

REGISTRAR OF COMPANIES

**The City Academy,
Hackney**

**Annual Report and Financial
Statements**

Year to 31 August 2018

Company Limited by Guarantee
Registration Number
06382192 (England and Wales)

WEDNESDAY



A22 *A7XAR40N* 16/01/2019 #11
COMPANIES HOUSE

Contents

Reports

Reference and administrative information	1
Trustees' report	3
Governance statement	15
Statement on regularity, propriety and compliance	20
Statement of Trustees' responsibilities	21
Independent auditor's report on the financial statements	22
Independent reporting accountant's report on regularity	25

Financial statements

Statement of financial activities	27
Balance sheet	28
Statement of cash flows	29
Principal accounting policies	31
Notes to the financial statements	37

Reference and administrative information

Members	Amanda Brown Dawn Elliott Catherine McGuinness Virginia Rounding
Trustees (the Governing Body)	Dawn Elliott (Chair) Oleander Agbetu Cllr Antoinette Bramble Tijs Broeke Amanda Brown Sophie Conway (resigned 1 October 2018) Anuja Dhir Mark Essex (appointed 27 September 2017) Anne Fairweather Rachel Halpin (resigned 13 September 2017) Rob Hortopp (appointed 27 September 2017) Jeffrey Kennelly (appointed on 27 September 2017, resigned 1 October 2018) Tamas Kiss (appointed 1 October 2018) Rita Krishna Katie Loven Mark Malcolm (Principal) Katy Ryder (appointed 12 January 2018, resigned 1 October 2018) Vladimir Savic (appointed 1 June 2018) Sheila Scales Anant Suchak Emily Vicary (resigned 9 November 2017) Stephen Webster Joshua White (resigned 27 September 2017) Aleksandra Zembron (appointed 12 January 2018, resigned 1 October 2018)

Reference and administrative information

Senior Leadership Team

Principal

Mark Malcolm

Vice Principals

Olu Alalade (resigned 12 March 2018)
Andy Cottrell (appointed 5 March 2018)
Prince Gennuh (resigned 1 January 2018)
Anna Sarchet (appointed 1 January 2018)
Kay Wood (appointed 1 September 2017)

Assistant Principals

Foezul Ali (resigned 15 April 2018)
Sheryl Ashton (resigned 31 December 2017)
Amy Britton
David Brown
Donovan Goulbourne (resigned 15 April 2018)
Kathryn James (appointed 1 January 2018)
Mhairi Stewart
Dawn Woodcock (appointed 1 September 2017)

Registered office

The City Academy, Hackney
Homerton Row
Hackney
London
E9 6EA

Company registration number

06382192 (England and Wales)

Independent auditor

Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Bankers

Natwest Bank plc
Finsbury Square Branch
PO Box 549
78 Finsbury Pavement
London
EC2A 1JA

Trustees' report (including the strategic report) Year to 31 August 2018

The Trustees of The City Academy, Hackney ('the Academy') present their statutory report together with the financial statements of the Academy for the year ended 31 August 2018. The annual report serves the purposes of both a Trustees' report for the purposes of charity law and a directors' report for the purposes of company law.

The report has been prepared in accordance with the Charities Act 2011.

The financial statements have been prepared in accordance with the accounting policies set out on pages 31 to 36 of the attached financial statements and comply with the Academy's memorandum and articles of association, applicable laws and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Academy is a company limited by guarantee with no share capital (Company Registration No. 06382192) and an exempt charity. The Academy's memorandum and articles of association are the primary governing documents of the Academy. Members of the Academy are nominated either by the Secretary of State for Education or the sponsors of the Academy, KPMG LLP and the City of London Corporation. The articles of association require that there should be at least three Trustees to be responsible for the statutory and constitutional affairs of the Academy and the management of the Academy.

Members' liability

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

Trustees' indemnities

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

Trustees' report (including the strategic report) Year to 31 August 2018

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Trustees

The Trustees are directors of the Academy for the purposes of the Companies Act and governors of the school. The following Trustees are in office and served throughout the year, except where shown:

Trustee	Status	Appointed/resigned
Dawn Elliott (appointed as Dawn Brook)	KPMG Governor (Chair from 1 September 2017)	
Oleander Agbetu	Parent Governor	
Cllr Antoinette Bramble	Local Authority Governor	
Tijs Broeke	City of London Corporation Governor	
Amanda Brown	KPMG Governor	
Sophie Conway	Parent Governor	Resigned 1 October 2018
Anuja Dhir	City of London Corporation Governor	
Mark Essex	KPMG Governor	Appointed 27 September 2017
Anne Fairweather	City of London Corporation Governor	
Rachel Halpin*	Non-teaching Staff Governor	Resigned 13 September 2017
Rob Hortopp	KPMG Governor	Appointed 27 September 2017
Jeff Kennelly	KPMG Governor	Resigned 1 October 2018
Tamas Kiss*	Non-teaching Staff Governor	Appointed 1 October 2018
Rita Krishna	Community Governor	
Katie Loven (appointed as Katie Dowbiggin)	City of London Corporation Governor	
Mark Malcolm*	Principal – Ex-officio	
Katy Ryder	Staff governor	Resigned 1 October 2018
Vladimir Savic	City of London Corporation Governor	Appointed 1 June 2018
Sheila Scales	Co-opted Governor	
Anant Suchak	Co-opted Governor	
Emily Vicary*	Teaching Staff Governor	Resigned 9 November 2017
Stephen Webster	Parent Governor	
Joshua White	KPMG Governor	Resigned 27 September 2017
Aleksandra Zembron	Staff Governor	Resigned 31 st August 2018

*Specific Trustees who are remunerated in their capacity as employees of the Academy. Further details are provided in note 9 to the financial statements.

None of the Trustees received any remuneration or reimbursement of out-of-pocket expenses in respect of their services as a Trustee during the year ended 31 August 2018 (2017 – none).

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Appointment or election of Trustees

The City of London Corporation shall appoint the City of London Corporation governors and KPMG shall appoint the KPMG governors. The Principal shall be treated for all purposes as being an ex-officio governor. The elected parent governors shall be elected by parents and carers of registered pupils at the Academy and elected staff governors shall be elected by Academy staff.

Training and induction of Trustees

Training and the induction of new Trustees is considered and facilitated depending on the level of their experience. All new Trustees are provided with copies of policies, procedures, minutes, financial statements, budgets, plans and other documents that they will need to undertake their role as Trustees. Trustees meet with the staff and students and are given a tour of the Academy. They are also referred to the Academy's Financial Handbook and the Academy's Funding Agreement.

Organisational structure

The organisational structure of the Academy consists of four levels:

- ◆ the full governing body / board of Trustees;
- ◆ the Committees (the Strategy Committee, Pay Committee, Resources Committee and the Curriculum Committee);
- ◆ under delegated power granted by the full governing body, small groups are appointed to conduct business within the remit given; and
- ◆ the Principal and Senior Leadership Team (SLT).

The governors, who are also the Trustees of the Academy, are responsible for:

- ◆ setting general policy;
- ◆ adopting an annual strategy and development plan and budget;
- ◆ monitoring the Academy by the use of budgets and making major decisions about the direction of the Academy;
- ◆ capital expenditure; and
- ◆ SLT appointments.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Organisational structure (continued)

Specific responsibilities have been delegated to the Committees by the governors.

The SLT, headed by the Principal, implements the policies as laid out by the governing body and, as authorised, takes day-to-day decisions on all matters that relate to the smooth running of the Academy's operations including set-up of operational systems, staff appointments, budget monitoring and stakeholder engagement. The SLT meets regularly to review strategic relationships between staff, students, parents and the governing body. Particular attention is given to issues of learning and ensuring that the Academy's goals and objectives continue to be achieved.

Arrangements for setting pay and remuneration of key management personnel

The key management personnel of the Academy comprises the Trustees and the Senior Leadership Team. The majority of the Academy's Trustees are volunteers who give their time and expertise without charge. The Principal, Teaching Staff Governor and the Non-Teaching Staff Governor are all Trustees but remunerated in their capacity as employees of the Academy. The remuneration of the Senior Leadership Team is set in line with the Academy's pay policy. The Academy's pay policy is designed to achieve a fair, equitable and transparent process of determining staff pay and awards. Salary levels of teaching and non-teaching staff are determined in accordance with the nationally agreed Teachers and Local Government Conditions of Service. In addition to that, the Academy has in place an annual performance management system that rewards achievement measured against individual, team and Academy targets.

The Pay Committee, which is a sub-committee of the full governing body, considers all issues related to staff pay and other conditions of employment or incentives that may impact on remuneration of key management.

Trade union facility time

The Academy was represented by one staff member, Katy Ryder, as the Trade Union representative during the period. Katy Ryder received no pay allowance or time quota for duties performed in this capacity.

Relevant union officials

Number of employees who were relevant union officials during the period	Full-time equivalent employee number
1	0.35

Trustees' report (including the strategic report) Year to 31 August 2018

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Percentage of time spent on facility time

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

Percentage of pay bill spent on facility time

Total cost of facility time	£nil
Total pay bill	£6,784,000
Percentage of the total pay bill spent on facility time	0%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as:	N/A – no specific allowance for facility time.
--	--

Connected organisations

The Academy is jointly sponsored by the City of London Corporation and KPMG LLP.

Each sponsor is able to appoint up to five governors to the Board. Currently Katie Loven, Anne Fairweather, Tijs Broeke, Anuja Dhir and Vladimir Savic are appointed by the City of London Corporation. Anne Fairweather and Tijs Broeke are members of the City of London Corporation. Dawn Elliott, Amanda Brown, Mark Essex and Rob Hortopp are appointed by KPMG LLP. Dawn Elliott, Mark Essex and Rob Hortopp are employees of KPMG LLP, Amanda Brown is a member of KPMG LLP and Anant Suchak is a co-opted governor and former member of KPMG LLP.

The sponsors have provided support to the Academy staff and students by way of their employees volunteering in the Academy; both have hosted visits to their offices for groups of students and between them have provided continued project management and health and safety services to the Academy. There has also been strategic advice and planning for community cohesion and engagement from the Corporate Responsibility team within KPMG LLP. KPMG LLP carried out a follow-up review to ascertain to what extent recommendations from the financial planning and procurement review carried out in 2016 were implemented.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Connected organisations (continued)

Both sponsors have also provided monetary donations to the Academy during the year. Further details of the transactions with the sponsors and other related parties are provided in note 16 to the financial statements.

The City of London Academies Trust and The City Academy, Hackney, which are both sponsored by the City of London Corporation, have worked very closely particularly in facilities management which is now contracted with City of London Academies Trust. The City Academy, Hackney provided facilities consultation to City of London Academy, Shoreditch Park.

OBJECTIVES AND ACTIVITIES

Objects and aims

The principal object and activity of the Academy is to advance, for the public benefit, education in the UK, in particular, by establishing, maintaining, managing and developing the Academy, to offer a broad curriculum with an emphasis on business and financial services.

The Trustees confirm that they have complied with their duties under section 4 of the Charities Act 2011. They have considered the public benefit guidance published by the Charity Commission and believe that they have followed its guidance in this area. The Trustees' report gives a description of the activities undertaken by the Academy during the period in furtherance of its charitable purposes, and the Trustees are satisfied that such activities provide public benefit.

The Academy has adopted the policies approved by the Secretary of State for Education. These policies specify, among other things, the basis for admitting students to the Academy and that the curriculum should comply with the substance of the national curriculum, with a strong emphasis on, but in no way limited to, business and financial services.

In furthering its principal object the Academy will seek to combine traditional values of good behaviour, attendance and achievement with providing first-class, creative learning opportunities that enable students to reach their full potential.

The main aims of the Academy are identified as follows:

- ◆ to provide a high quality education for students in Hackney and to pioneer education innovation;
- ◆ to offer a curriculum that is enjoyable, challenging and relevant;
- ◆ to enable students to fulfil their potential and to participate fully in society;
- ◆ to raise standards and aspirations for young people; and
- ◆ to build partnerships between local cultural organisations, businesses and education communities.

OBJECTIVES AND ACTIVITIES (continued)

Strategies and activities

For the year ended 31 August 2018, the Academy set the following strategies:

- ◆ delivering a wide curriculum with a specialism in business and financial services;
- ◆ engagement of sponsors' expertise in finance and enterprise to enrich the curriculum;
- ◆ encouraging the students to develop and embrace target-setting, team-working and leadership skills;
- ◆ building in the students a sense of professionalism and independence that promotes ambition and aspiration and ensures they are adequately equipped for future challenges;
- ◆ developing and enhancing the role of student leadership around the life and work of the Academy; and
- ◆ developing curriculum, ethos and independence for the Sixth Form.

The mission of the Academy is developing highly qualified and skilled young adults who achieve to the best of their ability, display the highest standards of professionalism and are ethical, active citizens fully committed to supporting their local and global community. The core values are:

- ◆ Leading by example.
- ◆ Commitment to communities.
- ◆ Working together.
- ◆ Honesty and openness.
- ◆ Respecting individuals.
- ◆ Fairness.
- ◆ Dedication to learning and achievement.

The strategic plan is broken down into four key objectives which are intended to deliver the following targets:

1. Outstanding achievement.
2. Outstanding teaching.
3. Outstanding behaviour and safety.
4. Outstanding leadership.

Trustees' report (including the strategic report) Year to 31 August 2018

STRATEGIC REPORT

Achievements and performance

The Academy successfully completed its eighth year of operations on 31 August 2018 with 1,113 pupils on roll. Below are the highlights of the academic results for the year. National Averages have been provided where available.

In 2018 74% achieved English and Mathematics GCSE compared with 77% in 2017. The National Average for 2017 was 64%. Students' achievements included:

- ◆ 31% three or more 7-9 grades (2017 – 44%).
- ◆ 59% one or more 7-9 grades (2017 – 89%).
- ◆ EBACC 4+ is at 53% (2017 - 59%) (National Average 2017 – 24%).

Lesson observation data identified 237 lessons graded, 48% outstanding, 47% good and 5% requiring improvement.

14 new teaching staff were appointed and their professional development throughout the year is a continuing factor in the number of Good observations

A Level

- ◆ 42% A*- B (2017 - 47%) (National Average – 53%)
- ◆ 68% A*- C (2017 - 79%) (National Average – 77%)
- ◆ 87% A*-D (2017 - 94%) (National Average – 91%)
- ◆ 98% A*- E (2017 - 98%) (National Average – 98%)

The purpose built Sixth Form Centre has accelerated the development of an enriched curriculum and afforded the students the desired independence and space to ensure they can achieve at the highest levels.

Going concern

Following appropriate monitoring of the Academy's finances the governing body has a reasonable expectation that adequate resources are available to continue operational existence for the foreseeable future and to meet liabilities as they fall in the following twelve months. For this reason, it continues to adopt the 'going concern' basis in preparing the financial statements. Further details regarding that basis can be found in the principal accounting policies.

STRATEGIC REPORT (continued)

Financial review

Financial report for the year

The DfE has provided funding in the year via the Education and Skills Funding Agency (ESFA). The Academy's total income for the year ended 31 August 2018 amounted to £9,565,000 (2017 - £9,129,000).

The Academy's operational General Annual Grant (GAG) allocation for the year was £8,052,000 (2017 - £7,860,000) which was fully utilised in-year once also allocated against a deficit GAG balance brought forward at 1 September 2017 of £488,000.

Excluding the movements on the fixed assets fund and the non-cash adjustments made in respect of the local government pension scheme, the Academy achieved a surplus of £807,000 (2017 – £317,000). The surplus includes a donation of £250,000 from the City of London which will be utilised in the 2018/19 financial year.

The Academy held total net assets at 31 August 2018 of £27,446,000 (2017 - £27,314,000).

Financial position and reserves policy

The Trustees continually review the reserves of the Academy. This review encompasses the nature of income and expenditure streams and the need to match them with commitments. The Academy requires reserves to ensure the stability of its operations, and the capability to adjust quickly to unfavourable financial circumstances, planned maintenance expenditure and on-going capital asset replacements and projects. This reserves policy remains a robust mechanism for ensuring that financial constraints are identified early and promptly acted upon.

The policy of the Academy is to aim towards a minimum of accumulated combined (restricted and unrestricted) operational reserves of £500,000. The challenges encountered in the development of the new Sixth Form Centre contributed to deficit reserves of £546,000 in 2016 and £488,000 at 31 August 2017. The in-year surplus of £488,000 (after £110,000 transfer from unrestricted funds) achieved on the General Annual Grant, moved the Academy back to a £Nil surplus position as at 31 August 2018 (2017 - deficit £488,000).

At 31 August 2018, the Academy had net current assets of £290,000 and the balance of restricted funds (excluding the fixed assets fund and pension reserve) were in surplus by £290,000. As noted above, this balance includes the unspent donation of £250,000 which will be utilised in the 2018/19 financial year. At 31 August 2018 the unrestricted general funds were £40,000 (2017: £Nil).

A rolling five-year plan is being used to model how operational and other life-cycle asset replacements will be funded.

STRATEGIC REPORT (continued)

Financial review

Investment policy

The Resources Committee of the governing body monitors the treasury management activities and strategies to ensure maximum returns are derived on Academy cash balances. This is done by ensuring that an appropriate proportion of surplus cash balances, when held, are invested in low-risk investment vehicles. Any amounts held as investment deposits are periodically reviewed by Resources Committee. This is aimed at ensuring that adequate cash resources are available to meet daily business requirements and that major changes to investments held are duly authorised. The Academy currently has no cash investments at the year-end due to the full utilisation of its reserves on the building of the new Sixth Form Centre. The investment return has therefore continued to be low for the year ended 31 August 2018.

Principal risks and uncertainties

A risk register has been developed and reviewed by the Trustees assessing the major risks to which the Academy is exposed, in particular those relating to teaching, provision of facilities and other operational areas of the Academy, and its finances. Systems have been implemented, including operational procedures and internal financial controls to minimise risk. In addition to this, the Senior Leadership Team has been delegated risk management responsibilities by the Trustees to ensure monitoring and the matching of key controls to identified risks. Where significant financial and operational risk still remains, the Academy has opted into the Department for Education's Risk Protection Arrangement (RPA) to protect against unexpected losses. The following are the principal risks and uncertainties facing the Academy:

- ◆ **Funding risk** – Like all schools, the Academy is at risk of reduced funding. The Academy has recognised this risk and is putting in place measures to uplift pupil numbers in its lower school and post-16. The Academy is making concerted efforts to increase pupil numbers in years 7, 8 and 9 to between 190 and 200 from 180. In addition, with the completion of the Sixth Form building, the Key Stage 5 pupil numbers are projected to rise from 209 to 300 in the future.
- ◆ **Pupil number risk** – The above mentioned funding risk will be exacerbated if the Academy fails to achieve the desired pupil numbers.
- ◆ **Cash flow risk** – The cash position improved at year-end with a cash balance of £654,000. However, cash flow planning remains essential to ensure that seasonal variations in income and expenditure can be met, with sufficient cash to meet day-to-day operational requirements. The Academy maintains a weekly cash flow forecasting system that ensures cash balances and movements are planned in such a way that financial commitments are taken into consideration and that sufficient funds remain available to meet normal day to day operational requirements.

Trustees' report (including the strategic report) Year to 31 August 2018

STRATEGIC REPORT (continued)

Financial and risk management objectives and policies

The Resources Committee of the Trustees monitors the performance of the Academy's cash resource to ensure funds are available at all times to meet everyday business activity requirements.

The Academy seeks to identify risks and take action to reduce the probability of them materialising and/or to limit their impact. While the timing of such events is unpredictable, it is usually possible to identify the probability of them occurring. The Academy continues to review the risk register regularly so as to prevent the chances of surprises adversely affecting the Academy and thereby increase the confidence of its internal and external stakeholders.

Within this framework, the Senior Leadership Team (SLT) recommends and presents the risk register including key risks and related actions to the Trustees for approval as appropriate. Following approval, the systems are implemented and the SLT consistently ensures that the system is functioning effectively. In addition, the risk register is presented to both the Resources and Curriculum Sub-Committees of the Trustees highlighting the significant risks and thus provides them with an opportunity to appreciate the Academy's position and raise queries that relate to individual or collective risks and agree any necessary actions.

FUNDRAISING

The Academy has not undertaken any fundraising activities during the year.

PLANS FOR FUTURE PERIODS

The Academy has the following key objectives for the future:

- ◆ To continue improving the Sixth Form progress, attainment, teaching and learning and enrichment provision;
- ◆ To continue to raise students' progress and attainment at GCSE with a focus on targeted intervention, knowledge learning and exam readiness;
- ◆ To recruit more pupils into the Academy by maintaining the outstanding reputation;
- ◆ To instil a culture of belief-led leadership where all adults are certain of, and committed to, students' attainment;
- ◆ To continue the relentless pursuit of the highest expectations driven by Academy sponsors and leadership at all levels;
- ◆ To continue to attract and recruit the highest quality of staff and achieve the 'preferred employer' status within the sector;
- ◆ To continue to develop the Schools Direct teacher training programme and to support existing staff with continued professional development; and
- ◆ To maintain the OFSTED outstanding rating by regular self-evaluation, robust external scrutiny and rigorous implementation of recommendations.

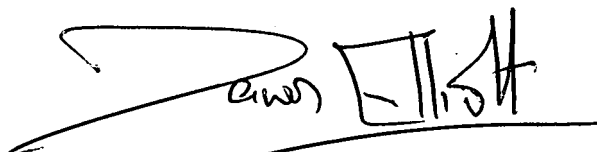
STRATEGIC REPORT (continued)

AUDITOR

Insofar as the Trustees are aware:

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

Trustees' report, incorporating a strategic report, approved by order of the Trustees and signed on their behalf by:

A handwritten signature in black ink, appearing to read 'Dawn Elliott', with a long horizontal line extending from the end of the signature.

Dawn Elliott (appointed as Dawn Brook)
Chair of Trustees

Approved on: 12 December 2018

Governance statement Year to 31 August 2018

Scope of responsibility

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

The Trustees have delegated the day-to-day responsibility to the Principal, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between the Academy and the Secretary of State for Education. The Principal is also responsible for reporting to the 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 Trustees have formally met three times during the year. Attendance during the year at meetings of the Trustees was as follows:

Trustee	Meetings attended	Out of a possible
Dawn Elliott (Chair)	3	3
Oleander Agbetu	3	3
Cllr Antoinette Bramble	3	3
Tijs Broeke	3	3
Amanda Brown	3	3
Sophie Conway	2	3
Anuja Dhir	2	3
Mark Essex	2	3
Anne Fairweather	3	3
Rachel Halpin	1	1
Rob Hortopp	3	3
Jeff Kennelly	2	3
Rita Krishna	3	3
Katie Loven	1	3
Mark Malcolm (Principal)	3	3
Vladimir Savic	0	1
Sheila Scales	3	3
Anant Suchak	3	3
Emily Vicary	2	3
Stephen Webster	3	3
Joshua White	0	0

Governance statement Year to 31 August 2018

Governance (continued)

An "Audit Issues" group meets, as part of the Resources Committee, to review the risks to internal financial controls and the findings of external auditors of the Academy. Members' attendance at meetings in the year was as follows:

Trustee/Committee member	Meetings attended	Out of a possible
Rita Krishna	2	2
Dawn Elliott	2	2
Anant Suchak	2	2

The Resources Committee is also a sub-committee of the main board of Trustees. Its purpose is to monitor the school budget for the use of resources. Members' attendance at meetings in the year was as follows:

Trustee/Committee member	Meetings attended	Out of a possible
Dawn Elliott (Chair)	5	6
Anant Suchak	5	6
Anne Fairweather	6	6
Amanda Brown	4	6
Rob Hortopp	2	6
Oleander Ogbetu	2	6
Tijs Broeke	2	6
Vladimir Savic (appointed 1 June 2018)	0	0

From 2018/19, audit matters are being discussed as an "Audit Issues" agenda item within the Resources Committee meeting.

Governance review

During the year, the governing body considered its constitution, governance and skills using questionnaires. It was determined that:

- ◆ The Trustees have sufficient skills, experience, time and resources; and
- ◆ Overall governance is strong and effective.

Governance and skills will continue to be kept under review during the year to 31 August 2019. There has been an increase in the number of governors during the year to ensure the size, composition and skills of the governing body remains fit for purpose.

Review of value for money

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

The Accounting Officer considers how the Academy's use of its resources has provided good value for money during the academic year, and reports to the board of Trustees where value for money can be improved, including the use of benchmarking data where available. The Accounting Officer for the Academy has delivered and improved value for money during the year by:

1) Maintain exceptional pupil progress

Pupils in City Academy, Hackney consistently make exceptional progress. The excellent attainments in the GCSE and GCE results are evidence of a non-compromising high performing teaching and learning environment focussed on achieving high standards of progress for pupils from different backgrounds. This is especially important given that intakes are at or below national average without any socially selective admission criteria.

2) Review of existing systems, processes and contracts

The Academy has adopted a strategic approach to redefining its processes for agency staff engagement. With due consultation and consideration for staff loadings, it has become possible to identify an efficient system of utilising internally available resources before engaging external agency cover. In addition, critical success factors have been identified and deployed in developing key performance indicators used to measure and monitor service delivery levels within the Facilities Management and Catering contract. The recent retendering of the Facilities Management contract in conjunction with the City of London Academies Trust delivered some cost efficiencies and noticeable improvement in the quality of service. These interventions continue to ensure that resources deployed are achieving the desired outcomes.

3) Maximising community engagement

The Academy continues to work in partnership with local community organisations. These include BADU Sports football club which runs a football development centre for young people in Hackney. This is done through the use of the Academy's sports hall and astro-turf facilities. Over 60 young people attend a regular Tuesday football club. On designated days and holiday camps, over 350 young people in Hackney access the facilities and with the excellent football coaching and mentoring prowess of BADU Sports, these young people receive training skills that help them on and off the pitch.

A second partnership continues with Sporting Hackney, to keep young people engaged in sport from youth to adult football, and through its 'Beyond Every Kick' initiative to develop non-academic skills through football. Participants predominantly come from Hackney and surrounding boroughs, with a large number having attended the Academy as students. The Academy provides training facilities for this club.

Governance statement Year to 31 August 2018

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Academy's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at the Academy throughout the year ended 31 August 2018 and up to the date of approval of the annual report and financial statements. An internal audit process is now in place, with a peer audit conducted by the Chief Financial Officer of the City of London Academies Trust in August 2018. This identified areas where internal controls could be strengthened, and these are being actioned in 2018/19.

Capacity to handle risk

The Trustees have reviewed the key risks to which the Academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Trustees are of the view that there is an ongoing process for identifying, evaluating and managing the Academy's significant risks that has been in place for the year ended 31 August 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by Trustees.

The risk and control framework

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

- ◆ budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Trustees;
- ◆ regular reviews by the Resources 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;
- ◆ identification and management of risks.

The Trustees have considered the need for a specific internal audit function and have decided not to appoint an internal auditor. In 2016/17, a pro-bono visit was undertaken by the KPMG Assessment Team between August and September 2016 which considered financial planning, control and procurement. A follow up visit took place in October 2017 with the aim of assessing the extent to which the recommendations arising from the initial visit had been implemented. Findings from the follow up visit were issued in October 2017 and there were no significant concerns.

Governance statement Year to 31 August 2018

The risk and control framework (continued)

During August 2018 a financial internal audit was undertaken by the City of London Academy Trust. The findings were presented to the Resource Committee. While there were no significant concerns, some areas where controls could be strengthened have been identified, and these will be acted upon in 2018/19.

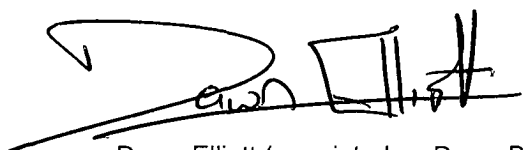
Review of effectiveness

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

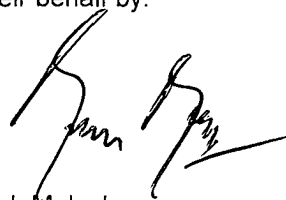
- ◆ the internal audit programme undertaken by the City of London Academy Trust;
- ◆ the work of the external auditor;
- ◆ the financial management and governance self-assessment process;
- ◆ the work of the Senior Leadership Team within the Academy who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has advised the Resources Committee of the implications of his review of the system of internal control and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the Trustees and signed on their behalf by:



Dawn Elliott (appointed as Dawn Brook)
Chair of Trustees



Mark Malcolm
Principal and Accounting Officer

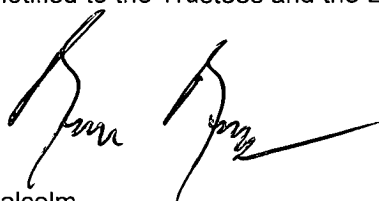
Approved on: 12 December 2018

Statement on regularity, propriety and compliance Year to 31 August 2018

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

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

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



Mark Malcolm
Principal and Accounting Officer

Date: 12/12/2018

Statement of Trustees' responsibilities Year to 31 August 2018

The Trustees (who act as governors of The City Academy, Hackney ('the Academy') and are also the directors of the Academy for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with the Annual Accounts Direction issued by the Education 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 Academy and of its income and expenditure for that period. In preparing these financial statements, the Trustees are required to:

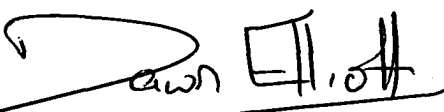
- ♦ select suitable accounting policies and then apply them consistently;
- ♦ observe the methods and principles in the Charities' SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- ♦ make judgments and estimates that are reasonable and prudent;
- ♦ state whether applicable United Kingdom 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 Academy will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Academy's transactions and disclose with reasonable accuracy at any time the financial position of the Academy 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 Academy 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 Academy applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the ESFA/DfE have been applied for the purposes intended.

The Trustees are responsible for the maintenance and integrity of the charity and financial information included on the Academy'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 Trustees and signed on their behalf by:


Dawn Elliott (appointed as Dawn Brook)
Chair of Trustees

12 December 2018

Approved on:

Independent auditor's report 31 August 2018

Independent auditor's report to the members of The City Academy, Hackney

Opinion

We have audited the financial statements of The City Academy, Hackney (the 'charitable company') for the year ended 31 August 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (the Charities SORP 2015) and the Academies Accounts Direction 2017 to 2018.

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 2018 and of its income and expenditure for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006; and
- ◆ have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2017 to 2018.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 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.

Conclusions relating to going concern

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

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

Independent auditor's report 31 August 2018

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.

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 including the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the Trustees' report including the strategic report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' report including the 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 Trustees' responsibilities statement, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they

Responsibilities of Trustees (continued)

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 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.



Katharine Patel (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

19 December 2018

Independent reporting accountant's report on regularity 31 August 2018

Independent reporting accountant's assurance report on regularity to The City Academy, Hackney and the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 23 July 2018 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The City Academy, Hackney ('the Academy') during the period from 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of the Academy's Accounting Officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of the Academy's funding agreement with the Secretary of State for Education dated 6 March 2008 and the Academies Financial Handbook, extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

Approach

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

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

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

Independent reporting accountant's report on regularity 31 August 2018

Approach (continued)

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

The work undertaken to draw to our conclusion includes:

- ◆ An assessment of the risk of material irregularity and impropriety across all of the Academy's activities;
- ◆ Further testing and review of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- ◆ Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Conclusion

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



Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

19 December 2018

Statement of financial activities Year to 31 August 2018
(including Income and Expenditure Account)

		Restricted funds				
	Notes	Unrestricted funds £'000	General funds £'000	Fixed assets fund £'000	2018 Total funds £'000	2017 Total funds £'000
Income from:						
Donations and capital grants	2	72	388	23	483	295
Charitable activities						
Funding for the Academy's educational operations	3	14	8,856	—	8,870	8,731
Other trading activities	4	92	119	—	211	101
Investments	5	1	—	—	1	2
Total income		179	9,363	23	9,565	9,129
Expenditure on:						
Charitable activities						
Academy's educational operations	7	—	8,966	1,163	10,129	10,233
Total expenditure	6	—	8,966	1,163	10,129	10,233
Net income (expenditure) before transfers		179	397	(1,140)	(564)	(1,104)
Transfers between funds	15	(139)	110	29	—	—
Net income (expenditure) after transfers		40	507	(1,111)	(564)	(1,104)
Other recognised gains and losses						
Actuarial gains on defined benefit pension scheme	21	—	696	—	696	282
Net movement in funds		40	1,203	(1,111)	132	(822)
Reconciliation of funds						
Total funds brought forward at 1 September 2017		—	(1,912)	29,226	27,314	28,136
Total funds carried forward at 31 August 2018		40	(709)	28,115	27,446	27,314

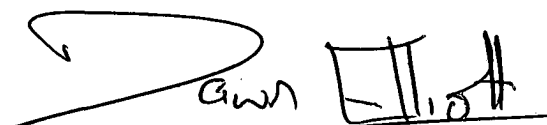
All of the Academy's activities derive from continuing operations during the above two financial periods.

All recognised gains and losses are included in the above statement of financial activities.

Balance sheet 31 August 2018

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Tangible fixed assets	12		28,115		29,226
Current assets					
Debtors	13	228		254	
Cash at bank and in hand		654		306	
		882		560	
Liabilities					
Creditors: amounts falling due within one year	14a	(592)		(898)	
Net current assets (liabilities)			290		(338)
Total assets less current liabilities			28,405		28,888
Creditors: amounts falling due after one year	14b		—		(150)
Net assets excluding pension scheme liability			28,405		28,738
Defined benefit pension scheme liability	21		(959)		(1,424)
Total net assets			27,446		27,314
The funds of the Academy:					
Restricted funds					
Fixed asset fund	15		28,115		29,226
ESFA restricted income fund	15		250		(488)
Pension reserve	15		(959)		(1,424)
Total restricted funds			27,406		27,314
Unrestricted income funds					
General fund	15		40		—
Total funds			27,446		27,314

Approved by the Trustees of The City Academy, Hackney (Company Registration No. 06382192 (England and Wales)) and signed on their behalf by:



Dawn Elliott (appointed as Dawn Brook)
Chair of Trustees

Approved on: 12 December 2018

Statement of cash flows Year to 31 August 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Net cash provided by operating activities	A	526	210
Cash flows from investing activities	B	(28)	(257)
Cash flows from financing activities	C	(150)	—
Change in cash and cash equivalents in the year		348	(47)
Reconciliation of net cash flow to movement in net funds:			
Cash and cash equivalents at 1 September 2017		306	353
Cash and cash equivalents at 31 August 2018	D	654	306

A Cash flows from operating activities

	2018 £'000	2017 £'000
Net expenditure for the year (as per the statement of financial activities)	(564)	(1,104)
Adjusted for:		
Depreciation (note 12)	1,163	1,184
Capital grants from DfE and other capital income (note 2)	(23)	(22)
Interest receivable (note 5)	(1)	(2)
Defined benefit pension scheme cost less contributions payable (note 21)	193	226
Defined benefit pension scheme finance cost (note 21)	38	33
Decrease (increase) in debtors	26	(5)
Decrease in creditors	(306)	(100)
Net cash provided by operating activities	526	210

B Cash flows from investing activities

	2018 £'000	2017 £'000
Dividends and interest from investments	1	2
Purchase of tangible fixed assets	(52)	(281)
Capital grants from DfE/ESFA	23	22
Net cash used in investing activities	(28)	(257)

Statement of cash flows Year to 31 August 2018

C Cash flows from financing activities

	2018 £'000	2017 £'000
Repayments of borrowing	(150)	—
Net cash used in financing activities	(150)	—

D Analysis of cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	654	306
Total cash and cash equivalents	654	306

Statement of accounting policies

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

Basis of preparation

The financial statements of the Academy have been prepared under the historical cost convention (unless otherwise stated in the relevant accounting policies below or the notes to the financial statements) in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP 2015), the Academies Accounts Direction 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

The City Academy, Hackney meets the definition of a public benefit entity under FRS 102.

The financial statements are presented in sterling to the nearest thousand pounds.

Going concern

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

The Trustees have concluded that the Academy has adequate resources to continue in operational existence for the foreseeable future and to meet liabilities as they fall due for a period of at least 12 months following the Trustees' approval of these financial statements.

Principal accounting policies 31 August 2018

Income

All income is recognised when the Academy 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.

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

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

Sponsorship income

Sponsorship income provided to the Academy 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.

Investment income and interest receivable

Such income is included within the statement of financial activities on a receivable basis.

Other income

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

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.

Charitable activities

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

All expenditure is stated net of recoverable VAT.

Principal accounting policies 31 August 2018

Tangible fixed assets

All assets costing more than £1,000 and with an expected useful life exceeding one year are capitalised. All professional fees and other associated costs incurred as part of the capital development works have been capitalised, irrespective of value.

Depreciation is charged on a straight line basis beginning in the year in which the asset is brought into use, over the following periods:

♦ Buildings	50 years
♦ Computer equipment	3 years
♦ Plant and machinery	15 years
♦ Office equipment	5 years
♦ Furniture and fittings	10 years

Assets under construction are not depreciated until the works are complete.

Where fixed assets have been acquired with the aid of specific grants, they are included in the balance sheet at cost and are depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund (in the statement of financial activities and carried forward in the balance sheet). The depreciation on such assets is charged in the statement of financial activities over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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

Provisions

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

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

Leased assets

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

Financial instruments

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

Financial instruments (continued)

Financial assets – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost. Prepayments are not financial instruments.

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

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

Taxation

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

Pensions benefits

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

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

Pensions benefits (continued)

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

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

Debtors

Debtors are recognised at their settlement amount less any provision for non-recoverability. Prepayments are valued at the amounts prepaid.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand.

Investments

Investments are included on the balance sheet at market value. Realised and unrealised gains (or losses) are credited (or debited) to the statement of financial activities in the year in which they arise.

Fund accounting

The unrestricted general fund represents those monies that are freely available for application towards achieving any charitable purpose that falls within the Academy's charitable objects.

Restricted funds comprise monies raised for, or their use restricted to, a specific purpose, or contributions subject to donor imposed conditions.

Designated funds comprise monies set aside out of unrestricted general funds for specific future purposes or projects.

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and areas of judgement (continued)

The Academy 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 for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.
- ◆ The net book value of tangible fixed assets is based on the original cost of the asset net of provision for depreciation. The depreciation provision to date is based on the Trustees' assessment of the estimated useful economic lives of such assets.

Notes to the financial statements 31 August 2018

1 General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, during the year ended 31 August 2018, the Academy was subject to limits on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes. These limits were not exceeded during the year ended 31 August 2018.

2 Donations and capital grants

	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed assets funds £'000	2018 Total funds £'000	2017 Total funds £'000
Capital grants	—	—	23	23	22
Other donations	72	388	—	460	273
	72	388	23	483	295

3 Funding for the Academy's educational operations

	Unrestricted funds £'000	Restricted funds £'000	2018 Total funds £'000	2017 Total funds £'000
DfE/ESFA grants				
General Annual Grant (GAG)	—	8,052	8,052	7,860
Start Up grants	—	—	—	39
Other DfE/ESFA grants	—	579	579	581
	—	8,631	8,631	8,480
Other Government grants				
Local Authority grants	—	225	225	246
	—	225	225	246
Other income from the Academy's educational operations				
	14	—	14	5
Total	14	8,856	8,870	8,731

Notes to the financial statements 31 August 2018

4 Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	2018 Total funds £'000	2017 Total funds £'000
Hire of facilities	54	—	54	34
School trips	—	61	61	25
Music tuition	—	—	—	13
Consultancy	—	—	—	15
Catering income	—	58	58	—
Miscellaneous income	38	—	38	14
	92	119	211	101

5 Investment income and interest receivable

	Unrestricted funds £'000	Restricted funds £'000	2018 Total funds £'000	2017 Total funds £'000
Interest receivable	1	—	1	2

6 Expenditure

		Non pay expenditure				
	Staff costs (note 9) £'000	Premises costs £'000	Other costs £'000	Total 2018 £'000	Total 2017 £'000	
Charitable activities						
Academy's educational operations (note 7)						
. Direct costs	4,953	1,163	635	6,751	6,910	
. Support costs	1,831	800	747	3,378	3,323	
	6,784	1,963	1,382	10,129	10,233	

Net expenditure for the year includes:

	2018 £'000	2017 £'000
Depreciation	1,163	1,184
Auditors' remuneration		
. Audit	17	16
. Other services	2	3
Operating lease rentals - equipment	37	27

Notes to the financial statements 31 August 2018

7 Charitable activities – Educational operations

	2018 Total funds £'000	2017 Total funds £'000
Direct costs	6,751	6,910
Support costs (see below)	3,378	3,323
	10,129	10,233

	2018 Total funds £'000	2017 Total funds £'000
Analysis of support costs		
Support staff costs	1,831	1,954
Technology costs	244	151
Premises costs	800	762
Other support costs	485	433
Governance costs	18	23
Total support costs	3,378	3,323

Notes to the financial statements 31 August 2018

8 Comparative information

Analysis of income and expenditure in the year ended 31 August 2017 between restricted and unrestricted funds:

	Unrestricted funds £'000	Restricted funds		2017 Total funds £'000
		General funds £'000	Fixed assets fund £'000	
Income from:				
Donations and capital grants	119	154	22	295
Charitable activities				
· Funding for the Academy's educational operations	5	8,726	—	8,731
Other trading activities	76	25	—	101
Investments	2	—	—	2
Total income	202	8,905	22	9,129
Expenditure on:				
Charitable activities				
· Academy's educational operations	—	9,049	1,184	10,233
Total expenditure	—	9,049	1,184	10,233
Net income (expenditure) before transfers	202	(144)	(1,162)	(1,104)
Transfers between funds	(202)	(57)	259	—
Net expenditure after transfers	—	(201)	(903)	(1,104)
Other recognised gains and losses				
Actuarial gains on defined benefit pension scheme	—	282	—	282
Net movement in funds	—	81	(903)	(822)
Reconciliation of funds				
Total funds brought forward at 1 September 2016	—	(1,993)	30,129	28,136
Total funds carried forward at 31 August 2017	—	(1,912)	29,226	27,314

Notes to the financial statements 31 August 2018

9 Staff

(a) Staff costs

Staff costs comprise:

	2018 Total funds £'000	2017 Total funds £'000
Wages and salaries	5,201	5,504
Social security costs	541	564
Operating costs of defined benefit pension schemes	878	976
	6,620	7,044
Supply staff costs	164	61
	6,784	7,105

(b) Staff numbers

The average number of persons (including senior management team) employed by the Academy during the year ended 31 August 2018 was as follows:

	2018 Number	2017 Number
Teachers	77	100
Administration and support	66	65
Management	13	11
	156	176

(c) Higher paid staff

The number of employees who earned a salary of £60,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the period was as follows:

	2018 Number	2017 Number
£60,001 - £70,000	6	5
£70,001 - £80,000	2	1
£100,001 - £110,000	—	1
£110,001 - £120,000	1	—
	9	7

(d) Key management personnel

The key management personnel of the Academy comprise the Trustees and the Senior Leadership Team as listed on page 1. The total amount of employee benefits (including employer pension contributions and national insurance contributions) received by key management personnel for their services to the Academy was £980,726 (2017: £886,292).

Notes to the financial statements 31 August 2018

10 Trustees' remuneration and expenses

The Principal and Staff Governors only receive remuneration in respect of services they provide undertaking their role as employees of the Academy and not in respect of their services as Trustees. Other Trustees did not receive any payments from the Academy in respect of their role as Trustees. The value of Trustees' remuneration was as follows:

	2018 £'000	2017 £'000
Mark Malcolm, Principal*		
. Remuneration	110 - 115	105 - 110
. Employer's pension contributions	15 - 20	15 - 20
Rachel Halpin, Staff Governor		
. Remuneration	0 - 5	30 - 35
. Employer's pension contributions	0 - 5	5 - 10
Emily Vicary, Staff Governor		
. Remuneration	5 - 10	35 - 40
. Employer's pension contributions	0 - 5	5 - 10
Katy Ryder, Staff Governor		
. Remuneration	5 - 10	N/A
. Employer's pension contributions	0 - 5	N/A

* Mark Malcolm was Acting Principal from 1 September 2016 to 23 January 2017 and Principal from 24 January 2017

No Trustee claimed reimbursement of out of pocket expenses incurred in connection with their duties during the year (2017 - £nil).

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

Other related party transactions are set out in note 16.

11 Taxation

The Academy is an exempt charity and therefore is not liable to income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to charities.

Notes to the financial statements 31 August 2018

12 Tangible fixed assets

	Leasehold buildings £'000	Computer equipment £'000	Plant and machinery £'000	Furniture and equipment £'000	Total £'000
Cost					
At 1 September 2017	30,653	2,103	5,799	1,350	39,905
Additions	—	48	1	3	52
At 31 August 2018	30,653	2,151	5,800	1,353	39,957
Depreciation					
At 1 September 2017	4,716	2,035	2,891	1,037	10,679
Charge for the year	616	54	387	106	1,163
At 31 August 2018	5,332	2,089	3,278	1,143	11,842
Net book values					
At 31 August 2018	25,321	62	2,522	210	28,115
At 31 August 2017	25,937	68	2,908	313	29,226

From 12 March 2008 the Academy had a 125 year long lease granted by the London Borough of Hackney for the land on which the Academy was constructed. This has not been included in these financial statements because the site is designated for educational purposes only and has no open market value.

13 Debtors

	2018 £'000	2017 £'000
Trade debtors	24	27
VAT recoverable	55	53
Other debtors	4	—
Prepayments and accrued income	145	174
	228	254

Notes to the financial statements 31 August 2018

14a Creditors: Amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	310	204
Taxation and social security	135	140
Amounts due to the ESFA	—	198
Accruals and deferred income	143	258
Other creditors	4	98
	592	898
	2018 £'000	2017 £'000
Deferred income		
Deferred income at 1 September 2017	46	208
Amounts released from previous years	(46)	(208)
Resources deferred in the year	64	46
Deferred income at 31 August 2018	64	46

Deferred income in the main relates to cash received specifically for the 2018/19 financial year including deposits for school trips and devolved formula capital funding.

14b Creditors: Amounts falling due after one year

At 31 August 2018, a balance of £nil (2017 - £150,000) was owed to the City of London Corporation. The balance was in respect of an interest free cash advance which was due to repaid in full by 30 June 2019.

Notes to the financial statements 31 August 2018

15 Restricted funds

The funds of the Academy include restricted funds comprising the following unexpended balances of grants held for specific purposes:

	At 1 September 2017 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	At 31 August 2018 £'000
Restricted general ESFA funds					
General Annual Grant (GAG)	(488)	8,052	(7,674)	110	—
Start Up Grant	—	—	—	—	—
Pupil Premium	—	494	(494)	—	—
Other specific ESFA grants	—	85	(85)	—	—
Local authority grants	—	225	(225)	—	—
Other restricted income	—	507	(257)	—	250
Pension reserve	(1,424)	—	(231)	696	(959)
	<u>(1,912)</u>	<u>9,363</u>	<u>(8,966)</u>	<u>806</u>	<u>(709)</u>
Restricted fixed asset funds					
ESFA capital grant	25,492	23	(1,163)	—	24,352
Other capital grants	3,734	—	—	29	3,763
	<u>29,226</u>	<u>23</u>	<u>(1,163)</u>	<u>29</u>	<u>28,115</u>
Total restricted funds	<u>27,314</u>	<u>9,386</u>	<u>(10,129)</u>	<u>835</u>	<u>27,406</u>
Unrestricted funds					
General funds	—	179	—	(139)	40
Total unrestricted funds	<u>—</u>	<u>179</u>	<u>—</u>	<u>(139)</u>	<u>40</u>
Total funds	<u>27,314</u>	<u>9,565</u>	<u>(10,129)</u>	<u>696</u>	<u>27,446</u>

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

ESFA revenue grant fund and other restricted funds

These grants relate to the Academy's development and operational activities.

General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, the Academy Trust was subject to a limit on the amount of GAG that it could carry forward at 31 August 2018. Note 1 discloses whether the limit was exceeded.

Fixed asset funds

These grants relate to capital funding to carry out works of a capital nature. Net transfers to the restricted fixed assets fund represents the utilisation of other restricted and unrestricted funds towards the financing of the Academy's tangible fixed assets.

Pension reserve

The pension reserve relates to the Academy's share of the deficit of the Local Government Pension Scheme.

Notes to the financial statements 31 August 2018

15 Restricted funds (continued)

Comparative information

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

	At 1 September 2016 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	At 31 August 2017 £'000
Restricted general funds					
General Annual Grant (GAG)	(546)	7,860	(7,745)	(57)	(488)
Start Up Grant	—	39	(39)	—	—
Pupil Premium	—	494	(494)	—	—
Other specific ESFA grants	—	87	(87)	—	—
Local authority grants	—	246	(246)	—	—
Other restricted income	—	179	(179)	—	—
Pension reserve	(1,447)	—	(259)	282	(1,424)
	<u>(1,993)</u>	<u>8,905</u>	<u>(9,049)</u>	<u>225</u>	<u>(1,912)</u>
Restricted fixed asset funds					
ESFA capital grant	26,654	22	(1,184)	—	25,492
Other capital grants	3,475	—	—	259	3,734
	<u>30,129</u>	<u>22</u>	<u>(1,184)</u>	<u>259</u>	<u>29,226</u>
Total restricted funds	<u>28,136</u>	<u>8,927</u>	<u>(10,233)</u>	<u>484</u>	<u>27,314</u>
Unrestricted funds					
General funds	—	202	—	(202)	—
Total unrestricted funds	<u>—</u>	<u>202</u>	<u>—</u>	<u>(202)</u>	<u>—</u>
Total funds	<u>28,136</u>	<u>9,129</u>	<u>(10,233)</u>	<u>282</u>	<u>27,314</u>

Notes to the financial statements 31 August 2018

15 Analysis of net assets between funds

		Restricted funds		
	Unrestricted general funds £	General funds £	Fixed assets fund £	2018 Total funds £
Fund balances at 31 August 2018 are represented by:				
Tangible fixed assets	—	—	28,115	28,115
Current assets	40	842	—	882
Current liabilities	—	(592)	—	(592)
Pension scheme liability	—	(959)	—	(959)
Total net (liabilities) assets	40	(709)	28,115	27,446

16 Related party transactions

The City of London Corporation and KPMG LLP are the sponsors of the Academy, and as described in the Trustees' report, each have the right to nominate up to five governors. Details of sponsor appointed governors are set out in the Trustees' report.

The City of London Corporation provides occupational health services to the Academy. In the year ended 31 August 2018 £230 (2017 - £320) was spent on such services.

The City of London Corporation donated £382,000 towards additional teaching, support and GDPR compliance. Of this amount, £250,000 will be utilised in 2018/19. In 2017/18 a donation of £132,000 went towards overseas trips for modern foreign languages, implementation of the new school database (SIMS), the Duke of Edinburgh Award Scheme and additional year 11 interventions.

In 2017, The City of London Corporation provided a cash advance of £400,000 to the Academy. At 31 August 2018, there was an outstanding balance of £Nil (2017 - £150,000). See note 14b for further details.

The City of London Corporation is also a sponsor of the City of London Academies Trust. During the year ended 31 August 2018, The City Academy, Hackney charged the City of London Academies Trust £10,000 (2017 - £15,000) for consultancy services.

KPMG LLP, its staff and partners donated £45,913 which was used towards a work related learning coordinator for the Sixth Form and other educational initiatives (2017 - £93,496).

All of the above transactions were undertaken at arm's length and in accordance with the Academy's normal policies and procurement procedures.

Notes to the financial statements 31 August 2018

17 Commitments under operating leases

Operating leases

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

	Office equipment	
	2018 £'000	2017 £'000
Amounts due within one year	18	38
Amounts due between two and five years inclusive	17	19
	35	57

18 Members' liability

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

20 Contingent liabilities

The Academy has an ongoing funding agreement with the ESFA. This agreement is subject to termination by the Secretary of State or by the Academy by not less than seven years notice.

During the period of the agreement in the event of a sale, or disposal by any other means, of any asset for which a capital grant was received by the Academy, the Academy shall, if it does not reinvest the proceeds, repay to the ESFA the same proportion of the proceeds as equates with the proportion of the original cost funded by the ESFA.

Upon termination of the funding agreement for any reason the Academy would be required to refund to ESFA a capital sum. This sum is determined by the value of the site and premises and any other assets used for the purposes of the Academy together with the proportion of original funding made by ESFA. It is likely however that such sum would be waived if the Academy site and premises were transferred to the Local Authority at nil consideration.

21 Pension and similar obligations

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

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

No contributions amounting were payable to the schemes at 31 August 2018 (2017: £97,756).

21 Pension and similar obligations (continued)

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

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

The TPS valuation for 2012 determined an employer rate of 16.48%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 September 2019.

21 Pension and similar obligations (continued)

Teachers' Pension Scheme (continued)

The employer's pension costs paid to TPS in the period amounted to £543,424 (2017 - £596,399).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

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

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £207,000 (2017 - £223,000), of which employer's contributions totalled £146,000 (2017 - £157,000) and employees' contributions totalled £61,000 (2017 - £66,000).

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

	At 31 August 2018	At 31 August 2017
Principal actuarial assumptions		
Rate of increase in salaries	3.4%	3.5%
Rate of increase for pensions	2.3%	2.4%
Discount rate for scheme liabilities	2.8%	2.5%
Inflation assumption (CPI)	2.3%	2.4%

	At 31 August 2018 Years	At 31 August 2017 Years
Life expectancy assumptions		
<i>Retiring today</i>		
Males	22.2	22.2
Females	24.2	24.2
<i>Retiring in 20 years</i>		
Males	23.6	23.6
Females	25.7	25.7

Notes to the financial statements 31 August 2018

21 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Sensitivity analysis for the year ended 31 August 2018	Approximate increase to defined benefit obligation %	Approximate monetary value £'000
0.5% decrease in real discount rate	21%	769
0.5% increase in the salary increase rate	5%	171
0.5% increase in the pension increase rate	16%	586

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

	Fair value at 31 August 2018 £'000	Fair value at 31 August 2017 £'000
Equities	1,962	1,658
Bonds	393	386
Property	262	227
Cash	—	—
Total market value of assets	2,617	2,271
Present value of scheme liabilities		
Funded	(3,576)	(3,695)
Deficit in scheme	(959)	(1,424)

Amounts recognised in statement of financial activities	2018 £'000	2017 £'000
Current service costs (net of employer contributions)	193	226
Net interest cost	38	33
Total operating charge	231	259

Changes in the present value of defined benefit obligations were as follows:	2018 £'000	2017 £'000
At 1 September 2017	3,695	3,080
Current service cost	339	383
Interest cost	97	69
Employee contributions	61	66
Actuarial (gain) loss	(605)	108
Benefits paid	(11)	(11)
At 31 August 2018	3,576	3,695

Notes to the financial statements 31 August 2018

21 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Changes in the fair value of the Academy's share of scheme assets:	2018 £'000	2017 £'000
At 1 September 2017	2,271	1,633
Interest income	59	36
Actuarial gain	91	390
Employer contributions	146	157
Employee contributions	61	66
Benefits paid	(11)	(11)
At 31 August 2018	2,617	2,271

22 Agency arrangements

The Academy acts as an agent in distributing bursary funds for 16 to 19 year olds from the 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 Academy chooses not to allocate any of this funding towards its own administration costs and therefore the income and expenditure is not recognised in the statement of financial activities. In the year ended 31 August 2018 the Academy received and disbursed £22,314 from this fund.