

The
Sir John Brunner
Foundation

(A Company Limited by Guarantee)

Annual Report and Financial Statements
For the period 27 February 2018 to 31 August 2018

Contents

	Page Number
Reference and Administration Details	1
Trustees' Report	2 - 10
Governance Statement	11 - 15
Statement of Regularity, Propriety and Compliance	16
Statement of Trustees' Responsibilities	17 - 18
Independent Auditor's Report on the Financial Statements	19 - 21
Independent Reporting Accountant's Report on Regularity	22 - 23
Statement of Financial Activities Incorporating Income and Expenditure Account	24
Balance Sheet as at 31 August 2018	25
Statement of Cash Flows	26
Notes to the Accounts	27 - 48

Reference and Administrative Details

Members	Mrs L Allen Mr D Shingler Dr J Staley
Trustees	Mr A Redley (Chair) (appointed 27 February 2018) Mr P Allen (appointed 27 February 2018) Mrs E Bromley (appointed 10 October 2018) Miss K Kirkwood (Chief Executive and Accounting Officer appointed on 1 May 2018) Mr S Pegg (appointed 1 May 2018) Mr T Rawling (appointed 27 February 2018, resigned 7 August 2018)
Clerk to the Trustees	Mrs S Armstrong
Senior Leadership Team	Miss K Kirkwood (Chief Executive Officer and Principal of Sir John Deane's Sixth Form College) Mr A Sumner (Chief Finance Officer and Deputy Principal of Sir John Deane's Sixth Form College) Mr A Boden (Deputy Principal of Sir John Deane's Sixth Form College)
Company name	The Sir John Brunner Foundation
Principal and Registered Office	Monarch Drive Northwich Cheshire CW9 8AF
Company Registration Number	11227336 (England and Wales)
Independent Auditor	Murray Smith LLP Darland House 44 Winnington Hill Northwich Cheshire CW8 1AU
Bankers	NatWest Bank The Bull Ring Northwich Cheshire CW9 5BN
Solicitors	Eversheds Sutherland 70 Great Bridgewater Street Manchester M1 5ES

Trustees' Report

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period from 27 February 2018 to 31 August 2018. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The Foundation currently operates a 16-19 academy, Sir John Deane's Sixth Form College, in Northwich, Cheshire. The Sixth Form College joined the Foundation on 1 April 2018 and in the academic year 2017/18 it had 1,691 students on roll at the 6 week funding census point in October 2017.

Structure, Governance and Management

Constitution

The Foundation 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 Foundation. The trustees of The Sir John Brunner Foundation are also the directors of the charitable company for the purposes of company law. The charitable company operates as The Sir John Brunner Foundation and Sir John Deane's Sixth Form College.

Details of the trustees who served during the period and to the date these accounts are approved are included in the Reference and Administrative Details on page 1.

Members' Liability

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

Trustees' Indemnities

In accordance with normal commercial practice the Foundation has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Foundation business. The insurance provides cover up to £3,000,000 on any one claim and the cost for the period ended 31 August 2018 was £558. The cost of this insurance is included in the total insurance cost.

Method of Recruitment and Appointment or Election of Trustees

The Foundation's Articles of Association state that there should be a minimum of three trustees with no maximum. Up to eight of these trustees may be appointed by the Foundation's Members.

The Articles also state that provided the Chief Executive agrees to act then the Members may also by ordinary resolution appoint the Chief Executive as a trustee. This has been done.

The Foundation has not appointed parent trustees to the Board of Trustees. Instead parents are elected to serve on the local governing body of Sir John Deane's Sixth Form College. As additional schools join the Foundation it is intended that the same approach will be adopted.

The Board of Trustees has not established a separate Search Committee at present. Potential new Trustees are considered by the Board of Trustees as a whole with a recommendation for appointment made to the Members who consider the recommendation and resolve to appoint if they are in agreement.

Policies and Procedures Adopted for the Induction and Training of Trustees

The Board of Trustees has approved the contents of an initial induction pack to be made available to all new trustees. This includes information about the Articles of Association, the duties and responsibilities of Company Directors and Charity Trustees, the funding agreements in place with the Department for Education and the Scheme of Delegation. Trustees are also provided with a guide prepared by the Sixth Form Colleges Association that gives a practical overview of the requirements and responsibilities of trustees.

New trustees have a series of induction meetings with the Clerk to the Foundation, the Chair, the Chief Executive Officer and the Chief Finance Officer.

Ongoing training is provided either by accessing appropriate external courses and workshops or through internally delivered training on specific aspects of the Foundation's operations (e.g. the safeguarding policy and procedures).

Organisational Structure

The Board of Trustees has approved a scheme of delegation that sets out the decisions that must be reserved for the Board of Trustees and those that can be delegated to the Chief Executive Officer, the Audit Committee of the Foundation or the Governing Body of Sir John Deane's Sixth Form College.

Key decisions that must be made by the Board of Trustees include:

- the approval of the annual budget and financial forecast for the Foundation
- agreeing the scheme of delegation
- approving the annual report and accounts of the Foundation
- determining and approving Foundation wide policies
- appointing the Chief Executive Officer, the Chief Finance Officer and Clerk to the Foundation
- appointing the Head Teacher of schools within the Foundation.

The Chief Executive Officer is also the Foundation's Accounting Officer and is responsible to Parliament for the use made of public funds provided for the education of students of the Foundation.

Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the Foundation to publish information on facility time arrangements for trade union officials at the Foundation. The figures below relate to the period from 1 April 2017 to 31 March 2018 for Sir John Deane's Sixth Form College.

Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
3	2.56

Percentage of time on facilities time

Percentage of time	Number of employees
0%	0
1-50%	3
51-99%	0
100%	0

Percentage of pay bill spent of facilities time

Metric	Figures
Total cost of facilities time (hourly cost x time on facilities time)	£1,462.97
Total pay bill	£4,925,275.38
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.03%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	100%
--	------

Objectives and Activities

Objectives, Strategies and Activities

Public Benefit

In setting and reviewing the Foundation's strategic objectives, the trustees have had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its strategic objectives, the Foundation provides the following identifiable public benefits through the advancement of education:

- High quality teaching
- Outstanding student achievement
- Excellent progression to Higher Education or employment with training
- Extensive opportunities for lifelong learning for the local community

Strategic Report

Achievements and Performance

In the 2017/18 academic year Sir John Deane's Sixth Form College received funding for 1,636 students aged 16-19 compared with 1,605 for 2016/17. At the six week census point the College had 1,691 students on roll. These students generated notional annual funding of £6,809,966 compared with a funding allocation for the academic year of £6,578,325. Under the Education and Skills Funding Agency's lagged funding methodology, funding for the additional students is not received until the following year.

Total enrolments of part-time students on the College's Adult Education courses exceeded 3,000 for the full academic year.

Student achievements in 2018 were once again outstanding. The A level pass rate increased by 0.7% to 99.6% with the percentage of examination entries achieving a high grade (A*, A or B) also improving from 62.2% in 2017 to an impressive 68.0% in 2018. The percentage of entries achieving the very highest grades (A* or A) increased from 34.8% in 2017 to 36.3% in 2018.

From 2,019 A level entries there were just 8 grade Us. This is a remarkable achievement and is testament to the skill and dedication of teachers and those in a supporting role who worked tirelessly to ensure that success was enjoyed by the vast majority of our students.

A level value added rose slightly and remained an ALPS grade 2 overall which means that Sir John Deane's is in the top 10 % of all schools and colleges in the country.

BTEC results were equally impressive with 98.2% of entries achieving either a distinction or distinction* compared with 93.9 % in 2017.

The publication by the DfE in March 2018 of performance tables based on the 2017 results placed Sir John Deane's first amongst all FE colleges and sixth form colleges in England for the A level achievement rate. The achievement rate measures the proportion of students enrolled on to an A level course who both complete it and pass the examination.

During the 2017/18 academic year the College's Leisure Centre provided swimming lessons to 28 local primary schools and in addition over 650 children per week attended swimming classes provided to individual members of the public. Over 25 local sports clubs used the College's facilities during the year for football, hockey, netball and swimming.

Key Performance Indicators

During the period covered by these accounts the Board of Trustees adopted the Key Performance Indicators originally set, prior to academy conversion, by the Corporation of Sir John Deane's Sixth Form College.

The Corporation set itself a number of Key Performance Indicators that are monitored on a regular basis. Actual performance against these KPIs for 2017/18 is set out in the table below:

Indicator	Target	Actual Performance	Assessment
A Level pass rate	99%	99.6%	Target exceeded
A Level high grades	63%	68.0%	Target exceeded
A Level high high grades	34.2%	36.3%	Target exceeded
Year 13 funded retention rate	98.8%	99%	Target exceeded
Year 12 funded retention rate	97.5%	96%	Target narrowly missed
Attendance	95%	93.9%	Target narrowly missed
A Level value added	Grade 2	Grade 2	Target achieved
Year 12 to year 13 progression	97%	98%	Target exceeded
Funded Student numbers at October 2017	1,600	1,691	Target exceeded
Positive operating cash flow	>0	£432,367	Target exceeded
Current ratio	>2 : 1	3.3 : 1	Target exceeded
Cash at bank	> £1.3 million	£2,327,548	Target exceeded
Cash days	> 60 days	232	Target exceeded

The College sets ambitious and challenging targets to underpin the drive for continuous improvement so that narrowly failing to achieve an individual target still represents an excellent performance when compared with national averages for the sector as a whole.

Going Concern

After making appropriate enquiries, the Board of Trustees has a reasonable expectation that the Foundation 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 about the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Financial Review

The Sir John Brunner Foundation was incorporated on 27 February 2018 but did not begin to operate until 1 April 2018 when the independent Corporation of Sir John Deane's Sixth Form College dissolved and transferred its assets and liabilities to The Sir John Brunner Foundation. As detailed in note 3 net assets of £23,987,459 were transferred to the Foundation on this date for £nil consideration and were treated as a donation in these accounts.

In the period ended 31 August 2018 the Foundation had net income of £24,468,162 before accounting for actuarial gains on the Local Government Pension Scheme. However, as noted above £23,987,459 of this net income related to the transfer of assets and liabilities from Sir John Deane's Sixth Form College. The operating surplus for the period is therefore £480,703.

As part of the transfer of assets and liabilities on 1 April 2018 the Foundation became responsible for a pension deficit of £686,000. The actuary's report as at 31 August 2018 indicates that this deficit has reduced to £381,000 as a result of actuarial gains over the period.

Total reserves excluding pension reserves stand at £25,164,162 at 31 August 2018. When the pension reserve of £381,000 is taken into account the total reduces to £24,738,162.

The Foundation receives the majority of its income from the ESFA in the form of recurrent grant for the provision of education to 16-19 year old students at Sir John Deane's Sixth Form College. Other material sources of income include:

- ESFA funding and tuition fees received from students for the provision of Adult Education courses.
- Income from Leisure Centre operations which include the hiring out of facilities and the provision of swimming lessons to individuals and to local primary schools
- Income from parents contributing to the cost of transport to Sir John Deane's Sixth Form College. The College arranges transport from several surrounding areas for which parents pay an annual fee.

During the period the Foundation generated a positive operating cash flow of £756,418. Cash at bank at 31 August 2018 totalled £2,327,548 with a further £809,339 invested in a deposit account with Close Brothers. This account requires six months' notice for withdrawals and is therefore classed as a short term investment.

The Foundation expended £65,016 on tangible fixed assets, including the purchase of a rowing boat and a piano for use by students, together with planned investment in the IT infrastructure as part of the development of a thin client environment.

At the period end the Foundation had a strong balance sheet with net current assets of £2,553,661 and a current ratio of 3.3.

Reserves Policy

The Foundation has a Cash Reserves Policy that is approved by the Board of Trustees and is reviewed every two years to ensure that it remains appropriate. The Board of Trustees has determined that it is appropriate to maintain cash reserves of up to £3 million to act as working capital and to provide a financial cushion against temporary financial difficulties such as might arise from a failure to recruit sufficient students to achieve the funded student numbers target. This also allows the Trustees to take advantage of opportunities that may arise that could not otherwise be funded from the current year's income.

Balances above £3million would be considered appropriate only where the Foundation has a specific objective in mind that requires the building up of reserves over a period of time in order to finance it, such as the redevelopment of buildings or the provision of new facilities.

At 31 August 2018 the Foundation held a total of £3,136,887 in cash that is immediately accessible or held on six months' notice. This is above the limit approved by the Trustees but reflects the fact that further significant expenditure will be incurred in respect of the ongoing IT project to develop a 'thin client' environment. Expenditure of £221,702 is disclosed as a capital commitment at note 20. This relates to the purchase of servers to operate the new system.

Of the total reserves, including pension reserves, at 31 August 2018 of £24,783,162 restricted fixed assets funds total £22,419,803. Unrestricted funds total £1,956,896 and the Foundation has restricted funds of £406,463.

Investment Policy

The Foundation adopts a risk averse approach to investment that is set out in the Financial Regulations approved by the Board of Trustees. Funds not immediately required for the day to day operation of the Foundation are placed in an interest bearing Business Reserve account with the NatWest Bank. An automatic sweep moves money between the current account and the Business Reserve account on a daily basis to leave a balance of £10,000 in the current account.

Funds that are unlikely to be required in the short term are currently invested with Close Brothers in a deposit account that pays a higher rate of interest in return for requiring six months' notice for any withdrawal.

The Foundation does not invest in equities or other financial instruments where there is a greater risk to the original capital sum invested.

Principal Risks and Uncertainties

The Board of Trustees has approved a risk management policy that sets out the processes by which trustees will receive information about the principal risks and uncertainties that the Foundation faces and the control measures that have been put in place to mitigate the likelihood of risks materialising or to minimise the impact on the Foundation if they were to occur.

The principal risks currently identified include the following:

- Concern about the level of funding for 16-19 year old students particularly in the light of significant inflationary pressures on costs. The national funding rate for post 16 students has not been increased for a number of years during which salaries and other costs of employment such as National Insurance and pension contributions have all increased. The recently agreed national pay award of up to 3.5% for school teachers and the likelihood of a significant increase in employer contributions to Teachers' Pensions will both put pressure on the Foundation's future budgets if there is no uplift in the national funding rate agreed as part of the Government's spending review.
- Concern about the potential adverse impact on the Foundation of growing in size too quickly. As a newly formed multi-academy trust the Foundation is acutely aware that it needs to establish robust systems of governance and financial and quality controls that will ensure that the future growth and development of the Foundation can be effectively managed and that resources do not become over stretched.

Fundraising

The majority of the Foundation's charitable income is received from the Education Skills Funding Agency under the terms of a master funding agreement between the Secretary of State for Education

and the Trustees of The Sir John Brunner Foundation. A supplemental agreement is in place relating to the funding for Sir John Deane's Sixth Form College.

The Foundation also raises funds through the hiring out of its sports facilities and the provision of swimming lessons and a children's holiday activity club. The income and expenditure associated with these activities is carefully monitored via the monthly management accounts which contain a separate income and expenditure account for these Leisure Centre activities. The management accounts are circulated to Trustees each month and formally considered at each meeting of the Board of Trustees.

Plans for Future Periods

The Trustees plan to maintain their focus on delivering excellent outcomes for students by setting challenging Key Performance Indicators for the Executive Leadership Team of the Foundation and the Senior Leadership Team of Sir John Deane's Sixth Form College.

The Chief Executive Officer and trustees are currently in discussions with four local 11-16 high schools and one primary school about joining the Foundation. These discussions are at different stages with each school and none has yet reached the point where the Foundation's trustees have carried out formal due diligence work. If the ongoing discussions are favourable then the Trustees anticipate that the schools will join the Foundation over the next 2 years. The earliest anticipated date for a school to join is currently September 2019, but this may change as discussions progress.

The Foundation plans to complete the 'thin client' IT infrastructure project at Sir John Deane's Sixth Form College which will facilitate better access for students and staff to the software and electronic resources both from within the College and via remote access.

Auditor

Insofar as trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware
- 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.

Approved by order of the Board of Trustees, as the company directors, on 19 December 2018 and signed on the Board's behalf by:


Alan Redley
Chair

Governance Statement

Scope of Responsibility

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

The Board of Trustees has delegated the day-to-day responsibility to the Chief Executive Officer, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Sir John Brunner Foundation and the Secretary of State for Education. The Chief Executive Officer is also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees has formally met three times during the period covered by these accounts. Attendance during the period at meetings of the Board of Trustees was as follows:

Trustee	Meetings Attended	Out of a possible
P Allen (appointed 27 February 2018)	3	3
K Kirkwood (Chief Executive & Accounting Officer, appointed 1 May 2018)	1	1
S Pegg (appointed 1 May 2018)	1	1
A Redley (appointed 27 February 2018) (Chair)	3	3
T Rawling (appointed 27 February 2018; resigned 7 August 2018)	2	3

Audit Committee

The Board of Trustees has established an Audit Committee which met for the first time in November 2018 to consider the Annual Report from the Internal Auditors and the management letter from the statutory and regularity auditors. Under the terms of reference approved by the Board of Trustees the Audit Committee is also responsible for overseeing the Foundation's system of risk management and receives termly updates on the controls in place to manage identified risks.

During the period from 27 February 2018 to 31 August 2018 the established Audit Committee of Sir John Deane's Sixth Form College continued to function, considering reports from the internal auditors and risk management reports from management, and reporting to the Board of Trustees.

Governance Reviews

As a newly formed multi-academy trust The Sir John Brunner Foundation was required to complete a Financial Management and Governance Self-assessment (FMGS) review which was submitted to the ESFA. This review was considered by the Board of Trustees at its meeting in July 2018. The review concluded that appropriate systems of governance and control were largely in place although a small number of action points were identified and included in an action plan.

In October 2018 auditors from the ESFA visited The Sir John Brunner Foundation to review the evidence supporting the judgements reached in the FMGS and concluded that action points had been addressed and that the Foundation was compliant with the requirements of the funding agreement and Academies Financial Handbook.

The trustees plan to carry out an annual self-assessment of governance. In addition the agreed internal audit plan for 2018/19 includes a review of the effectiveness of the governance framework established following the creation of the Foundation and will also focus on the communication between the Board of Trustees and the Governing Body of Sir John Deane's Sixth Form College.

Review of Value for Money

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

The accounting officer considers how the Foundation'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 benchmark data where appropriate.

The Board of Trustees receives an annual report on value for money setting out areas in which the Foundation has delivered improved value for money during the period. Examples of improvements made during the period include:

- Improved outcomes for students in the Summer 2018 examinations, both in terms of the overall achievement rate and in value added performance.
- Financial savings made on the cost of insurance through a formal tender process that also delivered improved levels of cover.
- A 4% reduction in electricity consumption in the period April to August 2018 compared with the same period in the previous year.

The Foundation makes use of available financial and other information to benchmark performance. The latest report considered by the Board of Trustees compared the performance of Sir John Deane's

Sixth Form College with the whole of the sixth form college sector and demonstrated that the College was operating very efficiently in comparison with sector norms.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of foundation 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 Sir John Brunner Foundation for the period from 27 February 2018 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Board of Trustees has reviewed the key risks to which the Foundation 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 Foundation's significant risks that has been in place for the period from 27 February 2018 to 31 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.

The Risk and Control Framework

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

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

The Board of Trustees has considered the need for a specific internal audit function and has decided to appoint RSM as internal auditor.

The internal auditor's role includes giving advice on financial matters and performing a range of checks on the Foundation's systems of control, both financial and non-financial.

Prior to conversion, the governors of Sir John Deane's Sixth Form College had agreed an annual internal audit plan for the academic year 2017/18 which was completed after conversion. The areas reviewed during the course of the academic year were:

- Key Financial Controls – Budgetary Controls
- Student Records – Use of Management Information
- Governance – Board Effectiveness
- Follow up of actions implemented in response to recommendations made in internal audit reports during the previous year.

In each of the first three areas above the internal auditors concluded that there was substantial assurance that there was an adequate system of control that was working effectively. In the case of the follow up report the internal auditors concluded that all actions had been implemented.

In addition the internal auditors reviewed the Sixth Form College's preparation for the implementation of the General Data Protection Regulation and provided an advisory report.

RSM provides an annual opinion on the overall adequacy and effectiveness of the risk management, control and governance processes based upon the work undertaken during the year. For 2017/18 the report concludes that Sir John Deane's Sixth Form College had an adequate and effective framework for risk management, governance and internal control.

The Board of Trustees has agreed a programme of internal audit assignments for the academic year 2018/19.

Review of Effectiveness

As accounting officer the Chief Executive Officer has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

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

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the audit committee and a plan to ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on 19 December 2018 and signed on its behalf by:


Alan Redley
Chair of Trustees


Kerry Kirkwood
Accounting Officer

Statement of Regularity, Propriety and Compliance

As accounting officer of The Sir John Brunner Foundation I have considered my responsibility to notify the Foundation 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 Foundation board of trustees are able to identify any material irregular or improper use of all funds by the Foundation, or material non-compliance with the terms and conditions of funding under the Foundation'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 the ESFA.



Kerry Kirkwood
Accounting Officer
19 December 2018

Statement of Trustees' Responsibilities

The trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the 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 its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the trustees are required to:

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

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

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

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

Approved by order of the members of the board of trustees on 19 December 2018 and signed on its behalf by:


Alan Redley
Chair of Trustees

Independent Auditor's Report on the Financial Statements to the Members of The Sir John Brunner Foundation

Opinion

We have audited the financial statements of The Sir John Brunner Foundation for the period ended 31 August 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards, including Financial Reporting Standard 102 'the Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), and the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency (ESFA).

In our opinion the financial statements:

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

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 Auditors responsibilities for the audit of the financial statements section of our report. We are independent of the Foundation 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 Foundation's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Foundation has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Foundation'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' Report, but does not include the financial statements and our Report of the Independent Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Foundation and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- all the information and explanations required for the audit were not received.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on pages 17 -18, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Trustees determines 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 Board of Trustees is responsible for assessing the Foundation'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 Board of Trustees either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Our 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 a Report of the Independent Auditors 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 Report of the Independent Auditors.

Use of our report

This report is made solely to the 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 Members, as a body, those matters we are required to state to them in an auditors' 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 Foundation and the Members, as a body, for our audit work, for this report, or for the opinions we have formed.



Michael Benson (Senior Statutory Auditor)
For and on behalf of Murray Smith LLP
Chartered Accountants
Statutory Auditors
Darland House
44 Winnington Hill
Northwich
Cheshire
CW8 1AU

Date :-19 December 2018

Independent Reporting Accountant's Assurance Report on Regularity to The Sir John Brunner Foundation and the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 23 March 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 Sir John Brunner Foundation during the period from 27 February 2018 to 31 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 Sir John Brunner Foundation and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Sir John Brunner Foundation 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 Sir John Brunner Foundation and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of The Sir John Brunner Foundation's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of The Sir John Brunner Foundation's funding agreement with the Secretary of State for Education dated 26 March 2018 and the Academies Financial Handbook, extant from 1 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 period 27 February 2018 to 31 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 to our conclusion includes:

- review of evidence supporting the Foundation's Regularity Self-Assessment; and
- review of the Foundation's expenditure during the year.

Conclusion

In the course of our work nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 27 February 2018 to 31 August 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Murray Smith LLP

19 December 2018

Chartered Accountants and Statutory Auditors
Darland House
44 Winnington Hill
Northwich
Cheshire CW8 1AU

Statement of Financial Activities for the period ended 31 August 2018

	Note	Unrestricted Funds £	Restricted General funds £	Restricted Fixed Asset Funds £	Total £
Income and endowments from:					
Donations and capital grants	2	2,500	0	48,336	50,836
Transfer from Sir John Deane's Sixth Form College on conversion	3	1,984,755	(686,000)	22,688,704	23,987,459
Charitable activities:					
Funding for the Foundation's educational activities	4	525	3,315,430	0	3,315,955
Other trading activities	5	263,328	31,419	0	294,747
Investments	6	4,363	0	0	4,363
Total income		2,255,471	2,660,849	22,737,040	27,653,360
Expenditure on:					
Raising funds	7	152,385	20,397	0	172,782
Charitable activities:	8				
Foundation educational operations		146,190	2,547,599	318,627	3,012,416
Other		0	0	0	0
Total expenditure		298,575	2,567,996	318,627	3,185,198
Net income / (expenditure)		1,956,896	92,853	22,418,413	24,468,162
Transfers between funds	18	0	(1,390)	1,390	0
Other recognised gains / (losses):					
Actuarial gains / (losses) on defined benefit pension schemes	27	0	315,000	0	315,000
Net movement in funds		1,956,896	406,463	22,419,803	24,783,162
Reconciliation of funds					
Total funds brought forward		0	0	0	0
Total funds carried forward		1,956,896	406,463	22,419,803	24,783,162

Balance sheet as at 31 August 2018

	Notes	31 August 2018 £
Fixed assets		
Tangible fixed assets	12	24,808,368
Current assets		
Debtors	13	526,555
Investments	14	809,339
Cash at bank and in hand		2,327,548
		3,663,442
Current Liabilities		
Creditors: amounts falling due within one year	15	(1,109,781)
Net current assets		2,553,661
Total assets less current liabilities		27,362,029
Creditors – amounts falling due after more than one year	16 / 17	(2,197,867)
Net assets excluding pension liability		25,164,162
Defined benefit pension scheme liability	27	(381,000)
Total net assets		24,783,162
Funds of the Foundation:		
Restricted funds		
Fixed asset fund	18	22,419,803
Restricted income fund	18	787,463
Pension reserve	18	(381,000)
Total restricted funds		22,826,266
Unrestricted income funds	18	1,956,896
Total funds		24,783,162

The financial statements on pages 24 to 48 were approved by the trustees and authorised for issue on 19 December 2018 and are signed on their behalf by:


Alan Redley
Chair


Kerry Kirkwood
Accounting Officer

Statement of Cash Flows for the period ended 31 August 2018

	Note	27 February 2018 to 31 August 2018 £
Cash flow from operating activities		
Net cash provided by (used in) operating activities	22	756,418
Cash flows from investing activities	24	(821,995)
Cash flows from financing activities	23	(63,898)
Change in cash and cash equivalents in the reporting period		(129,475)
Cash and cash equivalents at 27 February 2018		0
Cash transferred from Sir John Deane's Sixth Form College on conversion	3	2,457,023
Cash and cash equivalents at 31 August 2018	25	<u>2,327,548</u>

Notes to the accounts

1. Accounting policies

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

Basis of Preparation

The financial statements of the Foundation, 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 the Education Skills Funding Agency (ESFA), the Charities Act 2011 and the Companies Act 2006.

Going Concern

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

Conversion to an Academy Trust

The conversion of Sir John Deane's from an independent sixth form college to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the college 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 Sir John Deane's Sixth Form College to the Foundation 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 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 3.

Income

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

Grants

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

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

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

Sponsorship Income

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

Donations

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

Tuition Fee Income (Adult Education)

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Investment Income

All income from short term deposit accounts is credited to the Statement of Financial Activity in the period in which it is earned on a receivable basis.

Other Income

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

Donated goods, facilities and services

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

Transfer on conversion

Where assets and liabilities are received by the Foundation 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 Foundation. An equal amount of income is recognised as transfer on conversion within Donations and capital grant income to the net assets received.

Donated fixed assets (excluding Transfers on conversion/into the Foundation)

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

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 Foundation 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 Foundation'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, where applicable.

Tangible Fixed Assets

Assets costing £2,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

Depreciation is provided on all tangible fixed assets other than freehold land 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 – 50 years

Furniture and fixtures – 3 – 10 years

Plant and equipment – 3 – 10 years

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.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

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

Financial assets – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 13. Prepayments are not financial instruments. Amounts due to the charity's wholly owned subsidiary are held at face value less any impairment.

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

Financial liabilities – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 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.

Taxation

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

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

Fund Accounting

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

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

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

Agency Arrangements

The Foundation 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 Foundation does not have control over the charitable application of the funds. The Foundation can use up to 5% of the allocation towards its own administration costs and this is recognised in the statement of financial activities. The funds received and paid and any balances held are disclosed in note 29.

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 Foundation 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 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 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.

Critical areas of judgement

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values

Short term employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the Foundation. Any unused benefits are accrued and measured as the additional amount the Foundation expects to pay as a result of the unused entitlement.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has a maturity of 3 months or less from the date of acquisition.

2. Donations and capital grants

	Unrestricted Funds	Restricted Funds	2018 Total
	£	£	£
Capital grants	0	48,336	48,336
Donated fixed assets	0	0	0
Other donations	2,500	0	2,500
Total	2,500	48,336	50,836

3. Conversion to an Academy Trust

On 1 April 2018 Sir John Deane's Sixth Form College converted to academy status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to The Sir John Brunner Foundation from the Corporation of Sir John Deane's Sixth Form College 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 a net gain in the Statement of Financial Activities as Donations – Transfer from Sir John Deane's Sixth Form College 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	Restricted General Funds	Restricted Fixed Asset Funds	Total
Tangible Fixed Assets				
Leasehold land and buildings			24,735,672	24,735,672
Other tangible fixed assets			326,307	326,307
Current assets				
Cash	2,457,023			2,457,023
Trade debtors	9,880			9,880
Prepayments	60,985			60,985
Other debtors	371,309			371,309
Current liabilities				
Trade creditors	(63,923)			(63,923)
Bank loan due within one year			(115,017)	(115,017)
Payroll liabilities	(185,578)			(185,578)
Accruals	(603,086)			(603,086)
Other creditors	(61,855)			(61,855)
Non-current liabilities				
Bank loan repayable after more than one year			(2,258,258)	(2,258,258)
LGPS Pension Deficit		(686,000)		(686,000)
Net assets	1,984,755	(686,000)	22,688,704	23,987,459

4. Funding for the foundation's educational operations

	Unrestricted Funds £	Restricted Funds £	2018 Total £
DfE / ESFA grants			
General Annual Grant (GAG)	0	3,154,151	3,154,151
Other DfE Group grants	0	123,310	123,310
Other Government grants			
Local authority grants	0	4,037	4,037
Other income from the foundation's educational operations	525	33,932	34,457
	525	3,315,430	3,315,955

5. Other trading activities

	Unrestricted Funds £	Restricted Funds £	2018 Total £
Hire of facilities	39,908	0	39,908
Income from other charitable activities	95,131	31,419	126,550
Income from ancillary trading activities	128,289	0	128,289
Total	263,328	31,419	294,747

6. Investment income

	Unrestricted Funds £	Restricted Funds £	2018 Total £
Short term deposits - interest	4,363	0	4,363
Total	4,363	0	4,363

7. Expenditure

	Staff Costs	Premises	Other	2018
	£	£	£	Total
				£
<i>Expenditure on raising funds:</i>				
Direct costs	96,562	43,774	32,446	172,782
Allocated support costs	0	0	0	0
<i>Foundation's educational operations:</i>				
Direct costs	1,469,217	0	111,891	1,581,108
Allocated support costs	512,667	178,939	739,702	1,431,308
Total	2,078,446	222,713	884,039	3,185,198

Net income for the period includes:

	2018
	£
Operating lease rentals	14,549
Depreciation	318,627
(Gain) / loss on disposal of fixed assets	0
Fees payable to auditor for:	
-audit	6,190
-other services	0
Total	339,366

8. Charitable Activities

	2018
	£
Direct costs – educational operations	1,581,108
Support costs – educational operations	1,431,308
	3,012,416

Analysis of support costs

	Educational
	Operations
	£
Support staff costs	512,667
Depreciation	318,627
Technology costs	58,343
Premises costs	178,939
Other support costs	350,502
Governance costs	12,230
Total support costs	1,431,308

9. Staff**a. Staff costs**

Staff costs during the period were:

	2018
	£
Wages and salaries	1,647,293
Social security costs	146,765
Pension costs	280,402
	2,074,460
Agency staff costs	3,986
Total staff costs	2,078,446

b. Staff numbers

The average number of persons employed by the Foundation during the period was:

	2018
Teachers	93
Administration and support	132
Management	3
	228

c. Higher paid staff

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

	2018
	No.
£60,001 to £70,000 p.a.	0
£70,001 to £80,000 p.a.	1
£80,001 to £90,000 p.a.	1
£90,001 to £100,000 p.a.	1

d. Key management personnel

Key management personnel of the Foundation comprise the trustees and the senior leadership team as listed on page 1. 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 Foundation was £143,627.

10. Related party transactions – Trustees’ remuneration and expenses

One trustee has been paid remuneration or has received other benefits from employment with the Foundation. The Chief Executive Officer only receives remuneration in respect of services provided undertaking the roles of Principal of Sir John Deane’s Sixth Form College and Chief Executive Officer of The Sir John Brunner Foundation, under a contract of employment.

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

K Kirkwood (Chief Executive Officer, Principal and trustee)

	<i>Paid in period</i>	<i>Annual equivalent</i>
Remuneration	£40,000 - £45,000	£90,000 - £100,000
Employer’s pension contributions paid	£5,000 - £10,000	£15,000 - £20,000

During the period ended 31 August 2018 no travel and subsistence expenses were reimbursed or paid directly to trustees.

11. Trustees and Officers’ Insurance

In accordance with normal commercial practice the Foundation has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Foundation business. The insurance provides cover up to £3,000,000 on any one claim and the cost for the period ended 31 August 2018 was £558. The cost of this insurance is included in the total insurance cost.

12. Tangible fixed assets

	Leasehold Land and Buildings	Plant and Equipment	Total
Cost or valuation	£	£	£
At 27 February 2018	0	0	0
Transfer on conversion	24,735,672	326,307	25,061,979
Acquisitions	0	0	0
Additions		65,016	65,016
Disposals	0	0	0
At 31 August 2018	24,735,672	391,323	25,126,995
Depreciation			
At 27 February 2018	0	0	0
Charge for period	266,063	52,564	318,627
Eliminated in respect of disposals	0	0	0
At 31 August 2018	266,063	52,564	318,627
Net book value at 31 August 2018	24,469,609	338,759	24,808,368

12. Tangible fixed assets (cont.)

The freehold land and buildings are owned by a separate charitable trust, the Sir John Deane's Foundation Scheme, for the sole use of Sir John Deane's Sixth Form College. On 1 April 2018 the Sir John Deane's Foundation Scheme Trustees entered into a 125 year lease at a peppercorn rent with The Sir John Brunner Foundation.

Under the terms of the lease the Foundation is fully responsible for the maintenance, insurance and general upkeep of the land and buildings. As a result the Foundation has determined that the most appropriate accounting treatment is to recognise the substance of the transaction rather than the legal form and capitalise the land and building assets in the Foundation's accounts.

13. Debtors

Amounts falling due within one year:	2018
	£
Trade debtors	10,643
VAT recoverable	97,930
Other debtors	53,020
Prepayments and accrued income	364,962
	<u>526,555</u>

14. Current investments

	2018
	£
Short term deposits	<u>809,339</u>

The above deposits were invested with Close Brothers in an interest bearing notice account for which six months' notice is required for all withdrawals.

15. Creditors: amounts falling due within one year

	2018
	£
Trade creditors	516,360
Other taxation and social security	88,768
Bank loans	147,582
Other creditors	128,126
Accruals and deferred income	228,945
	<u>1,109,781</u>

15. Creditors: amounts falling due within one year (cont.)

	2018
	£
Deferred income at 27 February 2018	0
Released from previous years	0
Resources deferred in year	101,419
Deferred income at 31 August 2018	<u>101,419</u>

At the balance sheet date the Foundation was holding the following funds received in advance:

	£
Tuition fees paid in advance for Adult Education courses starting in September 2018	52,495
Voluntary donations relating to the 2018/19 academic year	38,039
Fees for Leisure Centre swimming lessons starting in September 2018	10,885
	<u>101,419</u>

16. Creditors: amounts falling due after one year

	2018
	£
Bank loans and overdrafts	<u>2,197,867</u>

17. Maturity of Debt

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2018
	£
In one year or less	147,582
Between one and two years	126,211
Between two and five years	425,910
In five years or more	1,645,746
	<u>2,345,449</u>

The Foundation has an unsecured loan with Lloyds Bank at a fixed rate of 6.38% repayable by quarterly instalments until November 2031.

18. Funds

	Balance at 27 February 2018 £	Income £	Expenditure £	Gains (Losses) and Transfers £	Balance at 31 August 2018 £
Restricted General Funds					
General Annual Grant (GAG)	0	3,154,151	(2,402,649)	(1,390)	750,112
Other Grants	0	127,347	(99,961)	0	27,386
Other income	0	65,351	(55,386)		9,965
Pension Reserve	0	(686,000)	(10,000)	315,000	(381,000)
	0	2,660,849	(2,567,996)	313,610	406,463
Restricted Fixed Asset Funds					
Transfer on conversion	0	22,688,704	(313,209)	0	22,375,495
DfE Group capital grants	0	45,336	(3,778)	0	41,558
Other capital grants	0	3,000	(250)	0	2,750
Capital expenditure from GAG	0	0	(1,390)	1,390	0
	0	22,737,040	(318,627)	1,390	22,419,803
Total Restricted Funds	0	25,397,889	(2,886,623)	315,000	22,826,266
Total Unrestricted Funds	0	2,255,471	(298,575)	0	1,956,896
Total Funds	0	27,653,360	(3,185,198)	315,000	24,783,162

19. Analysis of Net Assets between Funds

Fund balances at 31 August 2018 are represented by:

	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total Funds £
Tangible fixed assets	0	15,290	24,793,078	24,808,368
Current assets	2,129,786	1,533,656	0	3,663,442
Current liabilities	(172,890)	(761,483)	(175,408)	(1,109,781)
Non-current liabilities	0	0	(2,197,867)	(2,197,867)
Pension scheme liabilities	0	(381,000)	0	(381,000)
Total net assets	1,956,896	406,463	22,419,803	24,783,162

20. Capital and other commitments

	2018
	£
Commitments contracted for, but not provided for at 31 August 2018	<u>221,702</u>

21. Commitments under operating leases

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

	2018
	£
Amounts due within one year	21,075
Amounts due between one and five years	42,150
Amounts due after five years	0
	<u>63,225</u>

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

	£
Net income / (expenditure) for the period	24,468,162
Adjusted for:	
Net assets transferred from Sir John Deane's Sixth Form College on conversion (note 3)	(23,987,459)
Depreciation (note 12)	318,627
Capital grants from DfE and other capital grants	(48,336)
Interest paid	63,016
Interest receivable (note 6)	(4,363)
Defined benefit scheme cost less contributions payable (note 27)	2,000
Defined pension scheme finance cost (note 27)	8,000
(Increase) / decrease in debtors	(84,042)
Increase / (decrease) in creditors	20,813
Net cash provided by operating activities	<u>756,418</u>

23. Cash flows from financing activities

	£
Repayments of borrowing	(27,826)
Cash inflows from new borrowing	0
Interest paid	(36,072)
Net cash provided by / (used in) financing activities	<u>(63,898)</u>

24. Cash flows from investing activities

	£
Dividends, interest and rents from investments	4,024
New deposits in short term investments	(809,339)
Purchase of tangible fixed assets	(65,016)
Capital grants from DfE Group	45,336
Capital funding received from sponsors and others	3,000
Net cash provided by / (used in) investing activities	(821,995)

25. Analysis of cash and cash equivalents

	£
Cash in hand and at bank	2,327,548
Notice deposits (less than 3 months)	0
Total cash and cash equivalents	2,327,548

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 Foundation'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 the Cheshire Pension Fund. Both are multi-employer defined benefit schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £80,963 were payable to the schemes at 31 August 2018 and are included within creditors.

Teachers' Pension Scheme

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

27. Pension and similar obligations (cont.)

academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

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

Valuation of the Teachers' Pension Scheme

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

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

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £172,189.

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 Foundation has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Foundation has set out above the information available on the scheme.

27. Pension and similar obligations (cont.)

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the period ended 31 August 2018 was £139,700, of which employer's contributions totalled £106,213 (including deficit reduction payments of £2,083) and employees' contributions totalled £33,487. The agreed contribution rates for future years are 21.5% for employers in 2018/19 falling to 21% by 2019/20 and range from 5.5% to 7.5% for employees depending on salary. The Foundation has agreed to pay additional lump sum deficit reduction payments of £417 per month until March 2019.

As described in note 3 the LGPS obligation relates to the employees of the Foundation, who were the employees transferred as part of the conversion from Sir John Deane's Sixth Form College 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 sixth form college and the Foundation at the balance sheet date.

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

Principal Actuarial Assumptions

	At 31 August 2018
Rate of increase in salaries	2.7%
Future pensions increases	2.4%
Discount rate for scheme liabilities	2.8%
Inflation assumption (CPI)	2.4%
Commutation of pensions to lump sums	50.0%

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

	At 31 August 2018
<i>Retiring today</i>	
Males	22.3 years
Females	24.5 years
<i>Retiring in 20 years</i>	
Males	23.9 years
Females	26.5 years

27. Pension and similar obligations (cont.)

Sensitivity Analysis

	2018
	£000
Discount rate: + 0.1%	(178)
Discount rate: - 0.1%	178
Mortality assumption: 1 year increase	252
Mortality assumption: 1 year decrease	(252)
CPI rate: + 0.1%	152
CPI rate: - 0.1%	(152)

The Foundation's share of the assets in the scheme were:

	2018
	£000
Equities	3,772
Bonds	3,379
Property	629
Cash and other liquid assets	79
Total fair value of assets	<u>7,859</u>

The actual return on the scheme assets was £228,000 (3.0%).

Amount recognised in the Statement of Financial Activities

	27 February 2018 to 31 August 2018
	£000
Current service cost	(202)
Past service cost	0
Interest income	84
Interest cost	(92)
Benefit changes, gain / (loss) on curtailment and gain / (loss) on settlement	0
Admin expenses	0
Total amount recognised in the SOFA	<u>(210)</u>

27. Pension and similar obligations (cont.)

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

	27 February 2018 to 31 August 2018
	£000
At 27 February 2018	0
Conversion of Sir John Deane's Sixth Form College	8,109
Current service cost	202
Interest cost	92
Employee contributions	34
Actuarial (gain) / loss	(171)
Benefits paid	(26)
Losses or gains on curtailments	0
Past service cost	0
Unfunded pension payments	0
Effect of non-routine settlements	0
At 31 August 2018	<u>8,240</u>

Changes in the fair value of the Foundation's share of scheme assets were as follows:

	27 February 2018 to 31 August 2018
	£000
At 27 February 2018	0
Conversion of Sir John Deane's Sixth Form College	7,423
Interest income	84
Actuarial gain / (loss)	144
Employer contributions	200
Employee contributions	34
Benefits paid	(26)
Effect of non-routine settlements	0
At 31 August 2018	<u>7,859</u>

28. Related Party Transactions

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

28. Related Party Transactions (Cont.)

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 Foundation distributes 16-19 bursary funds to students as an agent for the ESFA. In the period to 31 August 2018 the Foundation received and distributed the following funds:

	2018
	£
16-19 bursary funds received from ESFA	42,316
Amount disbursed to students	(25,343)
Administration costs	(2,374)
Balance unspent included in creditors at 31 August	<u>14,599</u>

