

Company Registration No. 06246929 (England and Wales)

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MIDDLETON ACADEMY LIMITED
(A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

MIDDLETON ACADEMY LIMITED

REFERENCE AND ADMINISTRATIVE DETAILS

Members

David Crossland
Manchester Diocesan Board of Education
Manchester Diocesan Board of Finance
Timothy Mitchell

Trustees

John Dalziel (Appointed 1 September 2019)
Andrew Gold (Appointed 30 March 2020 and resigned 14 October 2020)
Christopher Heyes (Headteacher)
Alifa Mbawo (Appointed 1 September 2019)
Yvonne Mills
Timothy Mitchell (Chair of trustees)
Alison Needham (Appointed 8 April 2020)
Marc Crossland (Resigned 4 November 2019)
Stuart Ford (Resigned 16 June 2020)
Lisa Grundy (Resigned 22 June 2020)
Julie Hollis (Resigned 5 February 2020)
Terence Linden (Resigned 3 October 2019)
Elizabeth Schofield (Resigned 19 October 2019)

Senior management team

- Headteacher	Christopher Heyes
- Deputy Headteacher	Andrew Chapman
- Assistant Headteacher	Rebecca Box
- Assistant Headteacher	Daniel Glenister
- Assistant Headteacher	Martin Ward
- Business Manager	Donna Shepherd

Company registration number 06246929 (England and Wales)

Registered office St Anne's Academy
Hollin Lane
Middleton
Manchester
M24 6XN

Independent auditor RSM UK Audit LLP
3 Hardman Street
Manchester
M3 3HF

Bankers Bank of Scotland
PO Box 10
38 St Andrew Square
Edinburgh
EH2 2YR

MIDDLETON ACADEMY LIMITED

REFERENCE AND ADMINISTRATIVE DETAILS

Solicitors

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

MIDDLETON ACADEMY LIMITED

TRUSTEES' REPORT

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year ended 31 August 2020. The annual report serves the purposes of both a Trustees' report, and a Directors' report under company law.

Middleton Academy Limited, a charitable company, was incorporated on 14 May 2007.

The academy trust operates an academy for pupils aged 11 to 16 serving a catchment area in Middle and Heywood. It has a pupil capacity of 900 and had a roll of 745 in the school census in January 2020.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The academy trust is a company limited by guarantee (company number: 06246929) and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust.

The trustees act as the trustees for the charitable activities of Middleton Academy Limited and are also the directors of the charitable company for the purposes of company law. The charitable company is known locally as St Anne's Church of England Academy.

Details of the trustees who served throughout the year except as noted are included in the reference and administrative details on page 1 together with details of the company's registered office address.

Members' liability

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

Principal activities

The academy trust's principal activities are as follows:

- To maintain the services of and further develop St Anne's Church of England Academy as an educational establishment.
- Provide education for students of different abilities who are wholly or mainly drawn from the local area aged from 11 to 19 years.
- Deliver educational services within the context of Christian belief and practice and in accordance with the principles of the Church of England.
- To include and serve the local community, sharing facilities with other schools and the wider community.

Trustees' indemnities

In accordance with normal commercial practice, the academy trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy trust business. The insurance provides unlimited cover on any claim.

Method of recruitment and appointment or election of trustees

Members of the charitable company are nominated by either the Secretary of State for Education or by David Crossland and the Church of England, the joint sponsors of the academy. The articles of association require the members of the charitable company to appoint at least three trustees to be responsible for the statutory and constitutional affairs of the charitable company and the management of the academy.

MIDDLETON ACADEMY LIMITED

TRUSTEES' REPORT (CONTINUED)

Policies and procedures adopted for the induction and training of trustees

The training and induction provided for new trustees will depend on their existing experience. Where necessary induction will provide training on charity, educational, legal and financial matters. All new trustees will be given a tour of the academy and the chance to meet with staff and students. All trustees are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as trustees. As the membership of the governing board changes infrequently, induction is conducted informally and is tailored specifically to the individual. The academy is a member of the National Governance Association and has access to appropriate training and resources for trustees.

Organisational structure

The organisational management structure consists of three levels: the trustees, the senior leadership team and middle leader team. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

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

The senior leadership team comprises of the headteacher, two deputy headteachers, four assistant headteachers and a business manager.

These managers control the academy at an executive level implementing the policies laid down by the trustees and reporting back to them. As a group, the senior leadership team is responsible for the authorisation of spending within agreed budgets and the appointment of staff, though recruitment panels for posts in the senior leadership team always include a trustee. Some spending control is devolved to members of the senior leadership team, with limits above which the headteacher must countersign. The headteacher is the accounting officer.

These managers are responsible for the day to day operation of the academy, in particular organising teaching and support staff, facilities and students.

The Trust is currently engaging with DFE and Rochdale Council to transfer St Annes Church of England Academy (St Anne's) from Middleton Academy Limited into Cranmer Education Trust for nil consideration. This will take place during 20-21.

Arrangements for setting pay and remuneration of key management personnel

Arrangements for setting the pay and remuneration of key management personnel, i.e. members of the academy's senior leadership team, are set out in the Senior Staff Remuneration Policy. For new posts, benchmarking exercises and research is carried out so that the salaries paid are compatible with other similar posts outside the Trust. Posts within the Trust that have similar requirements are paid at comparable rates. The Trust also ensures that salaries are in line with market requirements as far as possible so that the best staff are recruited and retained, and staff are well motivated.

Risk management

The academy trust confirms that systems are in place to identify, prioritise, manage and review its major risks on a regular basis.

The current most significant risks to the academy are itemised on page 11 within the section entitled principal risks and uncertainties.

Trade union facility time

Relevant union officials:

No employees were registered as relevant union officials during the period. Therefore none of the total payroll cost of £4,037,614 was spent on facility time. Also, no time was spent on paid trade union activities.

MIDDLETON ACADEMY LIMITED

TRUSTEES' REPORT (CONTINUED)

Related parties and co-operation with other organisations

The academy's co-sponsors have previously made equal financial contributions to the academy in terms of the Endowment Fund, the value of which has been invested and totalled £461,739 on 31 August 2020.

The Diocese has representation on the academy governing board at both governing board and committee level and, as such, provide an important contribution to the success of the academy.

In relation to the business activities of the academy trust, Manchester Diocese is considered to be a connected organisation. An annual subscription is paid to Manchester Diocese in order for the academy to access services and resources available to all Church of England Schools through a service level agreement. At £1,791 (renewed in April 2020) this is considered to represent value for money for the academy and is only available through Manchester Diocese.

OBJECTIVES AND ACTIVITIES

The academy's main strategy is encompassed in its Vision and Values Statement, as follows:

Vision: The best for everyone, the best from everyone. We have faith in our future.

Values:

Aspiration I believe that having high aspirations can motivate me to work hard and achieve my goals without excuses. I have high expectations in everything I do. Aspiration is valuable because it allows me to look beyond my current experiences and to understand, interpret and change the world for the better. *"For I know the plans I have for you, declares the Lord, plans to prosper and not to harm you, to give you hope and a future." Jeremiah 29:11*

Integrity I believe that living my life by high moral standards and values is important. I understand how values are grounded in faith and biblical teaching. I commit to doing the right thing in all circumstances, even if this makes things more difficult for me and when no one is watching. I take responsibility for myself and my community to help it improve for everyone. *"Whoever walks in integrity walks securely." Proverbs 10:9a*

Respect I believe that mutual respect is the most important element in a kind and cohesive community. Respect, and self-respect, means that I take things seriously. I care about myself and others and aim to do good as I go. Respect is valuable because it allows me to understand the differences in our community and to know how to behave in the best interests of that community. *"Love your neighbour as you love yourself." Matthew 22:39*

Hard work I believe that through hard work I can overcome challenges as I meet them. I am resilient and want to complete every task to the best of my ability. Hard work is valuable because it enables me to be the best I can be and the best I am meant to be. It builds the foundation of experience and learning for my future. *"With God all things are possible." Matthew 19:26*

To this end the activities provided include:

- tuition and learning opportunities for all students to attain appropriate academic and vocational qualifications;
- training opportunities for all staff;
- secondments and placing of students with industrial and commercial partners;
- a programme of extra-curricular activities for all students to allow students to explore and enrich their learning experience; and
- a career's advisory service to help students move on to further education and training or obtain employment.

MIDDLETON ACADEMY LIMITED

TRUSTEES' REPORT (CONTINUED)

Objects and aims

The principal object and activity of the charitable company is the operation of St Anne's Church of England Academy to advance, for the public benefit, education for students of different abilities between the ages of 11 and 16. This follows the closure of the sixth form on 31 August 2020 as it was no longer financially viable. The academy has increased its Year 7 Published Admission Number from 150 to 180 with effect from 1 September 2020 in order to meet local need and focus all its resources on improving outcomes for Year 7 to 11 students.

The charitable company updated its main governance documents in December 2019. The funding agreement and articles of association specify, amongst other things, the basis for admitting students to the academy, the desire to promote community cohesion, and that the curriculum should be broadly based and include English, Mathematics and Science.

Objectives, strategies and activities

The main objectives of the academy during the year ended 31 August 2020 are summarised below:

- to ensure that every child enjoys the same high quality education in terms of resourcing, tuition and care;
- to raise the standard of educational achievement of all students;
- to improve the effectiveness of the academy by keeping the curriculum and organisational structure under continual review;
- to provide value for money for the funds expended;
- to comply with all appropriate statutory and curriculum requirements;
- to maintain close links with industry and commerce; and
- to conduct the academy's business in accordance with the highest standards of integrity, probity and openness.

Public benefit

The trustees confirm they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the academy's aims and objectives.

STRATEGIC REPORT

Achievements and performance

The academy continues to strive to achieve full capacity in terms of student numbers. Total students in the year ended 31 August 2020 numbered 745.

Student examinations at Key Stages 4 and 5 were not held in 2020 due to the national Covid lockdown which commenced on 23 March 2020. In accordance with government guidance, student outcomes were determined by centre assessed grades which were then moderated by external examination boards.

The academy Progress 8 in 2020 was +0.12 following examination board adjustment. The percentage of students achieving a strong pass in English and Maths was 27.2% and the percentage of students achieving Grade 7+ in English and Maths was 3.7%. The academy's Attainment 8 Score for all students was 44.12. Student outcomes for 2020 cannot be compared meaningfully to those from previous years due to the impact of Covid on the examinations process.

At Key Stage 5, academy strategies for the final cohort of 18 sixth form students ensured that pathways fully matched students' prior attainment, needs and abilities, including higher education, apprenticeships and vocational courses.

Significant school improvement remains a key focus for St Anne's and a targeted development programme including specialist external support providers is in place to improve the Progress 8 score for the Class of 2021 and beyond.

The area the school serves has a level of deprivation significantly worse than the average in England. The Income Deprivation Affecting Children Index (IDACI) data places the school in the top 20% of deprived areas and the local surrounding area in the top 10% or the top 20%. There is a higher proportion of SEN and PP students when compared to national.

MIDDLETON ACADEMY LIMITED

TRUSTEES' REPORT (CONTINUED)

The academy continues to implement a more robust programme of monitoring and evaluation of the quality of education which includes internal quality assurance and external verification, the evidence of which is reported regularly to trustees.

The drive to improve standards rapidly continues through the further development and implementation of a robust Academy Development Plan which is discussed regularly with trustees. The Academy Development Plan builds on areas for development identified by the most recent Ofsted in November 2017, the Ofsted Monitoring visit in April 2019, the outcomes from external school improvement support providers and the academy's own self evaluation. The staff professional development programme has been reviewed and a new range of training opportunities for individual staff linked to key academy priorities and staff appraisal objectives has been implemented.

Financial objectives

The academy's financial objectives are:

- to achieve an annual operating surplus;
- to pursue alternative sources of funding, on a selective basis, consistent with the academy's core competencies, and the need for a financial contribution to the academy's overall finances;
- to generate sufficient levels of income to support the asset base of the academy;
- to further improve the academy's shorter term liquidity; and
- to fund continued capital investment.

These objectives were achieved in the year ending 31 August 2020. Although the statement of financial activities shows net movement in funds of £508k deficit from the funds note the academy have £103k of available restricted reserves and £45k unrestricted reserves for the year, this excludes the endowment fund, defined benefit pension and movement on the restricted fixed asset reserve.

Following a deteriorating financial position to August 2019, the academy recognised the need to achieve a balanced budget without the use of endowment funds and took steps to significantly reduce expenditure by undertaking a leadership staff restructure in Autumn 2019 designed which both reduced costs and strengthened and improved leadership capacity. Further salary savings were achieved by not replacing staff who left during the year and the postponement of some recruitment.

Lower levels of expenditure than expected occurred in 2019/20, particularly following the Covid partial lockdown period from 23 March 2020 to 17 July 2020. Additional savings were effected through the review of spending and contracts held, e.g. the sale of two aging vehicles which were costly to maintain in December 2019 plus the installation of a more cost effective academy-wide printing solution in summer 2020. Financial support was provided by the Education & Skills Funding Agency [ESFA] via the Schools Resource Management Advisor [SRMA] programme in November 2019 and by the Cranmer Education Trust throughout the year.

MIDDLETON ACADEMY LIMITED

TRUSTEES' REPORT (CONTINUED)

Financial review

Most of the academy's income is obtained from the ESFA in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the ESFA during the year ended 31 August 2020 and the associated expenditure are shown as restricted funds in the statement of financial activities.

The academy also receives grants for fixed assets from the ESFA. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2015), such grants are shown in the statement of financial activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

During the year to 31 August 2020, £4,992,000 (2019: £5,151,000) of recurrent grant funding from the ESFA and other incoming resources was offset by total expenditure of £5,470,000 (2019: £5,954,000) resulting in a deficit for the year of £478,000 (2019: deficit of £803,000) (excluding a gain on endowment investments of £38k (2019: £76,000)).

At 31 August 2020 the net book value of fixed assets was £14,148,000 (2019: £14,370,000) and movements in tangible fixed assets are shown in note 13 to the financial statements. The assets were used exclusively for providing education and the associated support services to the students of the academy.

Financial position

The academy held fund balances at 31 August 2020 of £12,747,000 (2019: £13,255,000) comprising £103,000 (2019: £39,000) of restricted general funds, £330,000 (2019: £285,000) of unrestricted general funds, £462,000 (2019: £546,000) restricted endowment fund and a pension reserve deficit of £2,296,000 (2019: £1,985,000).

Financial and risk management objectives and policies

Risks relating to financial instruments are considered minimal however the academy as an employer has Admitted Body Status to the Greater Manchester Pension Fund, a Local Government Pension Scheme for support staff. The current long term liability relating to employer pension contributions as at 31 August 2020 is £2,296,000 (2019: £1,985,000). This position is monitored with the Pension Fund Administrators in order to manage the potential risk to the academy trust of future increased contributions.

Reserves policy

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

The trustees have determined that the appropriate level of free reserves should be equivalent to four weeks expenditure, approximately £400,000. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. The academy's current level of free reserves (total funds less the amount held in fixed assets and pension deficit funds) is £465,000 (2019: £321,000).

The academy intends to build free reserves to a level above that which is considered minimal through a combination of ongoing cost saving measures and by attracting more students to the academy.

Investment policy

As at 31 August 2020, the academy had £462,000 of sponsorship monies held in an endowed investment fund. An investment policy is held and an investment committee meets periodically to manage this investment. The board of trustees as a whole makes decisions in relation to the investment strategy and specific investment plans including these monies.

MIDDLETON ACADEMY LIMITED

TRUSTEES' REPORT (CONTINUED)

Key performance indicators

Ofsted Inspection November 2017:

The academy is committed to observing the importance of performance indicators, to ensure that it continues to strive for both educational and financial excellence.

In its most recent inspection in November 2017, Ofsted concluded that the academy 'Requires Improvement'.

Assessment	Inspection grade
Effectiveness of leadership and management	Good
Quality of teaching, learning and assessment	Requires improvement
Personal development, behaviour and welfare	Good
Outcomes for pupils	Requires improvement
16 to 19 study programmes	Requires improvement
Overall effectiveness at previous Inspection	Requires improvement

In its monitoring visit in April 2019, Ofsted commented that senior leaders and governors were not taking effective action to tackle the areas requiring improvement identified at the last section 5 inspection in order for the academy to become good. Since that time there have been changes in leadership and governance and the academy has brokered additional and significant external specialist support in order to improve educational standards and student outcomes.

The academy was directed to:

- ensure that the curriculum gives pupils the knowledge that they need to be successful, regardless of their starting points;
- increase the focus and rigour with which leaders and governors are improving the quality of sixth-form provision; and
- refine the action plan so that it includes regular, measurable targets against which leaders, including governors, can monitor the impact of actions and the quality of external support.

Non-financial performance indicators include examination results as detailed in objectives and outcomes above.

SIAMS Inspection:

In its most recent SIAMS Inspection in 20 November 2018, SIAMS determined the following judgements:

Assessment	Inspection grade
Overall judgement	Good
Impact of collective worship	Excellent

The academy is also monitored through the completion and submission to the ESFA of key financial data including budget forecasts and the accounts return.

Going concern

Within in the next 12 months, the company is expected to transfer its trading activities into Cranmer Education Trust and the company will cease to trade. The financial statements have been prepared on a non-going concern basis. There is no impact on the reported numbers as a result of the accounts being prepared on a non-going concern basis.

MIDDLETON ACADEMY LIMITED

TRUSTEES' REPORT (CONTINUED)

Plans for future periods

The academy will continue to improve the levels of performance of its students at all levels including its efforts to ensure that students secure a place in further education, employment or training once they leave Year 11. This will help to continue to improve the reputation of the academy within the local community.

The academy will also continue to increase student numbers through a range of strategies aimed at primary school students which includes the Primary Transition Programme. This programme develops and strengthens links with local primary schools and ensures that all primary students are fully supported during their transition to secondary education.

The academy will continue to operate robust systems and procedures in order to reduce the risk of transmission of Covid in school, whilst delivering a full curriculum to students in all year groups. The academy has developed a quality online learning programme and this will be refined further to meet student needs. All Covid related processes will continue to be reviewed regularly and developed as required to meet local needs and respond to changing government requirements.

The academy is in the process of transfer to the Cranmer Education Trust [CET] in order to continue improving and collaborating with the outstanding Blue Coat School which shares the same Church of England values as St Anne's. The academy will benefit from CET's links with the Teaching School Alliance and Manchester Nexus which focus on professional development and initial teacher training. This will help St Anne's to become an outward facing school which serves the community well and becomes the school of choice locally for a Church of England education.

MIDDLETON ACADEMY LIMITED

TRUSTEES' REPORT (CONTINUED)

Principal risks and uncertainties

The academy has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the academy's assets and reputation.

Based on its mission, the assets committee undertakes a comprehensive review of the risks to which the academy is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the academy. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the assets committee will also consider any risks which may arise as a result of a new area of work being undertaken by the academy.

A risk register is maintained at the academy level which is reviewed at least annually by the assets committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the academy and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

This is supported by a risk management training programme to raise awareness of risk throughout the academy.

Outlined below is a description of the principal risk factors that may affect the academy. Not all the factors are within the academy's control. Other factors besides those listed below may also adversely affect the academy.

1. **Government funding:**

The academy has considerable reliance on continued government funding through the ESFA. In 2019/20, 94% of the academy's revenue was ultimately public funded and this level of requirement is expected to continue. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements.
- By ensuring the academy is rigorous in delivering high quality education and training.
- Considerable focus and investment is placed on maintaining and managing key relationships with the ESFA.

2. **Maintain adequate funding of pension liabilities:**

The financial statements report the share of the pension scheme deficit on the academy's balance sheet in line with the requirements of FRS 102.

3. **COVID related Health and Safety Risks:**

COVID transmission and reduced quality assurance (QA) ability due to COVID – risk mitigated through comprehensive risk assessments prepared for all aspects of Trust under COVID. Staff trained, PPE and sanitizing equipment acquired. Staff, students and parent/carer communications increased.

4. **Financial risks under COVID:**

Use of resources and management of internal controls. Mitigated through fraud awareness, allocation of responsibilities to maintain segregation of duties and to cover all financial activities. Documentation of all processes, identification of additional costs and claims for financial support from DfE.

MIDDLETON ACADEMY LIMITED

TRUSTEES' REPORT (CONTINUED)

Fundraising

In line with the academy's Christian ethos, the academy encourages students to consider the needs of others and raise funds for charities at both a national and local level. This includes nationally recognised charities such as Macmillan and Children in Need as well as more locally based registered charities which resonate personally with the academy community, such as We Love Mcr. Requests for charity fundraising ideas sometimes come direct from students.

The academy also aims to raise funds to support educational provision through lettings. From 1 October 2019 to the cessation of lettings on 23 March 2020 due to the Covid lockdown situation, lettings were managed by a lettings management company called School Lettings Solutions however this company subsequently went into administration. Lettings have not yet restarted due to the higher rate of infection and Tier 3 restrictions locally within Greater Manchester but this situation is under regular review. Lettings will restart when it is considered safe to do so and there are sufficient staff resources available to effectively manage out of hours lettings.

All donations are entirely optional and no complaints have been received regarding academy fundraising initiatives. Monies raised are recorded and can be checked if requests are made. Details are shared with parents, carers, trustees and other academy stakeholders through letters, newsletters and the academy website. The academy does not use the services of any commercial participators or professional fundraisers.

AUDITOR

RSM UK Audit LLP has indicated its willingness to continue in office.

Statement as to disclosure of information to auditor

The trustees have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the trustees have confirmed that they have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

The trustees' report is approved by order of the board of trustees and the strategic report (included therein) is approved by the board of trustees in their capacity as the directors at a meeting on 24 February 2021 and signed on its behalf by:



Timothy Mitchell
Chair of trustees

MIDDLETON ACADEMY LIMITED

GOVERNANCE STATEMENT

Scope of responsibility

As trustees, we acknowledge we have overall responsibility for ensuring that Middleton Academy Limited 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 headteacher, 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 Middleton Academy Limited and the Secretary of State for Education. The business manager 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 six times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of a possible
Timothy Mitchell (Sponsor, Chair)	5	6
Chris Heyes (Headteacher)	6	6
John Dalziel (Community)	4	4
Alison Needham (Community)	1	1
Alifa Mbawo (Parent)	2	6
Yvonne Mills (Parent)	4	6
Andrew Gold (Community)	1	1
Lisa Grundy (Community)	1	4
Stuart Ford (Community)	4	5
Julie Hollis (Sponsor)	3	4
Marc Crossland (Sponsor)	1	3
Terence Linden (Sponsor)	1	2

The assets committee is a sub-committee of the main board of trustees. Its purpose is to ensure sound management of the academy's finances, resources and health and safety, including proper planning, monitoring and probity. Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
Timothy Mitchell	1	1
Chris Heyes	1	1
Stuart Ford	1	1
Julie Hollis	1	1

Review of value for money

As accounting officer the headteacher 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 societal outcomes achieved in return for the taxpayer resources received.

The accounting officer considers how the trust's use of its resources has provided good value for money during each academic year and reports to the board of trustees where value for money can be improved, including the use of benchmarking data where available. The following examples demonstrate how the accounting officer for the academy trust has delivered improved value for money during 2019/20:

MIDDLETON ACADEMY LIMITED

GOVERNANCE STATEMENT (CONTINUED)

1. Strategic use of resources to support and evaluate strategies to improve educational standards:
 - a. Focussed assessment of all students at entry and at all Key Stages to assess added value.
 - b. Comprehensive student tracking systems to monitor levels of progress throughout the curriculum.
 - c. Extensive use of internal and external data analysis to support improvement.
 - d. Strategic working groups to develop and improve educational standards, teaching and learning, attendance and behaviour, faith and community involvement and pastoral care for all our students.
 - e. Staff development through robust appraisal in conjunction with a targeted professional development programme.
 - f. The further development of an 'open classroom door' culture amongst staff to support professional development through sharing of best practice.
 - g. Regular lesson observations of all teaching staff.
2. Targeted improvement measures to support our students and improve attainment:
 - a. A robust attendance tracking and monitoring system including rewards and data analysis continues to improve attendance and reduce persistent absenteeism.
 - b. Intervention groups to support student progress and help students catch up on missed learning during lockdown operate throughout the curriculum, focussing particularly on English, Maths and Science.
 - c. The academy's varied curriculum offer is regularly reviewed to ensure that it meets both the needs of the academy students and the wider national agenda.
 - d. Provision of high quality pastoral care to support vulnerable students and their families.
3. Significant cost saving measures:
 - a. The academy continues to review staffing requirements in order to make savings where appropriate. A leadership staff restructure was undertaken in the Autumn term 2019 in order to reduce costs and strengthen leadership capacity. Staff who left mid year were not automatically replaced and there was a postponement of some planned recruitment.
 - b. Continued strategically planned reductions in premises related costs including energy consumption and reduced opening hours during academy holidays.
 - c. Non salary costs and contracts were reviewed. As a result, two aging academy vehicles which were costly to maintain were sold in December 2019 and a new and more cost-effective printing strategy was implemented in summer 2020.
 - d. The academy will continue its drive to maximise cost savings and efficiencies in order to make optimal use of resources at its disposal including public funding in 2020/21 and beyond.

The purpose of the system of internal control

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

Capacity to handle risk

The board of trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks.

The board of trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the year ending 31 August 2020 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

MIDDLETON ACADEMY LIMITED

GOVERNANCE STATEMENT (CONTINUED)

The risk and control framework

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

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

The board of trustees considered the need for a specific internal audit function. At the request of the Governing Board, two reviews were carried out during the year, one by the Schools Resource Management Advisor from the ESFA and one by Cranmer Education Trust.

The academy trust confirms that the internal audit function has been fully delivered in line with ESFA requirements. There are no material control issues arising as a result of the internal audit work in 2019/20.

Review of effectiveness

As accounting officer, the headteacher 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 work of the audit trustee;
- the financial management and governance self-assessment process; and
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the board of trustees on 24 February 2021 and signed on its behalf by:



Christopher Heyes
Accounting officer



Timothy Mitchell
Chair of trustees

MIDDLETON ACADEMY LIMITED

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE

As accounting officer of Middleton Academy Limited, I have considered my responsibility to notify the academy trust board of trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2019.

I confirm that I and the academy trust's board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2019.

Except for the inadvertent use of endowment funds, as explained in note 18 to the financial statements, 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.



Christopher Heyes
Accounting Officer

24 February 2021

MIDDLETON ACADEMY LIMITED

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

Company law requires the trustees to prepare 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:

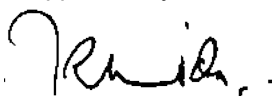
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2019 and the Academies Accounts Direction 2019 to 2020;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the board of trustees on 24 February 2021 and signed on its behalf by:



Timothy Mitchell
Chair of trustees

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MIDDLETON ACADEMY LIMITED

Opinion

We have audited the financial statements of Middleton Academy Limited (the "charitable company") for the year ended 31 August 2020 which comprise the Statement of Financial Activities, including the income and expenditure account, 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, United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and the Academies: Accounts Direction 2019 to 2020 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

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

Emphasis of matter - Use of endowment fund

As set out in note 18, withdrawals have been made from the Academy's Endowment funds totalling £487,250. The Trustees have inadvertently withdrawn such sums from the endowment funds (which include both income and capital gains) by adopting a total return approach to investments without having the relevant investment power in place. Although the original endowment gift remains intact, the trustees acknowledge that this is a breach of charity law and are currently considering the best way to remedy the position.

Emphasis of matter - non-going concern

We draw attention to the going concern accounting policy within note 1 to the financial statements, which explains that the company's trade, assets and liabilities are expected to be transferred to another entity within the next 12 months. Consequently, the company will cease to trade, and the financial statements have been prepared on a non-going concern basis. No adjustments arose as a result of applying the non-going concern basis of preparation. Our report is not modified in respect of this matter.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MIDDLETON ACADEMY LIMITED (CONTINUED)

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 and the incorporated Strategic Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report and the incorporated Strategic Report have 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 charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report and the incorporated Strategic Report.

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

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

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 17, the trustees (who act as trustees for the charitable activities of the charitable company are also the directors of the charitable company 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 charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

RSM UK Audit LLP

John Guest (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

3 Hardman Street

Manchester

M3 3HF

25 February 2021

MIDDLETON ACADEMY LIMITED

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

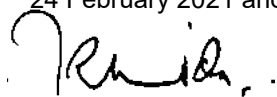
FOR THE YEAR ENDED 31 AUGUST 2020

	Notes	Unrestricted Funds £'000s	Restricted General Funds £'000s	Restricted Fixed Asset Funds £'000s	Endowment Funds £'000s	Total 2020 £'000s	Total 2019 £'000s
Income and endowments from:							
Donations and capital grants	4	3	-	17	-	20	256
Charitable activities:							
- Funding for educational operations	5	-	4,832	-	-	4,832	4,719
Other trading activities	6	138	-	-	-	138	173
Investments	7	2	-	-	-	2	3
Total		<u>143</u>	<u>4,832</u>	<u>17</u>	<u>-</u>	<u>4,992</u>	<u>5,151</u>
Expenditure on:							
Charitable activities:							
- Educational operations	9	98	4,955	417	-	5,470	5,804
Endowment repayment and costs		-	-	-	-	-	150
Total	8	<u>98</u>	<u>4,955</u>	<u>417</u>	<u>-</u>	<u>5,470</u>	<u>5,954</u>
Gains on endowment investments		-	-	-	38	38	76
Net income/(expenditure)		<u>45</u>	<u>(123)</u>	<u>(400)</u>	<u>38</u>	<u>(440)</u>	<u>(727)</u>
Transfers between funds	18	-	(56)	178	(122)	-	-
Other recognised gains/(losses)							
Actuarial losses on defined benefit pension schemes	23	-	(68)	-	-	(68)	(959)
Net movement in funds		<u>45</u>	<u>(247)</u>	<u>(222)</u>	<u>(84)</u>	<u>(508)</u>	<u>(1,686)</u>
Reconciliation of funds							
Total funds brought forward		<u>285</u>	<u>(1,946)</u>	<u>14,370</u>	<u>546</u>	<u>13,255</u>	<u>14,941</u>
Total funds carried forward		<u>330</u>	<u>(2,193)</u>	<u>14,148</u>	<u>462</u>	<u>12,747</u>	<u>13,255</u>

MIDDLETON ACADEMY LIMITED**BALANCE SHEET****AS AT 31 AUGUST 2020**

	Notes	2020 £'000s	2019 £'000s
Fixed assets			
Tangible assets	13	14,148	14,370
Current assets			
Debtors	14	187	118
Investments	15	462	546
Cash at bank and in hand		639	481
		<u>1,288</u>	<u>1,145</u>
Current liabilities			
Creditors: amounts falling due within one year	16	(393)	(275)
Net current assets		<u>895</u>	<u>870</u>
Net assets excluding pension liability		<u>15,043</u>	<u>15,240</u>
Defined benefit pension scheme liability	23	(2,296)	(1,985)
Total net assets		<u><u>12,747</u></u>	<u><u>13,255</u></u>
Funds of the academy trust:			
Restricted funds	18		
- Restricted fixed asset funds		14,148	14,370
- Restricted income funds		103	39
- Pension reserve		(2,296)	(1,985)
- Endowment funds		462	546
Total restricted funds		<u>12,417</u>	<u>12,970</u>
Unrestricted income funds	18	<u>330</u>	<u>285</u>
Total funds		<u><u>12,747</u></u>	<u><u>13,255</u></u>

The financial statements on pages 20 to 45 were approved by the board of trustees and authorised for issue on 24 February 2021 and are signed on their behalf by:



Timothy Mitchell
Chair of trustees

MIDDLETON ACADEMY LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 AUGUST 2020

	Notes	2020 £'000s	2019 £'000s
Cash flows from operating activities			
Net cash provided by/(used in) operating activities	21	212	(134)
Cash flows from investing activities			
Dividends, interest and rents from investments		2	3
Capital grants from DfE Group		17	54
Purchase of tangible fixed assets		(195)	(15)
Proceeds from sale of investments		122	150
Net cash (used in)/provided by investing activities		(54)	192
Cash flows from financing activities			
Endowment fund income		-	150
Endowment fund expenditure		-	(150)
Net increase in cash and cash equivalents in the reporting period		158	58
Cash and cash equivalents at beginning of the year		481	423
Cash and cash equivalents at end of the year		639	481
Relating to:			
Bank and cash balances		636	478
Short term deposits		3	3

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies

General information

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

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

Basis of preparation

The financial statements of the academy trust 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 financial statements 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 2019 to 2020 issued by ESFA, the Charities Act 2011 and the Companies Act 2006. The academy trust is a public benefit entity under FRS 102 and has therefore applied the relevant public benefit requirements of FRS 102.

The financial statements are presented in sterling which is also the functional currency of the academy trust.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Going concern

Within in the next 12 months, the company is expected to transfer its trading activities into Cranmer Education Trust and the company will cease to trade. The financial statements have been prepared on a non-going concern basis. There is no impact on the reported numbers as a result of the accounts being prepared on a non-going concern basis.

Income

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

Grants

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

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

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

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies (Continued)

Sponsorship income

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

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 at fair value of the consideration received or receivable 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'.

Donated fixed assets

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 is used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy trust's accounting policies.

Endowment income

Endowment income is recognised in the period it is received.

Expenditure

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

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

All resources expended are inclusive of irrecoverable VAT.

Expenditure on raising funds

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

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies (Continued)

Charitable activities

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

Tangible fixed assets and depreciation

Assets costing £2,500 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

Depreciation is provided on all tangible fixed assets other than licenced land and assets under construction, so as to write off the cost of assets less their residual values on a straight line basis over their useful lives on the following bases:

Land and buildings	2% on buildings, land is not depreciated
Sports facilities	5%
Computer equipment	33%
Fixtures, fittings and equipment	5%
Motor vehicles	25%

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

Liabilities

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

Leased assets

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

Investments

Investments are stated at market value.

Financial instruments

The academy trust has chosen to adopt Sections 11 and 12 of FRS 102 in full in respect of financial instruments.

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies (Continued)

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the academy trust becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. A financial asset or financial liability that is payable or receivable in one year is measured at the undiscounted amount expected to be received or paid net of impairment, unless it is a financing transaction. If an agreement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset only when there is a current legally enforceable right to set off the recognised amounts and the intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flow expire or are settled, or substantially all the risks and the rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Taxation

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

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'), which are multi-employer 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 projected unit method. The TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently there is insufficient information to use defined benefit accounting, it is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies (Continued)

The LGPS is a funded multi-employer scheme and the assets are held separately. 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 reporting date. The amounts charged to net income 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 as other comprehensive income. Actuarial gains and losses are recognised immediately as other comprehensive income.

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.

Agency arrangements

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

2 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2020. 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.

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

2 Critical accounting estimates and areas of judgement (Continued)

Critical areas of judgement

The trustees have determined that no areas of judgement are critical to the academy trust's financial statements.

3 Statement of financial activities - comparative year information

Year ended 31 August 2019	Unrestricted Funds £'000s	Restricted General Funds £'000s	Restricted Fixed Asset Funds £'000s	Endowment Funds £'000s	Total 2019 £'000s
Income and endowments from:					
Donations and capital grants	7	45	54	150	256
Charitable activities:					
- Funding for educational operations	-	4,719	-	-	4,719
Other trading activities	173	-	-	-	173
Investments	3	-	-	-	3
Total	183	4,764	54	150	5,151
Expenditure on:					
Charitable activities:					
- Educational operations	139	5,167	498	-	5,804
Endowment repayment and costs	-	-	-	150	150
Total	139	5,167	498	150	5,954
Gains on endowment investments	-	-	-	76	76
Net income/(expenditure)	44	(403)	(444)	76	(727)
Transfers between funds	(19)	208	(39)	(150)	-
Other recognised gains/(losses)					
Actuarial losses on defined benefit pension schemes					
	-	(959)	-	-	(959)
Net movement in funds	25	(1,154)	(483)	(74)	(1,686)

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

4 Donations and capital grants

	Unrestricted funds £'000s	Restricted funds £'000s	Total 2020 £'000s	Total 2019 £'000s
Private sponsorship	-	-	-	45
Capital grants	-	17	17	54
Other donations	3	-	3	7
Endowments	-	-	-	150
	<u>3</u>	<u>17</u>	<u>20</u>	<u>256</u>

5 Funding for the academy trust's educational operations

	Unrestricted funds £'000s	Restricted funds £'000s	Total 2020 £'000s	Total 2019 £'000s
DfE / ESFA grants				
General annual grant (GAG)	-	4,108	4,108	4,192
Other DfE group grants	-	655	655	440
	<u>-</u>	<u>4,763</u>	<u>4,763</u>	<u>4,632</u>
Other government grants				
Local authority grants	-	69	69	87
	<u>-</u>	<u>4,832</u>	<u>4,832</u>	<u>4,719</u>

The academy trust received £69,000 from the local authority in the year, being £43,000 High Needs & SEN Top Up funding, £11,000 Pupil Premium and £15,000 inclusion funding.

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

6 Other trading activities

	Unrestricted funds £'000s	Restricted funds £'000s	Total 2020 £'000s	Total 2019 £'000s
Hire of facilities	16	-	16	7
Catering income	87	-	87	116
School trip income	3	-	3	32
Other income	32	-	32	18
	<u>138</u>	<u>-</u>	<u>138</u>	<u>173</u>

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

7 Investment income

	Unrestricted funds £'000s	Restricted funds £'000s	Total 2020 £'000s	Total 2019 £'000s
Other investment income	2	-	2	3

8 Expenditure

	Staff costs £'000s	Non Pay Premises £'000s	Expenditure Other £'000s	Total 2020 £'000s	Total 2019 £'000s
Endowment repayment	-	-	-	-	150
Academy's educational operations					
- Direct costs	3,261	375	202	3,838	3,910
- Allocated support costs	981	283	368	1,632	1,894
Total support costs	4,242	658	570	5,470	5,954

Net income/(expenditure) for the year includes:

	2020 £'000s	2019 £'000s
Depreciation of tangible fixed assets	417	405
Loss on disposal of fixed assets	-	93
Net interest on defined benefit pension liability	37	25
Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:		
- Audit	15	8
- Other services	3	4

9 Charitable activities

	Unrestricted funds £'000s	Restricted funds £'000s	Total 2020 £'000s	Total 2019 £'000s
Direct costs				
Educational operations	-	3,838	3,838	3,910
Support costs				
Educational operations	98	1,534	1,632	1,894
	98	5,372	5,470	5,804

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

9 Charitable activities (Continued)

	2020 £'000s	2019 £'000s
Analysis of support costs		
Support staff costs	981	1,013
Depreciation	42	133
Technology costs	67	79
Premises costs	241	256
Legal costs	8	-
Other support costs	277	400
Governance costs	16	13
	<u>1,632</u>	<u>1,894</u>

10 Staff

Staff costs

Staff costs during the year were:

	2020 £'000s	2019 £'000s
Wages and salaries	2,958	3,173
Social security costs	300	325
Pension costs	791	690
	<u>4,049</u>	<u>4,188</u>
Staff costs - employees	4,049	4,188
Agency staff costs	96	41
Staff restructuring costs	97	-
	<u>4,242</u>	<u>4,229</u>

Staff restructuring costs comprise:

Redundancy payments	97	-
	<u>97</u>	<u>-</u>

Included in staff restructuring costs are redundancy costs totalling £97,301 (2019: £Nil). Individually, the payments were: £25,704, £35,862, £7,000, £18,798 and £9,937.

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

10 Staff (Continued)

Staff numbers

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

	2020	2019
	Number	Number
Teachers	42	38
Administration and support	51	52
Management	7	9
	<u>100</u>	<u>99</u>

Higher paid staff

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

	2020	2019
	Number	Number
£60,001 - £70,000	4	3
£70,001 - £80,000	2	3
£80,001 - £90,000	-	1
£90,001 - £100,000	1	-
£100,001 - £110,000	-	1
	<u> </u>	<u> </u>

Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. 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 £697,550 (2019: £859,274).

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

11 Trustees' remuneration and expenses

One or more of the trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The principal and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment, and not in respect of their services as trustees.

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

C Preece (Principal and Trustee):

Remuneration: £Nil (2019: £105,001 - £110,000)

Employer's pension contributions: £Nil (2019: £15,001 - £20,000)

C Heyes (Head Teacher and Trustee):

Remuneration: £90,144 (2019: £15,001 - £20,000)

Employer's pension contributions: £21,346 (2019: £0 - £5,000)

E Schofield (Staff Trustee):

Remuneration: £4,060 (2019: £20,001 - £25,000)

Employer's pension contributions: £690 (2019: £1 - £5,000)

(resigned in year)

Y Mills (Staff Trustee):

Remuneration: £22,372 (2019: £15,001 - £20,000)

Employer's pension contributions: £3,934 (2019: £1 - £5,000)

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

During the year expenditure of £Nil (2019: £Nil) was reimbursed.

12 Trustees and officers' insurance

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

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

13 Tangible fixed assets

	Land and buildings	Sports facilities	Computer equipment	Fixtures, fittings and equipment	Motor vehicles	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Cost						
At 1 September 2019	16,585	580	692	805	96	18,758
Additions	-	-	168	27	-	195
At 31 August 2020	16,585	580	860	832	96	18,953
Depreciation						
At 1 September 2019	2,986	328	678	300	96	4,388
Charge for the year	332	27	16	42	-	417
At 31 August 2020	3,318	355	694	342	96	4,805
Net book value						
At 31 August 2020	13,267	225	166	490	-	14,148
At 31 August 2019	13,599	252	14	505	-	14,370

14 Debtors

	2020 £'000s	2019 £'000s
Trade debtors	-	3
VAT recoverable	40	15
Other debtors	23	61
Prepayments and accrued income	124	39
	187	118

15 Current asset investments

At the year end the investments were carried at a market value of £462,000 (2019: £546,000). During the year, investments costing £122,000 (2019: £150,000) were disposed. The investment portfolio appreciated in value by £38,000 (2019: £76,000).

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

16 Creditors: amounts falling due within one year

	2020 £'000s	2019 £'000s
Trade creditors	86	72
Other taxation and social security	67	82
Other creditors	140	47
Accruals and deferred income (see note 17)	100	74
	<u>393</u>	<u>275</u>

17 Deferred income

	2020 £'000s	2019 £'000s
Deferred income is included within:		
Creditors due within one year	-	6
	<u>-</u>	<u>6</u>
Deferred income at 1 September 2019	6	51
Released from previous years	(6)	(51)
Resources deferred in the year	-	6
	<u>-</u>	<u>6</u>
Deferred income at 31 August 2020	<u>-</u>	<u>6</u>

At the balance sheet date, the academy was holding funds in respect of rates rebate money of £Nil (2019: £6,233).

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

18 Funds

	Balance at 1 September 2019 £'000s	Income £'000s	Expenditure £'000s	Gains, losses and transfers £'000s	Balance at 31 August 2020 £'000s
Restricted general funds					
General Annual Grant (GAG)	-	4,108	(4,091)	(17)	-
Other DfE / ESFA grants	39	655	(552)	(39)	103
Other government grants	-	69	(69)	-	-
Pension reserve	(1,985)	-	(243)	(68)	(2,296)
	<u>(1,946)</u>	<u>4,832</u>	<u>(4,955)</u>	<u>(124)</u>	<u>(2,193)</u>
Restricted fixed asset funds					
Sports England	10	-	(10)	-	-
DfE group capital grants	305	17	(61)	39	300
Capital expenditure from GAG	623	-	(25)	139	737
Donated capital assets	13,432	-	(321)	-	13,111
	<u>14,370</u>	<u>17</u>	<u>(417)</u>	<u>178</u>	<u>14,148</u>
Restricted endowment fund	<u>546</u>	<u>-</u>	<u>-</u>	<u>(84)</u>	<u>462</u>
Total restricted funds	<u>12,970</u>	<u>4,849</u>	<u>(5,372)</u>	<u>(30)</u>	<u>12,417</u>
Unrestricted funds					
General funds	<u>285</u>	<u>143</u>	<u>(98)</u>	<u>-</u>	<u>330</u>
Total funds	<u>13,255</u>	<u>4,992</u>	<u>(5,470)</u>	<u>(30)</u>	<u>12,747</u>

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

18 Funds (Continued)

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

Restricted general funds are those that have been designated by the grant provider in meeting the objectives of the academy and are restricted to both the day to day running of the academy and capital expenditure, £178k has been transferred to the restricted fixed asset funds in the year whilst £122k has been received from the endowment fund.

Restricted fixed asset funds are those funds relating to the long term assets of the academy used in delivering the objects of the academy. In the year £178k has been transferred to the restricted fixed asset fund from the restricted general funds to spend on capital projects restricted general funds to also spend on capital projects.

Unrestricted funds are those which the board of trustees may use in the pursuance of the academy's objectives and are expendable at the discretion of the trustees. Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2020.

Restricted endowment funds may be used to fund essential one-off projects as approved by the board of trustees. The £84k noted above includes a gain on investments of £38k and a transfer of £122k to the restricted general fund.

Over a number of years, withdrawals have been made from the Academy's Endowment funds totalling £487,250. The Trustees have inadvertently withdrawn such sums from the endowment funds (which include both income and capital gains) without by adopting a total return approach to investments without having the relevant investment power in place. Although the original endowment gift remains intact, the trustees acknowledge that this is a breach of charity law and are currently considering the best way to remedy the position which may include repayment of a proportion of funds utilised.

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

18 Funds (Continued)

Funds prior year

	Balance at 1 September 2018 £'000s	Income £'000s	Expenditure £'000s	Gains, losses and transfers £'000s	Balance at 31 August 2019 £'000s
Restricted general funds					
General Annual Grant (GAG)	-	4,192	(4,361)	169	-
Other DfE / ESFA grants	-	440	(440)	39	39
Other government grants	-	87	(87)	-	-
Other restricted funds	-	45	(45)	-	-
Pension reserve	(792)	-	(234)	(959)	(1,985)
	<u>(792)</u>	<u>4,764</u>	<u>(5,167)</u>	<u>(751)</u>	<u>(1,946)</u>
Restricted fixed asset funds					
Sports England	10	-	-	-	10
DfE group capital grants	432	54	(142)	(39)	305
Capital expenditure from GAG	648	-	(25)	-	623
Donated capital assets	13,763	-	(331)	-	13,432
	<u>14,853</u>	<u>54</u>	<u>(498)</u>	<u>(39)</u>	<u>14,370</u>
Restricted endowment fund	<u>620</u>	<u>150</u>	<u>(150)</u>	<u>(74)</u>	<u>546</u>
Total restricted funds	<u>14,681</u>	<u>4,968</u>	<u>(5,815)</u>	<u>(864)</u>	<u>12,970</u>
Unrestricted funds					
General funds	<u>260</u>	<u>183</u>	<u>(139)</u>	<u>(19)</u>	<u>285</u>
Total funds	<u>14,941</u>	<u>5,151</u>	<u>(5,954)</u>	<u>(883)</u>	<u>13,255</u>

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

19 Analysis of net assets between funds

	Unrestricted Funds £'000s	Restricted General Funds £'000s	Restricted Fixed Asset Funds £'000s	Endowment Funds £'000s	Total Funds £'000s
Fund balances at 31 August 2020 are represented by:					
Tangible fixed assets	-	-	14,148	-	14,148
Current assets	330	496	-	462	1,288
Creditors falling due within one year	-	(393)	-	-	(393)
Defined benefit pension liability	-	(2,296)	-	-	(2,296)
Total net assets	330	(2,193)	14,148	462	12,747

	Unrestricted Funds £'000s	Restricted funds: General Fixed asset £'000s		Endowment Funds £'000s	Total Funds £'000s
Fund balances at 31 August 2019 are represented by:					
Tangible fixed assets	-	-	14,370	-	14,370
Current assets	560	39	-	546	1,145
Creditors falling due within one year	(275)	-	-	-	(275)
Defined benefit pension liability	-	(1,985)	-	-	(1,985)
Total net assets	285	(1,946)	14,370	546	13,255

20 Commitments under operating leases

At 31 August 2020 the total of the academy trust's future minimum lease payments under non-cancellable operating leases was:

	2020 £'000s	2019 £'000s
Amounts due within one year	9	1
Amounts due between one and five years	32	1
	41	2

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

21 Reconciliation of net expenditure to net cash flow from operating activities	2020 £'000s	2019 £'000s
Net expenditure for the reporting period (as per the statement of financial activities)	(478)	(803)
Adjusted for:		
Capital grants from DfE and other capital income	(17)	(54)
Interest receivable	(2)	(3)
Defined benefit pension scheme costs less contributions payable	206	209
Defined benefit pension scheme finance cost	37	25
Depreciation of tangible fixed assets	417	405
Loss on disposal of fixed assets	-	93
Movements in working capital:		
(Increase)/decrease in debtors	(69)	32
Increase/(decrease) in creditors	118	(38)
Net cash provided by/(used in) operating activities	<u>212</u>	<u>(134)</u>

22 Analysis of changes in net funds	1 September 2019 £'000s	Cash flows £'000s	31 August 2020 £'000s
Cash	478	158	636
Cash equivalents	3	-	3
	<u>481</u>	<u>158</u>	<u>639</u>

23 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 the Tameside Metropolitan Borough Council. Both are multi-employer defined benefit schemes.

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

Contributions amounting to £65,000 were payable to the schemes at 31 August 2020 (2019: £47,000) and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions 2014.

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

23 Pension and similar obligations (Continued)

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.

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury every 4 years. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2016 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 except it has been prepared following the Government's decision to pause the operation of the cost control mechanisms at the time when legal challenges were still pending. The valuation report was published by the Department for Education on 5 March 2019.

The key elements of the valuation and subsequent consultation are:

- Total scheme liabilities for service (pensions currently payable and the estimated cost of future benefits) of £218 billion
- Value of notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196 billion
- Notional past service deficit of £22 billion
- Discount rate is 2.4% in excess of CPI

As a result of the valuation, new employer contribution rates were set at 23.68% (including a 0.08% administration levy) of pensionable pay from September 2019 onwards (compared to 16.48% during 2019/20). The next valuation result is due to be implemented from 1 April 2023.

The employer's pension costs paid to the TPS in the period amounted to £459,378 (2019: £347,703).

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

23 Pension and similar obligations (Continued)

The TPS is a multi-employer pension plan and there is insufficient information to account for the scheme as a defined benefit plan so it is accounted for as a defined contribution plan.

The 31 March 2016 Valuation Report was prepared in accordance with the benefits set out in the scheme regulations and under the approach specified in the Directions, as they applied at 5 March 2019. However, the assumptions were considered and set by the Department for Education prior to the ruling in the 'McCloud/Sargeant case'. This case has required the courts to consider cases regarding the implementation of the 2015 reforms to Public Service Pensions including the Teachers' Pensions.

On 27 June 2019 the Supreme Court denied the government permission to appeal the Court of Appeal's judgment that transitional provisions introduced to the reformed pension schemes in 2015 gave rise to unlawful age discrimination. The government is respecting the Court's decision and has said it will engage fully with the Employment Tribunal as well as employer and member representatives to agree how the discriminations will be remedied.

The TPS is subject to a cost cap mechanism which was put in place to protect taxpayers against unforeseen changes in scheme costs. The Chief Secretary to the Treasury, having in 2018 announced that there would be a review of this cost cap mechanism, in January 2019 announced a pause to the cost cap mechanism following the Court of Appeal's ruling in the McCloud/Sargeant case and until there is certainty about the value of pensions to employees from April 2015 onwards.

In view of the above rulings and decisions the assumptions used in the 31 March 2016 Actuarial Valuation may become inappropriate. In this scenario, a valuation prepared in accordance with revised benefits and suitably revised assumptions would yield different results than those contained in the Actuarial Valuation.

Until a remedy to the discrimination conclusion has been determined by the Employment Tribunal it is not possible to conclude on any financial impact or future changes to the contribution rates of the TPS. Accordingly no provision for any additional past benefit pension costs is included in these financial statements.

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are 18.6% for employers and ranging from 5.5% to 12.5% for employees.

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

Total contributions made	2020	2019
	£'000s	£'000s
Employer's contributions	127	132
Employees' contributions	46	49
	<hr/>	<hr/>
Total contributions	173	181
	<hr/> <hr/>	<hr/> <hr/>

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

23 Pension and similar obligations (Continued)

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2016 updated to 31 August 2020 by a qualified independent actuary.

	2020 %	2019 %
Rate of increase in salaries	3.0	3.1
Rate of increase for pensions in payment/inflation	2.2	2.3
Discount rate for scheme liabilities	1.7	1.8
	<u> </u>	<u> </u>

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

	2020 Years	2019 Years
Retiring today		
- Males	20.5	20.6
- Females	23.1	23.1
Retiring in 20 years		
- Males	22.0	22.0
- Females	25.0	24.8
	<u> </u>	<u> </u>

The academy trust's share of the assets in the scheme

	2020 Fair value £'000s	2019 Fair value £'000s
Equities	3,582	3,384
Bonds	843	747
Cash	474	448
Property	369	398
	<u> </u>	<u> </u>
Total fair value of assets	5,268	4,977
	<u> </u>	<u> </u>

The actual return on scheme assets was £202,000 (2019: £225,000).

Amount recognised in the Statement of Financial Activities

	2020 £'000s	2019 £'000s
Current service cost	333	285
Net interest cost	37	25
Plan introductions, changes, gain/(loss) on curtailment and gain/(loss) on settlement	-	56
	<u> </u>	<u> </u>
Total operating charge	370	366
	<u> </u>	<u> </u>

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

23 Pension and similar obligations (Continued)

Changes in the present value of defined benefit obligations	2020 £'000s
At 1 September 2019	6,962
Current service cost	333
Interest cost	128
Employee contributions	46
Actuarial loss	179
Benefits paid	(84)
At 31 August 2020	7,564

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

	2020 £'000s
At 1 September 2019	4,977
Interest income	91
Return on plan assets (excluding net interest on the net defined pension liability)	111
Employer contributions	127
Employee contributions	46
Benefits paid	(84)
At 31 August 2020	5,268

Included within the above an adjustment has been made to reflect the outcome of the McCloud judgement. An amount of £Nil (2019: £56k) has been included in respect of past service costs.

24 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 academy trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the academy trust's financial regulations and normal procurement procedures. The following related party transactions took place in the period of account:

A Service Level Agreement was purchased from the Manchester Diocese, which is also a sponsor. The agreement allows access to services and resources. The agreement is only available from the Diocese and cost £1,791 (2019: £1,641). No balance was outstanding at 31 August 2020 in respect of this related party. There was no profit or mark up made by the related party on this transaction. In entering into the transaction the academy trust has complied with the requirements of the Academies Financial Handbook 2019.

MIDDLETON ACADEMY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2020

25 Members' liability

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

26 Agency arrangements

The Academy Trust distributes 16-19 bursary funds to students as an agent for ESFA. In the year the trust received £5,689 (2019: £12,896) of vulnerable bursary and disbursed £1,845 (2019: £9,798) to the relevant students from the fund. The remaining amount of £6,942 (2019: £3,098) will be carried forward to 2020/21 to support current students. The trust will have no 16-19 students in 2020-21, so the balance has been included in creditors as it is subject to claw back from the DfE. The trust has no interest in these transactions.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO MIDDLETON ACADEMY LIMITED AND THE EDUCATION AND SKILLS FUNDING AGENCY

Conclusion

We have carried out an engagement in accordance with the terms of our engagement letter dated 17 July 2020 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2019 to 2020, to obtain limited assurance about whether the expenditure disbursed and income received by Middleton Academy Limited during the period 1 September 2019 to 31 August 2020 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

In the course of our work, except for the matters listed below nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period 1 September 2019 to 31 August 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Matters arising

Withdrawals have inadvertently been made from the Academy's Endowment funds totalling £487,250 (which include both income and capital gains) by adopting a total return approach to investments without having the relevant investment power in place. Although the original endowment gift remains intact, the trustees acknowledge that this is a breach of charity law. Further details are included in note 18 of the financial statements.

Basis for conclusion

The framework that has been applied is set out in the Academies Accounts Direction 2019 to 2020 Annex B: Regularity Reporting. We are independent of Middleton Academy Limited in accordance with the ethical requirements that are applicable to this engagement and we have fulfilled our ethical requirements in accordance with these requirements. We believe the assurance evidence we have obtained is sufficient to provide a basis for our conclusion.

Responsibilities of Middleton Academy Limited's accounting officer and trustees

The accounting officer is responsible, under the requirements of Middleton Academy Limited's funding agreement with the Secretary of State for Education dated 1 September 2020 and the Academies Financial Handbook, extant from 1 September 2019, 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. The accounting officer is also responsible for preparing the Statement of Regularity, Propriety and Compliance. The trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the proper conduct and financial operation of Middleton Academy Limited and appointment of the accounting officer.

Reporting Accountant's responsibilities for reporting on regularity

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 2019 to 2020.

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 the procedures vary in nature and timing from, and are less in extent than for a reasonable assurance engagement; consequently a limited assurance engagement 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.

We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period 1 September 2019 to 31 August 2020 have not been applied to purposes identified by Parliament or that the financial transactions do not conform to the authorities which govern them.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO MIDDLETON ACADEMY LIMITED AND THE EDUCATION AND SKILLS FUNDING AGENCY (CONTINUED)

Our work included identification and assessment of the design and operational effectiveness of the controls, policies and procedures that have been implemented to ensure compliance with the framework of authorities including the specific requirements of the funding agreement with the Secretary of State for Education, the Academies Financial Handbook 2019 published by the Education and Skills Funding Agency and high level financial control areas where we identified a material risk of irregularity is likely to arise. It also included areas assessed as presenting a higher risk of impropriety. We undertook detailed testing, on a sample basis, based on the identified areas where a material irregularity is likely to arise, or potential impropriety where such areas are in respect of controls, policies and procedures that apply to classes of transactions. Our work was undertaken with due regard to the 'Evidence to support conclusion on regularity' guidance in Academies Accounts Direction 2019 to 2020.

This work was integrated with our audit on the financial statements and evidence was also derived from the conduct of that audit to the extent it supports the regularity conclusion.

Use of our report

This report is made solely to Middleton Academy Limited and the ESFA in accordance with the terms of our engagement letter dated 17 July 2020. Our work has been undertaken so that we might state to the Middleton Academy Limited 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 Middleton Academy Limited and the ESFA, for our work, for this report, or for the conclusion we have formed.

RSM UK Audit LLP

RSM UK Audit LLP

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Dated: .25.February.2021
