Computer hardware | 33% straight line |
| Motor vehicles | 25% straight line |

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use and reclassified to freehold or leasehold land and buildings.

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

The building valuation for Ripley St Thomas represents the value of leasehold assets as per the ESFA valuation carried out in 2016 by a RICS approved valuer. In this valuation the leasehold buildings were valued at £12,284,000. The building valuation for Carnforth High School represents the value of leasehold assets as per a valuation carried out in 2018 by a RICS approved valuer. In this valuation the leasehold buildings were valued at £7,490,000. The assets were valued using a depreciated replacement cost model and are to be depreciated over a 125 year period (note 12).

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

1 Accounting policies (continued)

Agency arrangements

The Academy Trust acts as an agent in distributing 16-19 bursary funds from the ESFA. Payments received from the ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The trust can use up to 5% of the allocation towards its own administration costs and this is recognised in the statement of financial activities. In addition, the Academy Trust acts as an agent in distributing School Centred Initial Teacher Training (SCITT) Bursary funding to student teachers as an agent for the Department for Education. The funds received and paid and any balances held are disclosed in note 29.

Conversion to an Academy Trust

The conversion from a state maintained school to an Academy Trust involved the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration. The substance of the transfer is that of a gift and it has been accounted for on that basis as set out below.

The assets and liabilities transferred on conversion from Carnforth High School to an 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 transaction are set out in note 30.

Liabilities

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

Provisions

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

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

Leased assets

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

Financial instruments

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

Financial assets – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 14. Prepayments are not financial instruments.

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

1 Accounting policies (continued)

Financial instruments (continued)

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

Financial liabilities – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 15 and 16. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

Stocks

Stock consists of unused stationery stores and is valued at the lower of cost or net realisable value.

Taxation

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

Pensions Benefits

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently the TPS is treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

1 Accounting policies (continued)

Fund Accounting

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

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

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

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 27, 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 31st March 2016 has been used by the actuary in valuing the pensions liability at 31st August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

2 Donations and capital grants

| | Unrestricted Funds £000 | Restricted Funds £000 | Total 2018 £000 | Total 2017 £000 |
|-----------------------------------|-------------------------------|-----------------------------|-----------------------|-----------------------|
| Capital grants | - | 434 | 434 | 74 |
| Trips and other non- public funds | - | 284 | 284 | 234 |
| Other donations | - | 114 | 114 | 16 |
| | <u>-</u> | <u>832</u> | <u>832</u> | <u>324</u> |

Income from donations and capital grants was £832,000 (2017 - £324,000) of which £nil (2017 - £nil) was attributable to unrestricted funds, £398,000 (2017 - £250,000) was attributable to restricted general funds and £434,000 (2017 - £74,000) was attributable to restricted fixed asset funds.

£434,000 (2017 - £74,000) of government grants were received for capital and maintenance works.

3 Funding for Academy Trust's educational operations

| | Unrestricted Funds £000 | Restricted Funds £000 | Total 2018 £000 | Total 2017 £000 |
|--|-------------------------------|-----------------------------|-----------------------|-----------------------|
| DfE/ESFA grants | | | | |
| General Annual Grant (GAG) | - | 8,576 | 8,576 | 7,962 |
| Start-up grants | - | 105 | 105 | - |
| Multi Academy Trust (MAT) grant | - | - | - | 60 |
| Other DfE Group grants | - | 183 | 183 | 178 |
| National College grants | - | 232 | 232 | 144 |
| | <u>-</u> | <u>9,096</u> | <u>9,096</u> | <u>8,344</u> |
| Other Government grants | | | | |
| Local authority grants | - | 124 | 124 | 22 |
| | <u>-</u> | <u>124</u> | <u>124</u> | <u>22</u> |
| Other income from the Academy Trust's educational operations | - | - | - | - |
| | <u>-</u> | <u>9,220</u> | <u>9,220</u> | <u>8,366</u> |

Funding for Academy Trust's educational operations was £9,220,000 (2017 - £8,414,000) of which £nil (2017 - £nil) was attributable to unrestricted funds, £9,220,000 (2017 - £8,414,000) was attributable to restricted general funds and £nil (2017 - £nil) was attributable to restricted fixed asset funds.

£9,220,000 (2017 - £8,414,000) of government grants were received for the purposes of the day to day running costs of the academy and its charitable objectives.

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

4 Other trading activities

| | Unrestricted Funds £000 | Restricted Funds £000 | Total 2018 £000 | Total 2017 £000 |
|--|--|--------------------------------------|--------------------------------|--------------------------------|
| Hire of facilities | 33 | - | 33 | 31 |
| Catering income | 337 | - | 337 | 312 |
| Sale of educational goods and services | 107 | - | 107 | 110 |
| Music tuition | 49 | - | 49 | 41 |
| Supplies of staff | 28 | - | 28 | 3 |
| | <u>554</u> | <u>-</u> | <u>554</u> | <u>497</u> |

Income from other trading activities was £554,000 (2017 - £497,000) of which £554,000 (2017 - £497,000) was attributable to unrestricted funds, £nil (2017 - £nil) was attributable to restricted general funds and £nil (2017 - £nil) was attributable to restricted fixed asset funds.

5 Investment income

| | Unrestricted Funds £000 | Restricted Funds £000 | Total 2018 £000 | Total 2017 £000 |
|---------------------|--|--------------------------------------|--------------------------------|--------------------------------|
| Short term deposits | 6 | - | 6 | 5 |
| | <u>6</u> | <u>-</u> | <u>6</u> | <u>5</u> |

Investment income was £6,000 (2017 - £5,000) of which £6,000 (2017 - £5,000) of was attributable to unrestricted funds, £nil (2017 - £nil) of was attributable to restricted general funds and £nil (2017 - £nil) of was attributable to restricted fixed asset funds.

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

6 Expenditure

| | Staff Costs £000 | Non Pay Expenditure Premises £000 | Other Costs £000 | Total 2018 £000 | Total 2017 £000 |
|--|------------------------|---|------------------------|-----------------------|-----------------------|
| Academy trust's educational operations | | | | | |
| Direct costs | 6,279 | 164 | 1,114 | 7,557 | 7,034 |
| Allocated support costs | 1,197 | 833 | 385 | 2,415 | 2,059 |
| Teaching School: | | | | | |
| Direct costs | 32 | - | 14 | 46 | 40 |
| Allocated support costs | 5 | - | 3 | 8 | 11 |
| | <u>7,513</u> | <u>997</u> | <u>1,516</u> | <u>10,026</u> | <u>9,144</u> |

£554,000 (2017 - £500,000) of the above expenditure on the Academy Trust's educational operations was attributable to unrestricted funds, £9,290,000 (2017 - £8,477,000) was attributable to restricted general funds and £182,000 (2017 - £167,000) was attributable to restricted fixed asset funds.

Net income/expenditure for the year includes:

| | 2018 £000 | 2017 £000 |
|----------------------------------|--------------|--------------|
| Operating lease rentals | 1 | 1 |
| Depreciation | 182 | 167 |
| Loss on disposal of fixed assets | - | - |
| Fees payable to the auditor for: | | |
| Audit | 7 | 5 |
| Other services | 8 | 6 |
| | <u>198</u> | <u>179</u> |

No transactions have taken place under Section 3.1.8 of the 2017 Academies Financial Handbook which require additional disclosure.

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

7 Charitable activities

| | Total 2018 £000 | Total 2017 £000 |
|--|--------------------------------|--------------------------------|
| Direct costs – educational operations | 7,557 | 7,034 |
| Direct costs – teaching school | 46 | 40 |
| Support costs – educational operations | 2,415 | 2,059 |
| Support costs – teaching school | 8 | 11 |
| | 10,026 | 9,144 |

| Analysis of support costs | Educational operations £000 | Teaching school £000 | Total 2018 £000 | Total 2017 £000 |
|----------------------------------|--|-------------------------------------|--------------------------------|--------------------------------|
| Support staff costs | 1,192 | 5 | 1,197 | 970 |
| Depreciation | 18 | - | 18 | 16 |
| Premises costs | 815 | - | 815 | 746 |
| Other support costs | 367 | 3 | 370 | 315 |
| Governance costs | 23 | - | 23 | 23 |
| Total support costs | 2,415 | 8 | 2,423 | 2,070 |

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

8 Staff

(a) Staff costs

| | 2018 £000 | 2017 £000 |
|-------------------------------------|--------------|--------------|
| Staff costs during the period were: | | |
| Wages and salaries | 5,666 | 5,306 |
| Social security costs | 520 | 462 |
| Pension costs | 1,193 | 1,018 |
| | <u>7,379</u> | <u>6,786</u> |
| Apprenticeship Levy | 11 | 4 |
| | <u>7,390</u> | <u>6,790</u> |
| Agency staff costs | 123 | 70 |
| Staff restructuring costs | - | 18 |
| | <u>7,513</u> | <u>6,878</u> |
| Staff restructuring costs comprise: | | |
| Redundancy payments | - | - |
| Severance payments | - | 18 |
| Other restructuring costs | - | - |
| | <u>-</u> | <u>18</u> |

(b) Staff severance payments

Included in staff restructuring costs are non-statutory / non-contractual severance payments totalling £nil (2017: £18,000). Individually, the payments were for £nil. (2017: 2 payments of £10,000 and £8,000)

(c) Staff numbers

The average number of persons employed by the Academy Trust during the year, and the full-time equivalents, was as follows:

| | 2018 Number | 2018 Full-time equivalent | 2017 Number | 2017 Full-time equivalent |
|----------------------------|----------------|---------------------------------|----------------|---------------------------------|
| Teachers | 101 | 92 | 100 | 90 |
| Administration and support | 91 | 65 | 81 | 58 |
| Management | 11 | 11 | 9 | 9 |
| | <u>203</u> | <u>168</u> | <u>190</u> | <u>157</u> |

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

8 Staff (continued)

(d) Higher paid staff

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

| | 2018 No. | 2017 No. |
|---------------------|-------------|-------------|
| £60,001 - £70,000 | 4 | 2 |
| £70,001 - £80,000 | 1 | 2 |
| £80,001 - £90,000 | 2 | - |
| £110,001 - £120,000 | - | 1 |
| | <u>7</u> | <u>5</u> |

One of the above members of staff is seconded to a Local Authority school and the cost is recovered in full by the Trust.

(e) Key management personnel

The key management personnel of the Academy Trust comprise the trustees and the senior leadership team. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the Academy Trust was £906,000 (2017: £787,000). It is noted the number of individuals in the senior leadership team has increased over the 2 years in line with the growth of the Trust.

9 Central services

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

- Human Resources
- Legal Services
- Educational and Administrative support

The Trust charges for these services on the basis of a flat rate of 3% of recurrent GAG income.

The actual amounts charged during the year were as follows:

| | 2018 £000 | 2017 £000 |
|-----------------------|--------------|--------------|
| Ripley St Thomas | 196 | - |
| Carnforth High School | 25 | - |
| | <u>221</u> | <u>-</u> |

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

10 Related party transactions - Trustees' remuneration and expenses

One or more trustees have been paid remuneration or have received other benefits from employment with the Academy Trust. The Headteacher and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of Headteacher and staff members under their contracts of employment, and not in respect of their role as trustees. The value of trustees' remuneration and other benefits was as follows:

Mrs E Nicholls (Principal and trustee):

| | |
|----------------------------------|--|
| Remuneration | £50,000 - £55,000. (2017: £115,000 - £120,000) |
| Employers' pension contributions | £nil - £nil. (2017: £15,000 - £20,000) |

Miss S Exton (staff trustee) (retired 6th March 2017):

| | |
|----------------------------------|--|
| Remuneration | £nil - £nil. (2017: £20,000 - £25,000) |
| Employers' pension contributions | £nil - £nil. (2017: £nil - £5,000) |

Mrs R Buckland (staff trustee) (retired 6th March 2017):

| | |
|----------------------------------|--|
| Remuneration | £nil - £nil. (2017: £10,000 - £25,000) |
| Employers' pension contributions | £nil - £nil. (2017: £nil - £5,000) |

Mr M Sim (staff trustee) (retired 6th March 2017):

| | |
|----------------------------------|--|
| Remuneration | £nil - £nil. (2017: £35,000 - £40,000) |
| Employers' pension contributions | £nil - £nil. (2017: £5,000 - £10,000) |

During the year ended the 31st August 2018, travel and subsistence expenses totalling £1,026 were reimbursed or paid directly to 1 trustees (2017: £1,246 to 1 trustee). Other related party transactions involving the trustees are set out in note 28.

11 Trustees' and officers' insurance

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

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

12 Tangible fixed assets

| | Leasehold Land and Buildings £000 | Furniture and Equipment £000 | Computer Equipment £000 | Motor Vehicles £000 | Total £000 |
|-----------------------------------|--|---------------------------------------|-------------------------------|---------------------------|---------------|
| Cost | | | | | |
| At 1 September 2017 | 13,502 | 172 | 142 | 15 | 13,831 |
| Transfer on conversion | 7,490 | - | - | - | 7,490 |
| Additions | 201 | 15 | 25 | - | 241 |
| Disposals | - | - | - | - | - |
| At 31 st August 2018 | 21,193 | 187 | 167 | 15 | 21,562 |
| Depreciation | | | | | |
| At 1 st September 2017 | 520 | 158 | 118 | 9 | 805 |
| Charged in period | 135 | 17 | 28 | 2 | 182 |
| At 31 August 2018 | 655 | 175 | 146 | 11 | 987 |
| Net book values | | | | | |
| At 31 st August 2017 | 12,982 | 14 | 24 | 6 | 13,026 |
| At 31 st August 2018 | 20,538 | 12 | 21 | 4 | 20,575 |

13 Stocks

| | 2018 £000 | 2017 £000 |
|------------|--------------|--------------|
| Stationery | 5 | 5 |
| | <u>5</u> | <u>5</u> |

14 Debtors

| | 2018 £000 | 2017 £000 |
|--------------------------------|--------------|--------------|
| Trade debtors | 1 | 3 |
| VAT recoverable | 87 | 54 |
| Other debtors | 279 | 8 |
| Prepayments and accrued income | 61 | 66 |
| | <u>428</u> | <u>131</u> |

15 Creditors: amounts falling due within one year

| | 2018 £000 | 2017 £000 |
|------------------------------------|--------------|--------------|
| Trade creditors | 201 | 30 |
| Other taxation and social security | 176 | 126 |
| Diocese of Blackburn | - | 61 |
| Loans | 28 | 12 |
| Other creditors | 286 | 160 |
| Accruals and deferred income | 147 | 246 |
| | <u>838</u> | <u>635</u> |

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

16 Creditors: amounts falling due after more than one year

| | 2018 £000 | 2017 £000 |
|----------------------|--------------|--------------|
| Diocese of Blackburn | - | 91 |
| Salix Loans | 115 | 87 |
| | <u>115</u> | <u>178</u> |

Other creditors relates to a loan received to fund energy efficient projects in the academy funded via the ESFA Salix scheme with no interest charged on the balance outstanding. The cost of repaying the loan will be offset by the energy cost savings resulting from the works carried out. Loan repayments are made in September and March of each year for the life of the loan.

The total repayable after more than five years is £24,898 (2017: £37,347).

17 Funds

| | Balance at 1 st September 2017 £000 | Income £000 | Expenditure £000 | Gains, Losses and Transfers £000 | Balance at 31 st August 2018 £000 |
|-------------------------------------|---|----------------|---------------------|---|---|
| Restricted general funds | | | | | |
| General Annual Grant (GAG) | 675 | 8,576 | (8,013) | (95) | 1,143 |
| Start-up grant | - | 105 | (25) | - | 80 |
| Pupil premium | - | 176 | (176) | - | - |
| Other DfE/ESFA grant | - | 7 | (7) | - | - |
| MAT Grant | 34 | - | (34) | - | - |
| Transfer on conversion | - | (857) | - | 857 | - |
| Local Authority grants | - | 124 | (110) | - | 14 |
| Teaching school | 49 | 48 | (48) | - | 49 |
| National College grants | 16 | 232 | (232) | - | 16 |
| Other restricted funds | - | 398 | (398) | 9 | 9 |
| Diocese of Blackburn | (152) | - | - | 152 | - |
| Pension reserve | (2,091) | - | (247) | (224) | (2,562) |
| | <u>(1,469)</u> | <u>8,809</u> | <u>(9,290)</u> | <u>699</u> | <u>(1,251)</u> |
| Restricted fixed asset funds | | | | | |
| Transfer on conversion | - | 7,490 | - | (7,490) | - |
| DfE Group capital grants | - | 434 | - | (236) | 198 |
| Other capitalised assets | 427 | - | (75) | 241 | 593 |
| ESFA building valuation | 12,599 | - | (107) | 7,490 | 19,982 |
| | <u>13,026</u> | <u>7,924</u> | <u>(182)</u> | <u>5</u> | <u>20,773</u> |
| Total restricted funds | <u>11,557</u> | <u>16,733</u> | <u>(9,472)</u> | <u>704</u> | <u>19,522</u> |
| Total unrestricted funds | <u>465</u> | <u>793</u> | <u>(554)</u> | <u>(119)</u> | <u>585</u> |
| Total funds | <u>12,022</u> | <u>17,526</u> | <u>(10,026)</u> | <u>585</u> | <u>20,107</u> |

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

17 Funds (continued)

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

Under the funding agreement with the Secretary of State, the Academy was not subject to a limit on the amount of GAG that it could carry forward. At 31st August 2018 the carry forward of GAG was £1,143,000.

The Start Up grants are to facilitate the joining of schools to the Multi Academy Trust. As at the 31st August 2018, £80,000 of these funds remained unspent.

Other DfE/ESFA grants include monies received outside of GAG funding and includes the Year 7 Catch-up grant. At 31st August 2018 these funds had been utilised in full.

Local Authority grants represent amounts payable to the Academy predominantly from Lancashire County Council and includes Special Educational Needs (SEN) funding. As at the 31st August 2018 £14,000 remained unspent.

Teaching School / National College grants represent amounts received by the Academy with respect to the Teaching Schools and School Centred Initial Teach Training (SCITT) programmes. As at the 31st August 2018 the balance carried forward on these funds was £65,000.

Other restricted funds includes the income and related expenditure for educational visits, supplies of staff, after school clubs and all donations for specified purposes such as charitable or educational trust grants, fundraising proceeds and general donations with restrictions attached. As at the 31st August 2018 £9,000 of these funds remained unspent.

DfE/ESFA capital grants received during the year relate to Devolved Formula Capital and Condition Improvement Funding. £198,000 of the funding remained unspent at the 31st August 2018 and will be used to fund ongoing capital projects into the 2018/19 academic year.

Other capitalised assets post conversion represents the value of assets purchased since conversion to academy status. These are depreciated in line with the accounting policies set out in note 1.

The ESFA building valuation represents the value of leasehold assets as per the ESFA valuation carried out in 2016 at Ripley St Thomas, and in 2018 at Carnforth High School, each valuation was carried out by a RICS approved valuer. In this valuation the leasehold buildings of Ripley St Thomas were valued at £12,284,000 and the leasehold buildings of Carnforth High School were valued at £7,490,000. The assets were valued using a depreciated replacement cost model and are to be depreciated over a 125 year period.

Unrestricted funds includes the income and related expenditure for; lettings, sales of goods and services, Teaching School activities, external catering, student placements and school productions. It also includes all investment income and gift aid donations. The balance on this fund at the 31st August 2018 is £585,000 and these funds can be used at the discretion of the Trustees, in order to meet the charitable objectives of the Academy.

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

17 Funds (continued)

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

| | Balance at 1 st September 2016 £000 | Income £000 | Expenditure £000 | Gains, Losses and Transfers £000 | Balance at 31 st August 2017 £000 |
|-------------------------------------|---|----------------|---------------------|---|---|
| Restricted general funds | | | | | |
| General Annual Grant (GAG) | 445 | 7,962 | (7,549) | (183) | 675 |
| Pupil premium | - | 170 | (170) | - | - |
| Other DfE/ESFA grant | - | 8 | (8) | - | - |
| MAT Grant | - | 60 | (26) | - | 34 |
| Local Authority grants | - | 22 | (22) | - | - |
| Teaching school | 49 | 48 | (48) | - | 49 |
| National College grants | 55 | 144 | (183) | - | 16 |
| Other restricted funds | - | 250 | (250) | - | - |
| Diocese of Blackburn | (213) | - | - | 61 | (152) |
| Pension reserve | (2,248) | - | (221) | 378 | (2,091) |
| | (1,912) | 8,664 | (8,477) | 256 | (1,469) |
| Restricted fixed asset funds | | | | | |
| Transfer on conversion | - | - | - | - | - |
| DfE Group capital grants | 228 | 74 | - | (302) | - |
| Other capitalised assets | 485 | - | (58) | - | 427 |
| ESFA building valuation | 12,284 | - | (109) | 424 | 12,599 |
| | 12,997 | 74 | (167) | 122 | 13,026 |
| Total restricted funds | 11,085 | 8,738 | (8,644) | 378 | 11,557 |
| Total unrestricted funds | 460 | 505 | (500) | - | 465 |
| Total funds | 11,545 | 9,243 | (9,144) | 378 | 12,022 |

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

17 Funds (continued)

A current year 12 months and prior year 12 months combined position is as follows:

| | Balance at 1 st September 2016 £000 | Income £000 | Expenditure £000 | Gains, Losses and Transfers £000 | Balance at 31 st August 2018 £000 |
|-------------------------------------|---|----------------|---------------------|---|---|
| Restricted general funds | | | | | |
| General Annual Grant (GAG) | 445 | 16,538 | (15,562) | (278) | 1,143 |
| Start-up grant | - | 105 | (25) | - | 80 |
| Pupil premium | - | 346 | (346) | - | - |
| Other DfE/ESFA grant | - | 15 | (15) | - | - |
| MAT grant | - | 60 | (60) | - | - |
| Transfer on conversion | - | (857) | - | 857 | - |
| Local Authority grants | - | 146 | (132) | - | 14 |
| Teaching school | 49 | 96 | (96) | - | 49 |
| National College grants | 55 | 376 | (415) | - | 16 |
| Other restricted funds | - | 648 | (648) | 9 | 9 |
| Diocese of Blackburn | (213) | - | - | 213 | - |
| Pension reserve | (2,248) | - | (468) | 154 | (2,562) |
| | <u>(1,912)</u> | <u>17,473</u> | <u>(17,767)</u> | <u>955</u> | <u>(1,251)</u> |
| Restricted fixed asset funds | | | | | |
| Transfer on conversion | - | 7,490 | - | (7,490) | - |
| DfE Group capital grants | 228 | 508 | - | (538) | 198 |
| Other capitalised assets | 485 | - | (133) | 241 | 593 |
| ESFA building valuation | 12,284 | - | (216) | 7,914 | 19,982 |
| | <u>12,997</u> | <u>7,998</u> | <u>(349)</u> | <u>127</u> | <u>20,773</u> |
| Total restricted funds | <u>11,085</u> | <u>25,471</u> | <u>(18,116)</u> | <u>1,082</u> | <u>19,522</u> |
| Total unrestricted funds | <u>460</u> | <u>1,298</u> | <u>(1,054)</u> | <u>(119)</u> | <u>585</u> |
| Total funds | <u>11,545</u> | <u>26,769</u> | <u>(19,170)</u> | <u>963</u> | <u>20,107</u> |

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

17 Funds (continued)

Total funds analysis by academy

Fund balances at 31st August 2018 were allocated as follows:

| | 2018 £000 | 2017 £000 |
|---|---------------|---------------|
| Ripley St Thomas | 1,581 | 1,087 |
| Carnforth High School | 170 | - |
| Central services | 145 | - |
| Total before fixed assets and pension reserve | 1,896 | 1,087 |
| Restricted fixed asset fund | 20,773 | 13,026 |
| Pension reserve | (2,562) | (2,091) |
| Total | 20,107 | 12,022 |

Total cost analysis by academy

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

| | Teaching and Educational Support Staff Costs £000 | Other Support Staff Costs £000 | Educational Supplies £000 | Other Costs (excluding Depreciation) £000 | Total 2018 £000 | Total 2017 £000 |
|-----------------------|--|--|---------------------------------|---|-----------------------|-----------------------|
| Ripley St Thomas | 5,601 | 1,013 | 277 | 1,832 | 8,723 | 8,977 |
| Carnforth High School | 665 | 133 | 13 | 154 | 965 | - |
| Central services | 45 | 56 | - | 55 | 156 | - |
| Academy Trust | 6,311 | 1,202 | 290 | 2,041 | 9,844 | 8,977 |

18 Analysis of net assets between funds

Fund balances at 31st August 2018 are represented by:

| | Unrestricted Funds £000 | Restricted General Funds £000 | Restricted Fixed Asset Funds £000 | Total Funds £000 |
|--------------------------|-------------------------------|--|--|---------------------|
| Tangible fixed assets | - | - | 20,575 | 20,575 |
| Current assets | 585 | 2,264 | 198 | 3,047 |
| Current liabilities | - | (838) | - | (838) |
| Non-current liabilities | - | (115) | - | (115) |
| Pension scheme liability | - | (2,562) | - | (2,562) |
| Total net assets | 585 | (1,251) | 20,773 | 20,107 |

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

18 Analysis of net assets between funds (continued)

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

| | Unrestricted Funds £000 | Restricted General Funds £000 | Restricted Fixed Asset Funds £000 | Total Funds £000 |
|--------------------------|-------------------------------|--|--|---------------------|
| Tangible fixed assets | - | - | 13,026 | 13,026 |
| Current assets | 465 | 1,435 | - | 1,900 |
| Current liabilities | - | (635) | - | (635) |
| Non-current liabilities | - | (178) | - | (178) |
| Pension scheme liability | - | (2,091) | - | (2,091) |
| Total net assets | 465 | (1,469) | 13,026 | 12,022 |

19 Capital commitments

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Contracted for, but not provided in the financial statements | 198 | - |

20 Commitments under operating leases

Operating leases

At 31st August 2018 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Amounts due within one year | 8 | - |
| Amounts due between one and five years | 18 | - |
| Amounts due after five years | - | - |
| | 26 | - |

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

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

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Net income for the reporting period (as per the Statement of Financial Activities) | 10 | 99 |
| Adjusted for: | | |
| Depreciation (note 12) | 182 | 167 |
| Capital grants from DfE and other capital income | (434) | (74) |
| Interest receivable (note 5) | (6) | (5) |
| Defined benefit pension scheme obligation inherited | 809 | - |
| Defined benefit pension scheme cost less contributions payable (note 27) | 196 | 176 |
| Defined benefit pension scheme finance cost (note 27) | 51 | 45 |
| (Increase)/decrease in debtors | (297) | 26 |
| Increase/(decrease) in creditors | 304 | (295) |
| Net cash provided by operating activities | 815 | 139 |

22 Cash flows from financing activities

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Repayments of borrowing | (164) | (61) |
| Cash inflows from borrowing | - | - |
| Net cash (used in) financing activities | (164) | (61) |

23 Cash flows from investing activities

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Dividends, interest and rents from investments | 6 | 5 |
| Proceeds from sale of tangible fixed assets | - | - |
| Purchase of tangible fixed assets | (241) | (424) |
| Capital grants from DfE Group | 434 | 74 |
| Capital funding received from others | - | - |
| Net cash provided by/(used in) investing activities | 199 | (345) |

24 Analysis of cash and cash equivalents

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Cash at bank and in hand | 2,614 | 1,764 |
| Notice deposits (less than 3 months) | - | - |
| Total cash and cash equivalents | 2,614 | 1,764 |

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

25 Contingent Liabilities

During the year of the funding agreement, in the event of the sale or disposal by other means of any leasehold building the Academy is required to either re-invest the proceeds or to repay the Secretary of State for Education or the Trustees of Lancaster, Ripley Church of England Educational Trust (Charity number 526393) the proceeds of the sale or disposal as these two bodies would have an interest in the proceeds of any sale.

26 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/she is a Member, or within one year after he/she ceases to be a Member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before he/she ceases to be a Member.

27 Pension and similar obligations

The Academy Trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Lancashire County Pension Fund. Both are multi-employer defined-benefit schemes.

The latest actuarial valuation of the TPS was 31st March 2012 and of the LGPS 31st March 2013.

Contributions amounting to £149,000 (2017: £106,000) were payable to the schemes at 31st August 2018 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' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1st 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 Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

27 Pension and similar obligations (continued)

Teachers' Pension Scheme (continued)

The latest actuarial valuation of the TPS was carried out as at 31st 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 9th June 2014. The key elements of the valuation and subsequent consultation are:

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

The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015, which will be payable during the implementation period until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1st April 2019.

The pension costs paid to TPS in the period amounted to £857,000 (2017: £897,000).

A copy of the valuation report and supporting documentation is on the [Teachers' Pensions website](#).

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31st August 2018 was £381,000 (2017: £309,000), of which employer's contributions totalled £295,000 (2017: £238,000), and employees' contributions totalled £86,000 (2017: £71,000). The agreed contribution rates for future years are 17.6% for employers and the rate for employees remains dependent on the salary of the employee.

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

As described in note 1 the LGPS obligation relates to the employees of the Academy Trust, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the Scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the Academy Trust at the balance sheet date.

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

27 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

| Principal Actuarial Assumptions | At 31 st August 2018 | At 31 st August 2017 |
|--|---------------------------------------|---------------------------------------|
| Rate of increase in salaries | 3.6% | 3.7% |
| Rate of increase for pensions in payment / inflation | 2.2% | 2.2% |
| Discount rate for scheme liabilities | 2.8% | 2.4% |
| Inflation assumption (CPI) | 2.1% | 2.2% |

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

| | At 31 st August 2018 | At 31 st August 2017 |
|-----------------------------|---------------------------------------|---------------------------------------|
| <i>Retiring today</i> | | |
| Males | 22.7 | 22.6 |
| Females | 25.4 | 25.2 |
| <i>Retiring in 20 years</i> | | |
| Males | 25.0 | 24.9 |
| Females | 28.0 | 27.9 |

Sensitivity analysis

| | | Sensitivity 1 | Sensitivity 2 | Sensitivity 3 | Sensitivity 4 |
|------------------------|---------|---------------------------|-----------------------|------------------------|----------------------------------|
| | Central | +0.1% pa discount rate | +0.1% pa inflation | +0.1% pa pay growth | 1 year inc in life expectancy |
| | £000 | £000 | £000 | £000 | £000 |
| Liabilities | 6,890 | 6,747 | 7,036 | 6,919 | 7,012 |
| Assets | (4,328) | (4,328) | (4,328) | (4,328) | (4,328) |
| Deficit | 2,562 | 2,419 | 2,708 | 2,591 | 2,684 |
| Projected service cost | 584 | 569 | 599 | 584 | 596 |
| Projected net interest | 66 | 64 | 71 | 67 | 69 |

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

| | Fair value at 31 st August 2018 | Fair value at 31 st August 2017 |
|-------------------------------------|--|--|
| Equities | 1,900 | 1,349 |
| Government bonds | 148 | 58 |
| Other bonds | 26 | 71 |
| Property | 398 | 319 |
| Cash and other liquid assets | 39 | 141 |
| Other | 1,817 | 1,133 |
| Total market value of assets | 4,328 | 3,071 |

The actual return on scheme assets was £215,000 (2017: £319,000).

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

27 Pension and similar obligations (continued)

Local Government Pension Scheme (continued)

Amounts recognised in the statement of financial activities

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Current service cost (net of employee contributions) | (189) | (170) |
| Interest income | 83 | 54 |
| Interest expense | (134) | (99) |
| Admin expenses | (7) | (6) |
| Total operating charge | <u>(247)</u> | <u>(221)</u> |

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

| | 2018 £000 | 2017 £000 |
|------------------------------------|--------------|--------------|
| At 1 st September | 5,162 | 4,725 |
| Conversion of academy | 1,533 | - |
| Current service cost | 481 | 408 |
| Past service cost | - | - |
| Interest cost | 134 | 99 |
| Employee contributions | 85 | 71 |
| Actuarial (gain) | (453) | (49) |
| Benefits paid | (52) | (92) |
| Losses or gains on curtailments | - | - |
| Past service costs | - | - |
| Unfunded pension payments | - | - |
| Effect of non-routine transactions | - | - |
| At 31 st August | <u>6,890</u> | <u>5,162</u> |

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

| | 2018 £000 | 2017 £000 |
|---|--------------|--------------|
| At 1 st September | 3,071 | 2,477 |
| Conversion of academy | 724 | - |
| Interest income | 83 | 54 |
| Return on plan assets (excluding interest income) | - | - |
| Assets distributed on settlements | - | - |
| Actuarial gain | 132 | 329 |
| Administration expenses | (7) | (6) |
| Employer contributions | 292 | 238 |
| Employee contributions | 85 | 71 |
| Benefits paid | (52) | (92) |
| Effect of non-routine settlements | - | - |
| At 31 st August | <u>4,328</u> | <u>3,071</u> |

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

28 Related Party Transactions

Owing to the nature of the Academy 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 the trustees have an interest. All transactions involving such organisations are conducted at cost in accordance with the requirements of the Academies Financial Handbook and with the Academy Trust's financial regulations and normal procurement procedures.

No related party transactions took place in the period of account, other than certain trustees' remuneration and expenses already disclosed in note 10.

29 Agency arrangements

The Academy Trust distributes 16-19 bursary funds to students as an agent for ESFA. In the accounting period ending the 31st August 2018 the trust received £26,651 (2017: £28,248) and disbursed £26,651 (2017: £28,248) from the fund.

Similarly, the Academy distributes School Centred Initial Teacher Training (SCITT) Bursary funding to student teachers as an agent for the Department for Education. In the accounting year ending 31st August 2018, the trust received £405,500 (2017: £235,000) and disbursed £396,500 (2017: £235,000) from the fund. The balance of £9,000 (2017: £nil) is included in other creditors in relation to the undistributed funds.

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

30 Conversion to an Academy Trust

On the 1st June 2018 Carnforth High School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to The Bay Learning Trust from the Local Authority for £nil consideration.

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 value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as net gain/loss 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 SOFA.

| | Unrestricted Funds £000 | Restricted General Funds £000 | Restricted Fixed Asset Funds £000 | Total £000 |
|---|-------------------------------|--|---|---------------|
| Tangible fixed assets | | | | |
| Leasehold land and buildings | - | - | 7,490 | 7,490 |
| Current assets | | | | |
| Cash- representing budget surplus on other school funds | 227 | 9 | - | 236 |
| Current liabilities | | | | |
| Salix loan | - | (16) | - | (16) |
| Non-current liabilities | | | | |
| Salix loan | - | (41) | - | (41) |
| LGPS pension (deficit) | - | (809) | - | (809) |
| Net assets | 227 | (857) | 7,490 | 6,860 |

The building valuation for Carnforth High School represents the value of leasehold assets as per a valuation carried out in 2018 by a RICS approved valuer. In this valuation the leasehold buildings were valued at £7,490,000.

The current assets represent the transfer of the cash reserves of Carnforth High School from the Local Authority.

Salix Loan commitments represent a loan the predecessor school had with the DfE. This balance was transferred to the Academy and is repayable over several years (note 16).

The LGPS pension deficit represents the actuarial pension deficit of Carnforth at the 1st June 2018. This valuation was carried out by Mercer who specialise in providing actuarial services.

The Bay Learning Trust

Notes to the Financial Statements

Year Ended 31st August 2018

31 Teaching school trading account

| | 2018 £000 | 2018 £000 | 2018 £000 | 2017 £000 | 2017 £000 | 2017 £000 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Income | | | | | | |
| Direct income | | 48 | | | 48 | |
| Other income | | <u>6</u> | | | <u>3</u> | |
| | | | 54 | | | 51 |
| Expenditure | | | | | | |
| <i>Direct costs:</i> | | | | | | |
| Direct staff costs | 32 | | | 27 | | |
| Staff development / training delivery | <u>14</u> | | | <u>13</u> | | |
| Total direct costs | | 46 | | | 40 | |
| <i>Other costs:</i> | | | | | | |
| Support staff costs | 5 | | | 9 | | |
| Meeting costs | <u>1</u> | | | <u>1</u> | | |
| Travel costs | <u>2</u> | | | <u>1</u> | | |
| Total other costs | | <u>8</u> | | | <u>11</u> | |
| Total expenditure | | | <u>54</u> | | | <u>51</u> |
| Surplus/(deficit) from all sources | | | - | | | - |
| Teaching school balances brought forward | | | 49 | | | 49 |
| Teaching school balances carried forward | | | <u>49</u> | | | <u>49</u> |