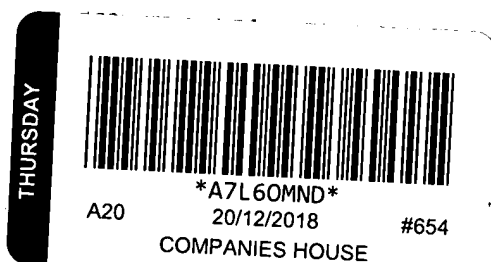


Highsted Academy Trust

(A company limited by guarantee)

Directors' Report and Financial Statements

For the Year Ended 31 August 2018



Highsted Academy Trust
(A company limited by guarantee)

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Highsted Academy Trust
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Reference and Administrative Details
For the Year Ended 31 August 2018

| | |
|--|--|
| Members | Mr. N.S. Hancock Ms. D. Hunter Major. R.T. Jepson Mr. P. Statham |
| Trustees | Mr. P. Statham, Chair of Trustees ¹ Mr. N.S. Hancock, Chair of Finance & Resources ¹ Ms. D. Hunter, Vice Chair, Resigned 18 July 2018 ¹ Major. R.T. Jepson ¹ Miss. A. Kelly, Headteacher and Accounting Officer ¹ Cllr. G. Lewin ¹ Mrs. S. R. Drury ¹ Mrs. L.G. Peters ¹ Dr. J. Nicholas Mount ¹ Mr. S. Hatch, Appointed 1 September 2018 ¹ members of the Finance & Resources Committee |
| Company registered number | 07348116 |
| Company name | Highsted Academy Trust |
| Principal and registered office | Highsted Road Sittingbourne Kent ME10 4PT |
| Company secretary | Mr M.H.C. Hydes |
| Senior leadership team | Miss. A. Kelly, Headteacher Mr. G. Ford, Deputy Headteacher Miss. S. Appleton, Assistant Headteacher Mr. D. Quinn, Assistant Headteacher Ms. F. Tiernan-Powell, Assistant Headteacher Mr. H. Robinson FCA, Chief Financial Officer |
| Independent auditors | UHY Kent LLP t/a UHY Hacker Young Chartered Accountants Statutory Auditors Thames House Roman Square Sittingbourne Kent ME10 4BJ |
| Bankers | Lloyds Bank plc Sittingbourne Kent ME10 4BD |
| Solicitors | Jarmans Solicitors Bell House Bell Road Sittingbourne Kent ME10 4DH |

Highsted Academy Trust
(A company limited by guarantee)

Trustees' Report
For the Year Ended 31 August 2018

The trustees present their annual report and auditors' report of the academy trust for the year ended 31 August 2018. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

Constitution

The academy trust was incorporated on 17 August 2010 as a company limited by guarantee and an exempt charity. The memorandum and articles of association are the primary governing documents of the academy trust.

In addition to acting as trustees for the charitable activities of Highsted Academy Trust the trustees are also the directors of the academy trust for the purposes of company law. The academy trust operates under the name of Highsted Grammar School.

Details of the trustees and governors who served throughout the year, except as noted, are included in the Reference and Administrative Details on page 1.

Members' Liability

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

Trustees' indemnities

The Academy maintains trustees, governors' and officers' liability insurance which gives appropriate cover for any legal action brought against its governors or officers. The Academy has also granted indemnities to each of its trustees and other officers to the extent permitted by law. Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the period and remain in force, in relation to certain losses and liabilities which the trustees or other officers may incur to third parties in the course of acting as trustees or officers of the academy trust.

Details of the insurance cover are provided in note 9 to the financial statements.

Method of recruitment and appointment or election of trustees

The number of trustees shall be not less than three but, (unless otherwise determined by ordinary resolution) shall not be subject to any maximum. In addition to any other governors that the members may choose to appoint, the governors should include a minimum of two parent governors and the Headteacher.

The members may appoint up to ten trustees save that there shall be no more than three employees of the Academy Trust, including the Headteacher, appointed as trustees. The parent trustees shall be elected by the parents of registered pupils at the Academy. A parent trustee must be a parent of a pupil at the Academy at the time he or she is elected.

A trustees' term of office is four years (excluding the Headteacher) but a trustee is eligible for re-election at the meeting at which they retire.

The trustees shall each school year, at their first meeting in that year, elect a chairman and a vice-chairman from among their number. A trustee who is employed by the Academy Trust shall not be eligible for election as chairman or vice-chairman.

The trustees who were in office at 31 August 2018 and served throughout the year, except where shown, are listed on page 1.

Policies and procedures adopted for the induction and training of trustees

During the year under review the governors held four full trustees' meetings and six trustees' committee meetings. The training and induction provided for new trustees depends on their existing experience and, in accordance with identified need, includes training on charity and educational legal and financial matters. All new trustees are given a tour of the Academy and the chance to meet with staff and students. All trustees are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as trustees. As there are normally only one or two new governors a year, induction is undertaken informally by existing trustees and the Senior Leadership Group, and is tailored specifically to the individual. Where specific training needs are identified or requested by governors (for example, in the training of the Responsible Officer or recruitment and appointment of a new Headteacher), bespoke professional consultancy is engaged.

Organisational structure

From the outset a unified management structure was introduced to ensure the effective and efficient running of the Academy. This structure is reviewed annually and routinely each time a vacancy occurs through promotion or resignation. It has been modified over time and throughout the year under review consists of four levels: the members, the governors, the Senior Leadership Team and the Middle Leadership Team. The aim of the management structure is to devolve responsibility and accountability, thereby encouraging involvement in decision making at all levels.

Highsted Academy Trust
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Trustees' Report
For the Year Ended 31 August 2018

The trustees are responsible for administering the Academy Trust and ultimately for managing the business of the Academy and exercising all the powers of the Academy. They have the power to expend the funds of the Academy in such manner as they shall consider most beneficial for the achievement of the Academy's objectives, and to enter into contracts on behalf of the Academy.

The governors are responsible for setting general policy, adopting an annual plan and budget, monitoring the Academy by the use of budgets and making major decisions about the strategic direction of the Academy, capital expenditure and most senior staff appointments, in consultation with the Headteacher and specialist external advisers.

The Senior Leadership Team for 2017/2018 was led by the Headteacher and comprised of one Deputy Headteacher, three Assistant Headteachers and a Chief Financial Officer. These senior leaders managed the Academy at an executive level implementing the policies agreed by the trustees and governors and reporting back to them on progress. The Headteacher and other key senior leaders are responsible for the authorisation of spending within agreed budgets and the appointment of staff, though appointment panels for posts in the Senior Leadership Team are always led by governors. Some spending control is devolved to members of the Middle Leadership Team, with limits above which a Senior Manager must countersign.

The wider leadership team includes the Senior Leadership Team, Subject Leaders and Heads of House. These middle leaders are responsible for the day-to-day operation of the Academy, in particular by organising and managing the teaching and support staff, facilities and students.

Arrangements for setting pay and remuneration of key management personnel

The key management personnel of the academy trust comprise of the trustees and senior leadership team as disclosed on page 1.

The remuneration policy, setting the terms and conditions for the key management personnel, was developed and approved by the board of trustees, after taking advice from the Headteacher and following guidance from the relevant professional pay review bodies. The Headteacher is not involved in setting her own remuneration package.

Only staff trustees, including the Headteacher, are remunerated, and these individuals only receive remuneration in respect of services they provide under their contracts of employment, and not in respect of their role as trustees. Specific disclosures concerning staff trustees' remuneration is included in note 10.

The day to day running of the remuneration policy is delegated to the Headteacher and monitored by the finance and resources committee. All details for setting the pay and remuneration of key management personnel are set out in the pay policy and appraisal policy which are reviewed annually by the board of trustees.

Remuneration of key management personnel is set at an individual level, and the Chair of Governors has taken external professional advice which includes benchmarking when determining the remuneration of the senior leadership team so that it is robustly based on evidence. Senior management salaries are linked to performance outcomes and other factors such as length of service and experience. Total remuneration packages include employer pension contribution rates at specific approved rates.

The board are mindful of the charitable status of the academy trust and recognise that the trust receives funding under a funding agreement with the Secretary of State for Education, therefore ensuring that the remuneration paid to senior management personnel never exceeds a reasonable amount in order to provide value for money to the trust. The performance of senior management personnel is reviewed on a regular basis to ensure continuing value for money.

Total remuneration paid to senior management personnel is set out in note 11.

Risk Management

The trustees have assessed the major risks to which the Academy is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of the Academy, and its finances. The trustees have implemented a number of systems to assess risks that the school faces, especially in the operational area (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finance. They have introduced systems, including rigorous safeguarding procedures (e.g. vetting of new staff and visitors, supervision of school grounds) and internal financial controls (see below) in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover. The Academy has an effective system of internal financial controls and this is explained in the Governance Statement section of this Annual Report.

Highsted Academy Trust
(A company limited by guarantee)

Trustees' Report
For the Year Ended 31 August 2018

Connected organisations, including related parties

The Highsted Grammar School – School Fund, is a separately registered charity, registration number 1099528. The Headteacher, one deputy Headteacher, three assistant headteachers are all trustees of this charity.

There is also a Parent-Teacher Association, the Highsted School Association, established as a separately registered charity, registration number 1013822.

The school routinely engages in a partnership for post-16 educational provision with two local schools: Borden Grammar School and Fulston Manor School.

The Headteacher is treasurer of the Kent and Medway Grammar School Association (KMGSa) which was established as a separate registered charity. In collaboration with two other trustees, the Headteacher manages this account on behalf of the association.

OBJECTIVES AND ACTIVITIES

Objects and Aims

The principal objects and activity of the academy trust is the operation of Highsted Grammar School to provide an appropriate education and enrichment provision for students of selective ability between the ages of 11 and 19. The Academy additionally aims to share its recreation and leisure facilities within the local community. In setting the objectives and planning the activities the Governors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education.

Objectives, strategies and activities

The main objectives of the Academy during the year ended 31 August 2018 are summarised below:

- to deliver an outstanding quality of education and care to all students within the Academy;
- to maintain and develop close links with local primary schools, providing a programme of enrichment activities for children in years 5 & 6 in support of secondary school transition;
- to raise further standards and achievement;
- to improve the effectiveness of the Academy by keeping the curriculum and organisational structure under continual review;
- to provide value for money for the funds expended;
- to comply with all appropriate statutory and curriculum requirements;
- to maintain close links with higher education, business and the local community; and
- to conduct the Academy's business in accordance with the highest standards of integrity, probity and openness.

The Academy's main strategy is encompassed in its vision statement, which is 'to seek, to learn, today ... to shape, to lead, tomorrow'.

The school produces an annual School Improvement Plan, which details how it intends to achieve the aims and objectives for the year. Priorities for the year to 31 August 2018 included:

- Embedding outstanding learning across the curriculum;
- Ensuring that every pupil reaches their full potential and feels safe and happy;
- Embedding accurate assessment practice within each Key Stage;
- Enhancing our reputation in the community and supporting local primary feeder schools;
- Embedding quality leadership: role-modelling excellence and professional accountability; improving teams;
- The development of the social, moral, spiritual, cultural education, promoting Character Education as encapsulated by the Highsted Virtues; developing growth mindsets;
- Promoting the learning community: preparations for curriculum change; and
- post-16 recruitment and retention: raising aspirations.

Additionally, in line with the asset management plan, the school is able to report ongoing site improvements to maintain and develop the quality of the learning environment. In particular, significant works to the heating and boiler infrastructure have been made throughout the Erlangen Block to ensure improved thermal efficiency; fibre cabling has been upgraded to improve the speed of connectivity across the Academy and IT upgrades to classrooms in Centenary and Erlangen Blocks to support a quality learning experience for students. In response to a drainage survey the school has improved the drains and gulleys throughout the heart of the school to support ongoing maintenance plans. Highsted have successfully been awarded the 'School Safety Award' in collaboration with Judicium Education through attaining high standards of safety management in the workplace and learning environment. Health and Safety continues to steer and support the teaching and learning environment with the installation of a defibrillator (including staff and student training). Priorities for internal refurbishment and redecoration have continued on schedule throughout the year, including classroom and hi-pod blind replacements, phase two pipe lagging to increase thermal efficiency of the main block of the school, refurbishment of the Sixth Form Common Room and a new quiet study area for the Sixth Form.

Highsted Academy Trust
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Trustees' Report
For the Year Ended 31 August 2018

Public benefit

Highsted Grammar School is a state funded grammar school and strives to promote and support the advancement of education within the Swale area. The school provides an extensive programme of educational and recreational activity - all designed to contribute to the overall education of our students in areas which cover outstanding academic achievement and enrichment through music, the arts and sport.

The vast majority of students from the school enter university and many will seek careers in professions where they are likely to become influential leaders. Our aim is not only to foster academic excellence, but also to broaden horizons, raise aspirations and challenge our students to become responsible and caring global citizens.

Wherever possible the school also aims to contribute to the benefit of the wider public, through the provision of incidental educational and other activities. Over the year contributions that benefit the wider community included the following provisions and activities:

- availability of the school facilities for community use, including the Sittingbourne Orpheus Choral Society – around 100 members, local fitness clubs and Arts & Culture seminars;
- availability of the school facilities to hold the Friends of Wisdom Hospice 'Lights for Love' ceremony – with participation from the Highsted choir;
- Aim High Club, two meetings weekly for more than 120 primary aged children throughout the year, raising aspirations and supporting transition India' from primary to secondary school;
- Year 5 Saturday Activity Day, *Carnival of Colour* for around 151 girls in the local community and 'Mad Science Saturday' for widening participation within the Swale community;
- around £4,934.45 raised during the course of the year by students for local, national and international charities, including: The Friends of the Wisdom Hospice, MIND, Motor Neurone Disease Association, Sense, Kent Refugee Action Network, Holocaust Memorial Day in addition to concerts performed by Highsted choirs for the Sittingbourne Over-55 Fellowship;
- staff outreach work with primary and secondary schools to support, promote and encourage interest and achievement in science and coding; musical Junk Percussion, German and Maths development;
- elected representation on the Swale Youth Forum and the Kent Youth County Council;
- extensive involvement and support for school sporting activities including regular fixtures in different sports, success at a regional level for the under-14s and under-16s football teams in the Kent Schools Cup finals as well as in Kent Netball and individual wins across several events in the Kent Schools Track and Field Championships;
- a partner in the Swale Teaching Alliance, provision of initial teacher training through the Schools Direct Programme and postgraduate teaching placements;
- a partner in the South East Science Learning Partnership, leading on training development for teachers and technician support within science; and
- Headstart - Big Lottery Funding focused on raising the resilience and engagement of 11 – 15 year olds in Swale.

Equal opportunities

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

Disabled persons

Lifts, ramps and inclusive accessible toilets are installed and door widths are adequate to enable wheelchair access to the main teaching block. New buildings constructed since 2008 are fully compliant with all access legislation. Major repairs and ongoing refurbishment of existing buildings is designed to comply with access legislation, wherever possible. The policy of the Academy is to support recruitment and retention of students and employees with disabilities. The Academy does this by adapting the physical environment, by making support resources available and through training and career development.

Highsted Academy Trust
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Trustees' Report
For the Year Ended 31 August 2018

STRATEGIC REVIEW

Achievement and performance

Performance in the summer 2018 public examinations at both GCSE and A-level was strong and, against a national background of grade reduction as a consequence of the first sitting of the reformed GCSE examinations, many performance measures matched or exceeded the best ever achievement for the school.

Once again, at GCSE every student gained at least five grade 4 – 9, with 98% of students achieving a standard pass in both English and mathematics (grade 4 or above) and 89% of students securing a good pass (grade 5 or above). Across the total cohort the EBACC measure was 6.5. The total number of A*/A grade (or equivalences – grades 9/8/7) exceeded the 2017 performance at 53% (47% in 2017). The Attainment 8 score for 2018 was 67 (64 in 2017); the Progress 8 score for the school was 0.51 compared to 0.32 in 2017.

At A-level, the school secured 65% A*-B grades demonstrating a Level 3 Value Added score of 0.11 meaning that students performed a tenth of a grade better than similar students nationally with the same baseline data.

The impact on achievement by students for whom the pupil premium provided support reflects that the school is committed to closing the achievement gap for these learners. The Progress 8 score for disadvantaged overall was 0.38 (0.07 in 2017) comprising of 2.53 (0.51 in 2017) for English, -0.59 (-0.43 in 2017) for Maths, 6.63 for the Ebacc measure. The Attainment 8 score for disadvantaged was 68 (65.58 in 2017), a 1.1 increase for this group when compared to the whole cohort.

To ensure that standards are continually raised the Academy operates a systematic programme of lesson observations and work scrutiny involving senior and middle leaders; engages in discussions with students to establish student voice; engages in regular work scrutiny and acts on the advice given by whole school and externally validated subject inspections. The Academy also undertakes a comparison of results from entry to GCSE and from GCSE to A-level in order to support the school's own self-evaluation and thereby sustain school improvement.

For many years Highsted Grammar School has worked in partnership with two other local schools in order to offer a wide and flexible curriculum post-16. The three schools enjoy joint curriculum planning, mutual staff development and the sharing of resources with the primary aim of driving up standards. The partnership also works collaboratively with other members of the Swale Teaching Alliance to support new entrants to the profession through the graduate teacher programme and PGCE. In the year ending 31st August 2018, the school provided a significant element of training and support for six postgraduate trainee teachers.

Going concern

After making appropriate enquiries, the trustees have a reasonable expectation that the academy trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Key financial performance indicators

To secure sufficient funding to retain the breadth of curriculum offered, the school has successfully achieved its aim of ensuring all year groups of compulsory schooling are recruited to at least the planned admission number.

To compensate for loss of formula/transitional protection funding (currently 15.6% of post-16 budget) it is necessary to recruit or retain the post-16 cohort at 90%+ of the school's published admission number.

Revenue budgets have been managed to secure general financial stability by ensuring an in-year surplus of income over expenditure. Salary costs maintained within the range of 78-82% of total expenditure (before depreciation); and 70-74% of total income.

Ratio of staff costs have been monitored and benchmarked against similar schools both locally and nationally to secure best value whilst maintaining academic and pastoral standards.

Financial review

Most of the academy trust's recurrent income is obtained from the Education & Skills Funding Agency ("ESFA") in the form of grants, the use of which is restricted to particular purposes. The grants received from the ESFA during the year ended 31 August 2018 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities (SOFA).

During the year ended 31 August 2018 the trust received total income of £3.87m, more or less the same as in the previous year. The SoFA reveals that total expenditure for the year was consistent with the previous year at just £13k lower and that overall total expenditure was more than income, resulting in a net expenditure for the year of £16k (2017: £30k) on all funds.

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Trustees' Report
For the Year Ended 31 August 2018

Financial review – cont.

It is important to note that this net expenditure includes a deficit of £280k (2017: £282k) on restricted fixed asset funds, which reflects capital grant income received in the year less depreciation, which is responsible for the net expenditure. The depreciation charge of £300k (2017: £301k), a non-cash movement which writes off the cost of capitalised assets, and notably the school buildings, over their useful lives.

It is therefore preferable to focus on the result on revenue funds which was a very healthy surplus of £274k (2017: £349k). This year the £274k also takes into account a £79k revenue to capital contribution to cover the cost of fixed assets acquired over and beyond the specific capital funding received, and without this transfer the revenue surplus would have been very similar to the 2016/17 figure.

This revenue surplus is, unfortunately, difficult to see on the primary statements since restricted funds on the SOFA also include non-cash FRS 102 pension costs of £89k (2017: £97k); these form part of the overall movement in the Local Government Pension Scheme (LGPS) liability.

As explained in the accounting policies section of the financial statements, the LGPS is a funded defined benefit pension scheme and a provision for estimated pension liabilities is included in the academy trust's Balance Sheet. The overall net increase in funds of £185k (2017: £171k) is therefore after an actuarial gain on the LGPS of £201k. This current year gain, on top of another actuarial gain of £201k last year, further reverses actuarial losses charged in earlier years. We understand that most academies have seen their pension deficits reduce this year because of revisions to the underlying assumptions made by the actuaries during their calculations.

At 31 August 2018, the net book value of fixed assets was £11.1m (2017: £11.3m) and movements in tangible fixed assets are shown in note 12 to the financial statements. During the year the assets were used almost exclusively for providing education and the associated support services to the pupils of the academy, the only exceptions to this being limited letting of the premises to local community groups.

Financial position

The academy trust held fund balances at 31 August 2018 of £13.5m. (2017: £13.4).

These funds included restricted fixed asset funds of £11.1m (2017: £11.3m), other restricted funds of £1.99m (2017: £1.76m) and unrestricted funds of £1.10m (2017: £1.06m). There are therefore total revenue funds at 31 August 2018 of £3.09m (2017: £2.82m). The purpose of continuing to build reserves is to contribute to further improvements to the science labs in the main school block in order to address health and safety issues potentially compromised by equipment that requires modernisation and a lack of classroom space; this would enhance the specialist teaching facilities for science. Additionally, the lagging of pipes in the main block of the school will optimise the thermal efficiency of the building.

In addition to the funds explained above the pension reserve is in deficit by £629k (2017: £741k) at the year end. The substantial fall in this deficit during the year has been explained in the financial review above. The remaining deficit does not mean that an immediate liability crystallises. The accounting deficit has no direct effect on the employer contribution rate paid by the school, which is determined using longer-term funding assumptions.

Reserves policy

The trustees and governors review the reserve levels of the Academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of the reserves. The trustees and governors have determined that the permitted level of free reserves for recurrent costs should be maintained in order to provide sufficient working capital to cover delays between spending and receipt of grants, and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. In addition the trustees and governors have set aside reserves to cover the ongoing programme of capital investment in buildings' renewal/refurbishment and improvement to curriculum facilities. A proportion of the reserves will contribute to further improvements to the facilities in the main school block in order to address health and safety issues potentially compromised by equipment that requires modernisation and a lack of classroom space; this would enhance the specialist teaching facilities for science.

Financial and risk management objectives and policies, including principal risks and uncertainties

The academy trust uses various financial instruments including cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the academy trust's operations. The existence of these financial instruments exposes the academy trust to a number of financial risks which are described in more detail below. The main risks arising from the Trust's financial instruments are liquidity risk and cash flow interest rate risk.

- *Liquidity risk* – the Trust manages its cash resources, including sufficient working capital, so that all its operating needs are met without the need for short-term borrowing. Surplus cash is invested so as to maximise interest income.
- *Interest rate risk* – the Trust earns interest on cash deposits and with interest rates currently low, the directors take appropriate action to ensure they maximise the income from these deposits.

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Trustees' Report
For the Year Ended 31 August 2018

- *Credit risk* – this is managed through regular contact with funders. Liquidity and cash flow risks are managed through the appropriate and carefully managed use of financial instruments with our principal bankers.

Fund raising

Currently, the Academy is not involved in fundraising on behalf of the Trust.

PLANS FOR FUTURE PERIODS

The Academy will continue striving to improve the performance of its students at all levels and will maintain its efforts to ensure that students are appropriately placed in higher education or employment with training when they leave the school. Strategic priorities identified within the five-year plan include:

- ethos and development of the school as five-form entry girls' selective school, admissions policy decisions and opportunities afforded by Academy status;
- post-16 retention and recruitment – to maintain cost-effective provision and breadth of opportunity against a background of budget reductions;
- the creative and dynamic curriculum, use of technologies and Academy freedoms to match teaching and learning to cohort need;
- 'raising the bar' – further develop self-evaluation and performance management to equip middle leaders with the skills to adopt more robust and evaluative approaches to school improvement;
- partnership within the Swale Teaching School Alliance and the use of continuing professional development to strengthening leadership at all levels;
- maintain ICT systems that are fit for purpose and sufficiently robust/reliable to support extensive usage within the curriculum and further develop the management information systems as effective tools for all staff;
- the student as an individual: promoting autonomous, happy creative and adaptable learners across all identified groupings, particularly the most vulnerable;
- Embedding Character Education across the school which promotes resilience, intellectual curiosity and empathy amongst students and staff;
- prudent budget management to secure ongoing improvements to site and buildings through proactive asset management.

Within the next 12 months the specific areas of focus relate to:

- embedding further the vision and ethos of excellence in teaching and learning through a revised school self-review process;
- addressing curriculum reform across all three parts of the school including the personal curriculum – *Education 4 Life*;
- championing leadership development at all levels across the school to ensure that capacity is built within the school system and beyond; enabling colleagues to enroll on National Professional Qualifications at middle and senior leadership levels;
- focusing on Character Education in particular the Highsted Virtues – promoting adaptability, intellectual curiosity and empathy with all stakeholders;
- building effective partnerships with local stakeholders, including: Swale Teaching Alliance, South East Science Learning Partnership, STEM (science, technology, engineering and mathematics) partners, the Central Sittingbourne Partnership, Headstart and Young Enterprise in addition to support for our local feeder primary schools;
- Introduction of the Gatsby Standards – a commitment to deliver a contemporary Careers education Programme

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Trustees' Report
For the Year Ended 31 August 2018

PLANS FOR FUTURE PERIODS – continued

- monitoring a strategic plan for the recruitment and retention of students to the school, taking account of national policy on admissions and the social mobility agenda
- developing the resilience of all learners: ensure that every student reaches their full potential and has the confidence to make ethical, sound decisions that will empower them

Highsted Grammar School is pleased to report that refurbishment of the school buildings and upgrade to the facilities will continue in 2018-19.


DISCLOSURE OF INFORMATION TO AUDITORS

So far as the governors are aware, there is no relevant information (as defined by Section 418 of the Companies Act 2006) of which the charitable company's auditors are unaware, and each governor has taken all the steps that they ought to have taken as a governor in order to make them aware of any audit information and to establish that the charitable company's auditors are aware of that information.

AUDITORS

The audit process will be reviewed in detail and re-appointment of the Auditors, UHY Hacker Young, will be considered following the forthcoming Annual General Meeting.

This report was approved by order of the board of trustees on *07 November '18* and signed on the board's behalf by:


Mr. P. Statham
Chair of Trustees

Miss. A. Kelly
Accounting Officer



Highsted Academy Trust
(A company limited by guarantee)

Governance Statement

Scope of responsibility

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

The board of trustees has delegated the day-to-day responsibility to the Headteacher, Miss. A. Kelly, 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 Highsted Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

The information on governance included here supplements that described in the Trustees' report and in the Statement of trustees' responsibilities. The board of trustees has formally met 4 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

| | <u>Meetings attended</u> | <u>Out of a possible</u> |
|---|--------------------------|--------------------------|
| Mr. P. Statham, Chair of Trustees* | 4 | 4 |
| Ms. D. Hunter, Vice Chair* | 3 | 3 |
| Miss. A. Kelly, Headteacher and Accounting Officer* | 3 | 4 |
| Mrs. S. Drury | 4 | 4 |
| Mr. N.S. Hancock* | 4 | 4 |
| Major. R.T. Jepson* | 3 | 4 |
| Cllr. G. Lewin* | 4 | 4 |
| Dr. J. Mount * | 4 | 4 |
| Mrs. L. Peters | 3 | 4 |

*denotes Finance and Resources Committee member

There has been one resignation – Ms. Doreen Hunter - for the year ending 31 August 2018.

Governance reviews: Over the course of the 2017-2018 academic year trustees have been closely involved with the work of the school through its programme of link trustee visits to subject departments, Governor Day visits and attendance at a range of school events such as parents' evenings, concerts and performances, and sports day.

Trustees have attended governor training activities provided by the school on topics such as 'assessment without levels', curriculum development, safeguarding (including e-safety and radicalisation), and implementation of the Gatsby Standards for Careers Education. Individual trustees have also attended training activities provided by Kent County Council and the Southern Educational Leadership Trust.

An important strategic development in 2017-2018 was the board of trustees' support of the Highsted Test to run alongside the Kent Test with the objective of widening accessibility to selective education.

The Finance and Resources Committee is a sub-committee of the main board of trustees. Its purpose is to plan and monitor the financial and other resources of the school effectively. Its role is to provide and maintain a safe and stimulating educational environment consistent with the ethos of the school and providing value for money through effective use of resources. In addition to routine budget setting and monitoring, particular issues dealt with in the year have included the introduction of GDPR and Data Protection across the Academy and managing the reduction to Minimum Funding Guarantee by KCC. The Finance and Resources Committee's remit also includes the functions of an Audit Committee. Attendance at meetings in the year was as follows:

| | <u>Meetings attended</u> | <u>Out of a possible</u> |
|---|--------------------------|--------------------------|
| Mr. N.S. Hancock, Chair of Finance Committee* | 3 | 3 |
| Ms. D. Hunter (Vice-chair)* | 2 | 3 |
| Mrs. S. Drury | 1 | 3 |
| Miss. A. Kelly, Headteacher and Accounting Officer* | 3 | 3 |
| Major. R.T. Jepson* | 2 | 3 |
| Cllr. G. Lewin* | 2 | 3 |
| Dr. J. Mount | 2 | 3 |
| Mrs. L. Peters | 1 | 3 |
| Mr. P. Statham | 3 | 3 |

*denotes FRC committee member

Highsted Academy Trust
(A company limited by guarantee)

Governance Statement

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 academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Highsted Academy Trust for the year 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The board of trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the year 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

The risk and control framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees;
- regular reviews by the Finance and 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;
- delegation of authority and segregation of duties; and
- identification and management of risks.

The trust have continued to engage further with the external auditors UHY Hacker Young to perform internal control checks through the mechanism of internal control monitoring visits.

The appointee's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. On a termly basis, the appointee reports to the board of trustees on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

During the year ended 31 August 2018 the appointee has delivered their schedule of work as planned, and no significant issues have been brought to the attention of the trustees.

Review of effectiveness

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

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

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Finance and Resources Committee and a plan to ensure continuous improvement of the system is in place.

Higsted Academy Trust
(A company limited by guarantee)

Governance Statement

Review of Value for money

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

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

Improving Educational Results

- Once again, at GCSE every student gained at least five grade 4 – 9 , with 98% of students achieving a standard pass in both English and mathematics (grade 4 or above) and 89% of students securing a good pass (grade 5 or above). Across the total cohort the EBACC measure was 6.51. The total number of A*/A grade (or equivalences – grades 9/8/7) exceeded the 2017 performance at 53% (47%.in 2017) The Attainment 8 score for 2018 was 67 (64 in 2017); the Progress 8 score for the school was 0.51 compared to 0.32 in 2017.
- At A-level, the school secured 65% A*-B grades demonstrating an Level 3 Value Added score of 0.11 meaning that students performed a tenth of a grade better than similar students nationally with the same baseline data.
- The impact on achievement by students for whom the pupil premium provided support reflects that the school is committed to closing the achievement gap for these learners. The Progress 8 score for disadvantaged overall was 0.56 (0.07 in 2017) comprising of 1.39 (0.51 in 2017) for English, -0.34 (-0.43 in 2017) for Maths, 7 for the Ebacc measure. The Attainment 8 score for disadvantaged was 71 (65.58 in 2017), a 1.1 increase for this group when compared to the whole cohort.
- To ensure that standards are continually raised the Academy operates a systematic programme of lesson observations and work scrutiny involving senior and middle leaders; engages in discussions with students to establish student voice; engages in regular work scrutiny and acts on the advice given by whole school and externally validated subject inspections. The Academy also undertakes a comparison of results from entry to GCSE and from GCSE to A-level in order to support the school's own self-evaluation and thereby sustain school improvement.
- Attendance is 96%.
- The broad curriculum, extra curriculum and extension activities provide students with the opportunity to achieve the highest levels of academic and personal achievement which their abilities allow.
- Our staffing structure and timetable ensure teaching staff are efficiently deployed to maximise outcomes for all students; at post 16 the long standing partnership across three local secondary schools secures a cost effective curriculum within a context of budgetary constraints.
- By working collaboratively with two local secondary schools in regard to teacher training.
- By working collaboratively with two local secondary schools, Health and Safety and First Aid training is sourced centrally to achieve financial efficacy across the schools; maximising the number of trainees in attendance has been of benefit to all three schools.

Financial Performance

- Financial governance and oversight is robust. The members of the Finance and Resources Committee have financial and business experience.
- The Governors receive regular reports and recommendations from the external auditor
- Budget forecasts are circulated and approved by governors routinely; expenditure is monitored against budget and are reported accordingly.
- The annual budget plan is approved by governors and reviewed on a regular basis throughout the year.
- Significant spending proposals are costed and presented to the Senior Leadership Team and the Governing Body for consideration and challenge.

Highsted Academy Trust
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Governance Statement

Review of Value for money - cont

- The School is in its final year of a three year comprehensive complete insurance cover;
- The School works with other local academies and schools to undertake cost comparison and benchmarking;
- Highsted Grammar School actively supports local sport and community groups by letting out facilities during the weekend and evening. The income is used to maintain the facilities and improve the resources for our students and hirers; and
- The School ensures that all surplus funds are invested in low risk interest bearing accounts.

Academy insurance

Highsted have opted for a three year Insurance provision with Zurich Municipal based upon Zurich being the leading providers of risk and insurance solutions to the UK education sector, they are a direct dealing insurer and are risk experts.

Approved by order of the members of the board of trustees on 07 November '18 and signed on its behalf, by:



Mr. P. Statham
Chair of Trustees



Miss. A. Kelly
Headteacher and Accounting Officer

Highsted Academy Trust
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Statement on Regularity, Propriety and Compliance

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

I confirm that I and the academy trust board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2017.

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



Miss. A. Kelly
Accounting Officer

Highsted Academy Trust
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Statement of Trustees' Responsibilities
For the Year Ended 31 August 2018

The trustees, who are also the directors of the academy trust 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 & 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 he is satisfied that they give a true and fair view of the state of affairs of the academy trust and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the trustees are required to:

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

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the academy trust's transactions and disclose with reasonable accuracy at any time the financial position of the academy trust 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 trust 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 trust 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 ESFA/DfE have been applied for the purposes intended.

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

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



Mr. P. Statham
Chair of Trustees

Date: 07/11/18

Highested Academy Trust
(A company limited by guarantee)

Independent Auditors' Report on the Financial Statements to the Members of Highested Academy Trust

Opinion

We have audited the financial statements of Highested Academy Trust (the 'academy trust') for the year ended 31 August 2018 which comprise the Statement of financial activities incorporating income and expenditure account, the Balance sheet, the Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education & Skills Funding Agency.

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The trustees is responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditors' 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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Report including the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the academy trust and its environment obtained in the course of the audit, we have not identified material misstatements in the 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:

Highsted Academy Trust
(A company limited by guarantee)

Independent Auditors' Report on the Financial Statements to the Members of Highsted Academy Trust

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

Responsibilities of trustees

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

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

Auditors' 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 Auditors' 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 Auditors' report.

Use of our report

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



Mr Allan Hickie BSc FCA (Senior statutory auditor)
for and on behalf of

UHY Kent LLP

Chartered Accountants

Statutory Auditors

Thames House

Roman Square

Sittingbourne

Kent

ME10 4BJ

Date:

18 December 2018

Highsted Academy Trust
(A company limited by guarantee)

Independent Reporting Accountants' Assurance Report on Regularity to Highsted Academy Trust and the Education & Skills Funding Agency

In accordance with the terms of our engagement letter dated 25 September 2014 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Highsted Academy Trust during the year 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 Highsted Academy Trust and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Highsted Academy Trust and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Highsted Academy Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Highsted Academy Trust's accounting officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of Highsted Academy Trust's funding agreement with the Secretary of State for Education dated 28 September 2010, 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 year 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.

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

We conducted our work in accordance with Technical Release TECH 08/12 AAF issued by the Institute of Chartered Accountants In England and Wales. In accordance with that Technical Release we have carried out the procedures we consider necessary to be able to report on whether anything has come to our attention which suggests that in all material respects expenditure disbursed and income received have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them. Other than those procedures undertaken for the purposes of our audit of the financial statements of Highsted Academy Trust for the year ended 31 August 2018 which provide evidence on regularity, our work was limited to only those additional procedures necessary to provide limited assurance.

The work undertaken to draw to our conclusion included:

- an assessment of the risk of material irregularity and impropriety across all of the academy trust'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.

Highsted Academy Trust
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Independent Reporting Accountants' Assurance Report on Regularity to Highsted Academy Trust and the Education & Skills Funding Agency (continued)

Conclusion

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



UHY Kent LLP
Chartered Accountants
Reporting Accountants

Date: 18 December 2018

Highsted Academy Trust
(A company limited by guarantee)

Statement of Financial Activities Incorporating Income and Expenditure Account
For the Year Ended 31 August 2018

| | Note | Unrestricted funds 2018 £ | Restricted funds 2018 £ | Restricted fixed asset funds 2018 £ | Total funds 2018 £ | Total funds 2017 £ |
|--|------|------------------------------------|----------------------------------|---|-----------------------------|-----------------------------|
| Income from: | | | | | | |
| Donations and capital grants | 2 | 2,000 | - | 19,396 | 21,396 | 18,973 |
| Charitable activities | 5 | 34,000 | 3,780,463 | - | 3,814,463 | 3,811,647 |
| Other trading activities | 3 | 22,689 | - | - | 22,689 | 26,062 |
| Investments | 4 | 8,288 | - | - | 8,288 | 9,285 |
| Total income | | 66,977 | 3,780,463 | 19,396 | 3,866,836 | 3,865,967 |
| Expenditure on: | | | | | | |
| Charitable activities | | 30,240 | 3,552,742 | 299,531 | 3,882,513 | 3,895,721 |
| Total expenditure | 6 | 30,240 | 3,552,742 | 299,531 | 3,882,513 | 3,895,721 |
| Net income / (expenditure) before transfers | | 36,737 | 227,721 | (280,135) | (15,677) | (29,754) |
| Transfers between Funds | 15 | - | (79,106) | 79,106 | - | - |
| Net income / (expenditure) before other recognised gains and losses | | 36,737 | 148,615 | (201,029) | (15,677) | (29,754) |
| Actuarial gains on defined benefit pension schemes | 19 | - | 201,000 | - | 201,000 | 201,000 |
| Net movement in funds | | 36,737 | 349,615 | (201,029) | 185,323 | 171,246 |
| Reconciliation of funds: | | | | | | |
| Total funds brought forward | 15 | 1,060,324 | 1,015,303 | 11,292,302 | 13,367,929 | 13,196,683 |
| Total funds carried forward | | 1,097,061 | 1,364,918 | 11,091,273 | 13,553,252 | 13,367,929 |

All activities relate to continuing operations.

The notes on pages 23 to 38 form part of these financial statements.

Highsted Academy Trust
(A company limited by guarantee)
Registered number: 07348116

Balance Sheet
As at 31 August 2018

| | Note | £ | 2018 £ | £ | 2017 £ |
|--|------|------------|------------|------------|------------|
| Fixed assets | | | | | |
| Tangible assets | 12 | | 11,091,273 | | 11,273,379 |
| Current assets | | | | | |
| Debtors | 13 | 61,068 | | 59,325 | |
| Cash at bank and in hand | | 3,260,167 | | 2,861,724 | |
| | | 3,321,235 | | 2,921,049 | |
| Creditors: amounts falling due within one year | 14 | (230,256) | | (85,499) | |
| Net current assets | | | 3,090,979 | | 2,835,550 |
| Total assets less current liabilities | | | 14,182,252 | | 14,108,929 |
| Pension scheme liability | 19 | | (629,000) | | (741,000) |
| Net assets including pension scheme liabilities | | | 13,553,252 | | 13,367,929 |
| Funds of the academy | | | | | |
| Restricted funds | | | | | |
| Restricted income funds | 15 | 1,993,918 | | 1,756,303 | |
| Restricted fixed asset funds | 15 | 11,091,273 | | 11,292,302 | |
| Restricted income funds excluding pension liability | | 13,085,191 | | 13,048,605 | |
| Pension reserve | | (629,000) | | (741,000) | |
| Total restricted funds | | | 12,456,191 | | 12,307,605 |
| Unrestricted income funds | 15 | | 1,097,061 | | 1,060,324 |
| Total funds | | | 13,553,252 | | 13,367,929 |

The financial statements on pages 20 to 38 were approved by the trustees, and authorised for issue, on 07 November '18 and are signed on their behalf, by:



Mr. P. Statham, Chair of Trustees

The notes on pages 23 to 38 form part of these financial statements.

Highsted Academy Trust
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Statement of Cash Flows
For the Year Ended 31 August 2018

| | Note | 2018 £ | 2017 £ |
|--|-------------|-------------------|-------------------|
| Cash flows from operating activities | | | |
| Net cash provided by operating activities | 17 | 488,184 | 281,889 |
| Cash flows from investing activities: | | | |
| Dividends, interest and rents from investments | | 8,288 | 9,285 |
| Purchase of tangible fixed assets | 12 | (117,425) | - |
| Capital grants from DfE Group | | 19,396 | 18,923 |
| Net cash (used in)/provided by investing activities | | (89,741) | 28,208 |
| Change in cash and cash equivalents in the year | | 398,443 | 310,097 |
| Cash and cash equivalents brought forward | | 2,861,724 | 2,551,627 |
| Cash and cash equivalents carried forward | | 3,260,167 | 2,861,724 |

Highsted Academy Trust
(A company limited by guarantee)

Notes to the Financial Statements
For the Year Ended 31 August 2018

1. Accounting Policies

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

1.1 Basis of preparation of financial statements

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

Highsted Academy Trust constitutes a public benefit entity as defined by FRS 102.

1.2 Fund accounting

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

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

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

1.3 Going concern

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

1.4 Income

All income is recognised once the academy trust has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Grants are included in the Statement of financial activities incorporating income and expenditure account 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 entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of financial activities incorporating income and expenditure account 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.

Donations are recognised on a receivable basis where receipt is probable and the amount can be reliably measured.

Other income, including the hire of facilities, is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

Highsted Academy Trust
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Notes to the Financial Statements
For the Year Ended 31 August 2018

1. Accounting Policies (continued)

1.5 Expenditure

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

Expenditure on charitable activities are costs incurred on the academy trust's educational operations, including support costs and those costs relating to the governance of the academy trust appointed to charitable activities.

1.6 Tangible fixed assets and depreciation

All assets costing more than £5,000 are capitalised and are carried at cost, net of depreciation and any provision for impairment.

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

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of these assets, less their estimated residual value, over their expected useful lives on the following bases:

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

| | | |
|------------------------|---|--------|
| Freehold property | - | 2% |
| Furniture and fixtures | - | 10-15% |
| ICT equipment | - | 20% |

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

1.7 Taxation

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

1.8 Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

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Notes to the Financial Statements
For the Year Ended 31 August 2018

1. Accounting Policies (continued)

1.9 Cash at Bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.10 Liabilities and provisions

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

1.11 Financial instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 13. Prepayments are not financial instruments. Amounts due to the academy trust's wholly owned subsidiary are held at face value less any impairment. Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised costs as detailed in note 14. 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 instruments. Amounts due to the academy trust's wholly owned subsidiary are held at face value less any impairment.

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Notes to the Financial Statements
For the Year Ended 31 August 2018

1. Accounting Policies (continued)

1.12 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 19, 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.

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/asset is also recognised in the Statement of financial activities incorporating income and expenditure account and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

1.13 Agency arrangements

The academy trust acts as an agent in distributing 16-19 bursary funds from ESFA. Payments received from ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The trust can use a percentage of the allocation towards its own administration costs, however opts not to do so. The funds received and paid and any balances held are disclosed in note 23.

1.14 Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, 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.

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Notes to the Financial Statements
For the Year Ended 31 August 2018

2. Income from donations and capital grants

| | Unrestricted funds 2018 £ | Restricted funds 2018 £ | Restricted fixed asset funds 2018 £ | Total funds 2018 £ | Total funds 2017 £ |
|---------------------------------------|------------------------------------|----------------------------------|---|-----------------------------|-----------------------------|
| Other donations | 2,000 | - | - | 2,000 | 50 |
| Capital grants | - | - | 19,396 | 19,396 | 18,923 |
| | <u>2,000</u> | <u>-</u> | <u>19,396</u> | <u>21,396</u> | <u>18,973</u> |
| <i>Analysis of 2017 total by fund</i> | <u>50</u> | <u>-</u> | <u>18,923</u> | <u>18,973</u> | |

3. Other trading activities

| | Unrestricted funds 2018 £ | Restricted funds 2018 £ | Total funds 2018 £ | Total funds 2017 £ |
|---------------------------------------|------------------------------------|----------------------------------|-----------------------------|-----------------------------|
| Income from facilities/services | 5,092 | - | 5,092 | 12,746 |
| Hire of facilities | 12,578 | - | 12,578 | 8,636 |
| Vending machines | 5,019 | - | 5,019 | 4,680 |
| | <u>22,689</u> | <u>-</u> | <u>22,689</u> | <u>26,062</u> |
| <i>Analysis of 2017 total by fund</i> | <u>26,062</u> | <u>-</u> | <u>26,062</u> | |

4. Investment income

| | Unrestricted funds 2018 £ | Restricted funds 2018 £ | Total funds 2018 £ | Total funds 2017 £ |
|---------------------------------------|------------------------------------|----------------------------------|-----------------------------|-----------------------------|
| Bank interest | 8,288 | - | 8,288 | 9,285 |
| | <u>8,288</u> | <u>-</u> | <u>8,288</u> | |
| <i>Analysis of 2017 total by fund</i> | <u>9,285</u> | <u>-</u> | <u>9,285</u> | |

Highsted Academy Trust
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Notes to the Financial Statements
For the Year Ended 31 August 2018

5. Funding for academy's educational operations

| | Unrestricted funds 2018 £ | Restricted funds 2018 £ | Total funds 2018 £ | Total funds 2017 £ |
|---------------------------------------|------------------------------------|----------------------------------|-----------------------------|-----------------------------|
| DfE/ESFA grants | | | | |
| General annual grant (GAG) | - | 3,705,285 | 3,705,285 | 3,687,376 |
| Other DfE/ESFA grants | - | 73,768 | 73,768 | 87,773 |
| | - | 3,779,053 | 3,779,053 | 3,775,149 |
| Other government grants | | | | |
| Local authority grants | - | 1,410 | 1,410 | 4,498 |
| | - | 1,410 | 1,410 | 4,498 |
| Other funding | | | | |
| School partnership income | 34,000 | - | 34,000 | 32,000 |
| | 34,000 | - | 34,000 | 32,000 |
| | 34,000 | 3,780,463 | 3,814,463 | 3,811,647 |
| <i>Analysis of 2017 total by fund</i> | 32,000 | 3,779,647 | 3,811,647 | |

6. Expenditure

| | Staff costs 2018 £ | Other costs 2018 £ | Total 2018 £ | Total 2017 £ |
|--------------------------------|--------------------------|--------------------------|--------------------|--------------------|
| Educational activities: | | | | |
| Direct costs | 2,481,045 | 524,046 | 3,005,091 | 3,008,188 |
| Support costs | 356,579 | 520,843 | 877,422 | 887,533 |
| | 2,837,624 | 1,044,889 | 3,882,513 | 3,895,721 |
| <i>Analysis of 2017 total</i> | 2,887,962 | 1,007,759 | 3,895,721 | |

7. Analysis of expenditure by activities

| | Direct costs 2018 £ | Support costs 2018 £ | Total 2018 £ | Total 2017 £ |
|-------------------------------|---------------------------|----------------------------|--------------------|--------------------|
| Educational activities | 3,005,091 | 877,422 | 3,882,513 | 3,895,721 |
| <i>Analysis of 2017 total</i> | 3,023,254 | 872,467 | 3,895,721 | |

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Notes to the Financial Statements
For the Year Ended 31 August 2018

7. Analysis of expenditure by activities (continued)

Analysis of support costs

| | Educational activities £ | Total 2018 £ | Total 2017 £ |
|---------------------------------------|---|-----------------------------|-----------------------------|
| Staff costs | 356,579 | 356,579 | 371,328 |
| Maintenance of premises and equipment | 82,049 | 82,049 | 74,405 |
| Cleaning | 110,634 | 110,634 | 110,692 |
| Rates | 28,910 | 28,910 | 25,135 |
| Heat and light | 64,182 | 64,182 | 50,771 |
| Insurance | 26,086 | 26,086 | 26,921 |
| Catering | 8,221 | 8,221 | 12,290 |
| Technology costs | 46,070 | 46,070 | 45,153 |
| Other support costs | 154,691 | 154,691 | 155,772 |
| | 877,422 | 877,422 | 872,467 |
| <i>Analysis of 2017 total</i> | <i>872,467</i> | <i>872,467</i> | |

8. Net income/(expenditure)

This is stated after charging:

| | 2018 £ | 2017 £ |
|---|-------------------|-------------------|
| Depreciation of tangible fixed assets: | | |
| - owned by the charity | 299,531 | 301,329 |
| Auditors' remuneration - audit | 8,240 | 8,045 |
| Auditors' remuneration - other services | 3,470 | 2,690 |

9. Trustees' and Officers' Insurance

In accordance with normal commercial practice the academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £7,500,000 on any one claim and the cost for the year ended 31 August 2018 was 1,611. (2017 - £1,448).

10. Trustees' remuneration and expenses

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

| | | 2018 £ | 2017 £ |
|-----------------------------|----------------------------|-------------------|-------------------|
| Miss. A. Kelly, Headteacher | Remuneration | 90,000-95,000 | 85,000-90,000 |
| | Pension contributions paid | 15,000-20,000 | 10,000-15,000 |

During the year ended 31 August 2018, one trustee was reimbursed for £393 of travel expenses (2017 - £291 to 1 trustees).

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Notes to the Financial Statements
For the Year Ended 31 August 2018

11. Staff costs

a. Staff costs

Staff costs were as follows:

| | 2018 | 2017 |
|--|-------------------------|-------------------------|
| | £ | £ |
| Wages and salaries | 2,117,889 | 2,139,367 |
| Social security costs | 212,637 | 213,553 |
| Operating costs of defined benefit pension schemes | 443,630 | 454,168 |
| | <u>2,774,156</u> | <u>2,807,088</u> |
| Agency staff costs | 63,468 | 60,874 |
| Staff restructuring costs | - | 20,000 |
| | <u><u>2,837,624</u></u> | <u><u>2,887,962</u></u> |
| Staff restructuring costs comprise: | | |
| Severance payments | - | 20,000 |
| | <u><u>-</u></u> | <u><u>20,000</u></u> |

b. Non-statutory/non-contractual staff severance payments

There were no staff severance payments in the year (2017: one of £20,000).

c. Staff numbers

The average number of persons employed by the academy trust during the year, on a headcount basis, was as follows:

| | 2018 | 2017 |
|----------------------------|-------------|-------------|
| | No. | No. |
| Teachers | 42 | 41 |
| Administration and support | 22 | 24 |
| Management | 5 | 6 |
| | <u>69</u> | <u>71</u> |

d. Higher paid staff

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

| | 2018 | 2017 |
|----------------------------------|-------------|-------------|
| | No. | No. |
| In the band £ 60,001 - £ 70,000 | 1 | 1 |
| In the band £ 80,001 - £ 90,000 | 0 | 1 |
| In the band £ 90,001 - £ 100,000 | 1 | 0 |

The above employees' participated in the Teachers' Pension Scheme. During the current year pension contributions for these members of staff amounted to £26,679 (2017: £25,246).

e. Key management personnel

The key management personnel of the academy trust comprise the trustees and senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £397,283 (2017: £444,309).

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Notes to the Financial Statements
For the Year Ended 31 August 2018

12. Tangible fixed assets

| | Freehold land and buildings £ | Motor vehicles £ | Furniture, plant and equipment £ | Total £ |
|-----------------------|-------------------------------------|---------------------|---|------------|
| Cost | | | | |
| At 1 September 2017 | 12,775,575 | 16,000 | 462,671 | 13,254,246 |
| Additions | 32,769 | - | 84,656 | 117,425 |
| At 31 August 2018 | 12,808,344 | 16,000 | 547,327 | 13,371,671 |
| Depreciation | | | | |
| At 1 September 2017 | 1,591,071 | 16,000 | 373,796 | 1,980,867 |
| Charge for the year | 240,790 | - | 58,741 | 299,531 |
| At 31 August 2018 | 1,831,861 | 16,000 | 432,537 | 2,280,398 |
| Net book value | | | | |
| At 31 August 2018 | 10,976,483 | - | 114,790 | 11,091,273 |
| At 31 August 2017 | 11,184,504 | - | 88,875 | 11,273,379 |

Included in land and buildings is freehold land at valuation of £750,000 (2017: £750,000), which is not depreciated.

13. Debtors

| | 2018 £ | 2017 £ |
|--------------------------------|---------------|---------------|
| Trade debtors | 144 | 1,256 |
| Recoverable VAT | 25,403 | 20,325 |
| Prepayments and accrued income | 35,521 | 37,744 |
| | <u>61,068</u> | <u>59,325</u> |

14. Creditors: Amounts falling due within one year

| | 2018 £ | 2017 £ |
|--------------------------------------|----------------|---------------|
| Trade creditors | 170,363 | 19,259 |
| Other creditors | 19,764 | 11,482 |
| Accruals and deferred income | 40,129 | 54,758 |
| | <u>230,256</u> | <u>85,499</u> |
| Deferred income | | |
| Deferred income at 1 September 2017 | - | 13,753 |
| Amounts released from previous years | - | (13,753) |
| Deferred income at 31 August 2018 | <u>-</u> | <u>-</u> |

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Notes to the Financial Statements
For the Year Ended 31 August 2018

15. Statement of funds

| | Balance at 1 September 2017 £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Balance at 31 August 2018 £ |
|-------------------------------------|--|-------------|------------------|--------------------------|-------------------------|-----------------------------------|
| Unrestricted funds | | | | | | |
| Unrestricted general fund | 1,060,324 | 66,977 | (30,240) | - | - | 1,097,061 |
| Restricted funds | | | | | | |
| General Annual Grant (GAG) | 1,746,488 | 3,705,285 | (3,393,596) | (79,106) | - | 1,979,071 |
| Other DfE/ESFA grants | 9,815 | 73,768 | (70,146) | - | - | 13,437 |
| Other government grants | - | 1,410 | - | - | - | 1,410 |
| Pension reserve | (741,000) | - | (89,000) | - | 201,000 | (629,000) |
| | 1,015,303 | 3,780,463 | (3,552,742) | (79,106) | 201,000 | 1,364,918 |
| Restricted fixed asset funds | | | | | | |
| Fixed assets | 11,273,379 | - | (299,531) | 117,425 | - | 11,091,273 |
| Capital grant | 18,923 | 19,396 | - | (38,319) | - | - |
| | 11,292,302 | 19,396 | (299,531) | 79,106 | - | 11,091,273 |
| Total restricted funds | 12,307,605 | 3,799,859 | (3,852,273) | - | 201,000 | 12,456,191 |
| Total of funds | 13,367,929 | 3,866,836 | (3,882,513) | - | 201,000 | 13,553,252 |

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

- (i) General Annual Grant must be used for the normal running costs of the academy trust.
- (ii) The other DfE/ESFA grants fund is used to track non-GAG grants received from ESFA, the DfE or executive agencies of the DfE, and comprises Pupil Premium and related expenditure.
- (iii) The other government grants fund is used to track grants provided by other government departments.
- (iv) The pensions reserve is a restricted fund to account for the liability arising under The Local Government Pension Scheme.
- (v) The restricted fixed asset funds are carried forward to meet the specific costs of fixed asset projects and to cover the depreciation charges that will be required on these projects going forward and the current fixed assets held

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Notes to the Financial Statements
For the Year Ended 31 August 2018

15. Statement of funds (continued)

Statement of funds - prior year

| | <i>Balance at 1 September 2016 £</i> | <i>Income £</i> | <i>Expenditure £</i> | <i>Transfers in/out £</i> | <i>Gains/ (Losses) £</i> | <i>Balance at 31 August 2017 £</i> |
|-------------------------------------|--|---------------------|--------------------------|-----------------------------------|------------------------------|--|
| Unrestricted general fund | | | | | | |
| Unrestricted general fund | 1,023,927 | 67,397 | (31,000) | - | - | 1,060,324 |
| Restricted funds | | | | | | |
| General Annual Grant (GAG) | 1,433,613 | 3,687,376 | (3,374,501) | - | - | 1,746,488 |
| Other DfE/ESFA grants | 9,435 | 87,773 | (87,393) | - | - | 9,815 |
| Other government grants | - | 4,498 | (4,498) | - | - | - |
| Pension reserve | (845,000) | - | (97,000) | - | 201,000 | (741,000) |
| | <u>598,048</u> | <u>3,779,647</u> | <u>(3,563,392)</u> | <u>-</u> | <u>201,000</u> | <u>1,015,303</u> |
| Restricted fixed asset funds | | | | | | |
| Fixed assets | 11,574,708 | - | (301,329) | - | - | 11,273,379 |
| Capital grant | - | 18,923 | - | - | - | 18,923 |
| | <u>11,574,708</u> | <u>18,923</u> | <u>(301,329)</u> | <u>-</u> | <u>-</u> | <u>11,292,302</u> |
| Total restricted funds | <u>12,172,756</u> | <u>3,798,570</u> | <u>(3,864,721)</u> | <u>-</u> | <u>201,000</u> | <u>12,307,605</u> |
| Total of funds | <u>13,196,683</u> | <u>3,865,967</u> | <u>(3,895,721)</u> | <u>-</u> | <u>201,000</u> | <u>13,367,929</u> |

16. Analysis of net assets between funds

| | Unrestricted funds 2018 £ | Restricted funds 2018 £ | Restricted fixed asset funds 2018 £ | Total funds 2018 £ |
|--|--|--|--|---------------------------------------|
| Tangible fixed assets | - | - | 11,091,273 | 11,091,273 |
| Current assets | 1,147,729 | 2,173,506 | - | 3,321,235 |
| Creditors due within one year | (162,668) | (67,588) | - | (230,256) |
| Provisions for liabilities and charges | 112,000 | (741,000) | - | (629,000) |
| | <u>1,097,061</u> | <u>1,364,918</u> | <u>11,091,273</u> | <u>13,553,252</u> |

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16. Analysis of net assets between funds (continued)

Analysis of net assets between funds - prior year

| | <i>Unrestricted funds</i> | <i>Restricted funds</i> | <i>Restricted fixed asset funds</i> | <i>Total funds</i> |
|--|---------------------------|-------------------------|-------------------------------------|--------------------|
| | <i>2017</i> | <i>2017</i> | <i>2017</i> | <i>2017</i> |
| | <i>£</i> | <i>£</i> | <i>£</i> | <i>£</i> |
| Tangible fixed assets | - | - | 11,273,379 | 11,273,379 |
| Current assets | 1,060,324 | 1,841,802 | 18,923 | 2,921,049 |
| Creditors due within one year | - | (85,499) | - | (85,499) |
| Provisions for liabilities and charges | - | (741,000) | - | (741,000) |
| | <u>1,060,324</u> | <u>1,015,303</u> | <u>11,292,302</u> | <u>13,367,929</u> |

17. Reconciliation of net movement in funds to net cash flow from operating activities

| | 2018 | 2017 |
|---|----------------|----------------|
| | £ | £ |
| Net expenditure for the year (as per Statement of Financial Activities) | (15,677) | (29,754) |
| Adjustment for: | | |
| Depreciation charges | 299,531 | 301,329 |
| Dividends, interest and rents from investments | (8,288) | (9,825) |
| Increase in debtors | (1,743) | (9,446) |
| Increase/(decrease) in creditors | 144,757 | (48,492) |
| Capital grants from DfE and other capital income | (19,396) | (18,923) |
| Defined benefit pension scheme cost less contributions payable | 71,000 | 80,000 |
| Defined benefit pension scheme finance cost | 18,000 | 17,000 |
| Net cash provided by operating activities | <u>488,184</u> | <u>281,889</u> |

18. Analysis of cash and cash equivalents

| | 2018 | 2017 |
|--------------|------------------|------------------|
| | £ | £ |
| Cash in hand | 3,260,167 | 2,861,724 |
| Total | <u>3,260,167</u> | <u>2,861,724</u> |

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19. Pension commitments

The academy trust's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Kent County Council. Both are Multi-employer defined benefit pension schemes.

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

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

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
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 September 2019. The government has warned of a rise in the employer rate, but has also indicated that any rise will be funded until March 2020 and will be thereafter reviewed.

The employer's pension costs paid to TPS in the period amounted to £301,432. (2017 - £264,724).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx).

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £86,000 (2017 - £89,000), of which employer's contributions totalled £66,000. (2017 - £68,000) and employees' contributions totalled £20,000. (2017 - £21,000). The agreed contribution rates for future years are 20% for employers and 5.5-12.5% for employees.

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19. Pension commitments (continued)

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

Principal actuarial assumptions:

| | 2018 | 2017 |
|--|--------|--------|
| Discount rate for scheme liabilities | 2.65 % | 2.60 % |
| Rate of increase in salaries | 3.80 % | 4.20 % |
| Rate of increase for pensions in payment / inflation | 2.30 % | 2.70 % |

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

| | 2018 | 2017 |
|----------------------|------|------|
| Retiring today | | |
| Males | 23.1 | 23 |
| Females | 25.2 | 25.1 |
| Retiring in 20 years | | |
| Males | 25.3 | 25.2 |
| Females | 27.5 | 27.4 |

| | At 31 August 2018 £ | At 31 August 2017 £ |
|--|---------------------------|---------------------------|
| Sensitivity analysis | | |
| Discount rate +0.1% | 1,619,000 | 1,525,000 |
| Discount rate -0.1% | 1,693,000 | 1,590,000 |
| Mortality assumption - 1 year increase | 1,713,000 | 1,602,000 |
| Mortality assumption - 1 year decrease | 1,601,000 | 1,514,000 |
| CPI rate +0.1% | 1,690,000 | 1,586,000 |
| CPI rate -0.1% | 1,623,000 | 1,623,000 |

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

| | Fair value at 31 August 2018 £ | Fair value at 31 August 2017 £ |
|-------------------------------------|---|---|
| Equities | 700,000 | 644,000 |
| Gilts | 8,000 | 6,000 |
| Corporate bonds | 91,000 | 88,000 |
| Property | 127,000 | 112,000 |
| Cash and other liquid assets | 31,000 | 29,000 |
| Investment funds | 70,000 | 35,000 |
| Total market value of assets | 1,027,000 | 914,000 |

The actual return on scheme assets was £42,000. (2017 - £124,000).

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Notes to the Financial Statements
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19. Pension commitments (continued)

The amounts recognised in the Statement of financial activities incorporating income and expenditure account are as follows:

| | 2018 | 2017 |
|----------------------|-------------------|-------------------|
| | £ | £ |
| Current service cost | (137,000) | (148,000) |
| Interest income | 25,000 | 17,000 |
| Interest cost | (43,000) | (34,000) |
| | <u> </u> | <u> </u> |
| Total | (155,000) | (165,000) |
| | <u> </u> | <u> </u> |

Movements in the present value of the defined benefit obligation were as follows:

| | 2018 | 2017 |
|------------------------------------|-------------------|-------------------|
| | £ | £ |
| Opening defined benefit obligation | 1,655,000 | 1,557,000 |
| Current service cost | 137,000 | 148,000 |
| Interest cost | 43,000 | 34,000 |
| Employee contributions | 20,000 | 21,000 |
| Actuarial gains | (184,000) | (94,000) |
| Benefits paid | (15,000) | (11,000) |
| | <u> </u> | <u> </u> |
| Closing defined benefit obligation | 1,656,000 | 1,655,000 |
| | <u> </u> | <u> </u> |

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

| | 2018 | 2017 |
|-------------------------------------|-------------------|-------------------|
| | £ | £ |
| Opening fair value of scheme assets | 914,000 | 712,000 |
| Interest income | 25,000 | 17,000 |
| Actuarial losses | 17,000 | 107,000 |
| Employer contributions | 66,000 | 68,000 |
| Employee contributions | 20,000 | 21,000 |
| Benefits paid | (15,000) | (11,000) |
| | <u> </u> | <u> </u> |
| Closing fair value of scheme assets | 1,027,000 | 914,000 |
| | <u> </u> | <u> </u> |

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20. Related party transactions

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

Expenditure Related Party Transaction

Spires Academy, an academy trust (company number 06207067) in which the Chief Financial Officer, Mr. H. Robinson, was a trustee until his resignation during the year. Spires Academy itself transferred to a multi-academy trust, Education for the 21st Century (company number 07559170), on 31 January 2018 and at that point Mr. H. Robinson became a local governor, although he also remained a trustee of the Spires Academy company until 3 October 2018 to deal with the closure of that trust.

- The academy trust purchased the services of a premises manager from Spires Academy totalling £620 (2017: not a related party) during the year. There were no amounts outstanding at 31 August 2018.
- The academy trust made the purchase at arms' length following a competitive tendering exercise in accordance with its financial regulations, which Mr. Robinson neither participated in, nor influenced.
- In entering into the transaction the academy trust has complied with the requirements of the AFH 2017.
- Since the total value of services procured is below £2,500 there has been no requirement to obtain a statement of assurance confirming that the services were provided 'at no more than cost'.

Mrs. J. Robinson, wife of Mr. H. Robinson, the Chief Financial Officer (CFO):

- The academy trust purchased student mentoring/coaching services totalling £500 (2017: not a related party) during the year. There were no amounts outstanding at 31 August 2018.
- The academy trust made the purchase at arms' length following a competitive tendering exercise in accordance with its financial regulations, which Mr. Robinson neither participated in, nor influenced. It is also worth noting that the trust has procured these services from Mrs. Robinson for several years, pre-dating Mr. Robinson's appointment as CFO.
- In entering into the transaction the academy trust has complied with the requirements of the AFH 2017.
- Since the total value of services procured is below £2,500 there has been no requirement to obtain a statement of assurance confirming that the services were provided 'at no more than cost'.

Highsted Grammar School (School Fund) (charity number 1099528), a charity whose objects are to advance the education of all pupils of Highsted Grammar School, and of which the Accounting Office, Ms. A. Kelly, is a trustee:

- During the year the academy trust made payments on behalf of Highsted Grammar School (School Fund) before being reimbursed for these. At 31 August 2018 an amount of £21,420 (2017 - £7,159) remained outstanding and due to the academy trust for outstanding reimbursements.
- In entering into the transaction the academy trust has complied with the requirements of the AFH 2017.
- Due to the nature of the transactions the "at cost" rules of the Academies Financial Handbook do not apply.

21. Ultimate controlling party

The academy trust is run by the Senior Leadership Team on a day to day basis. Strategic decisions are made by the trustees. There is no ultimate controlling party.

22. Members' liability

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

23. Agency Arrangements

The academy trust distributes 16-19 bursary funds to students as an agent for the ESFA. During the year ended 31 August 2018, the trust received £13,045 and disbursed £4,763 from the fund. With brought forward funds of £11,482, there were £19,764 of undistributed funds included within creditors as at 31 August 2018.