
ARNOLD ACADEMY
(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017



ARNOLD ACADEMY
(A Company Limited by Guarantee)

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REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 AUGUST 2017

Members	O Flack Mrs C J Barbour S Kelly M Chalmers-Hunt (resigned 31 August 2017)
Governors	O Flack, Chair ¹ Mrs C J Barbour, Community Trustee Mrs M E Sharpe, Parent Trustee (resigned 1 September 2016) S Kelly, Headteacher ¹ M Chalmers-Hunt, Vice Chair (resigned 31 August 2017) ¹ Mrs C A Hewitt, Staff Trustee Rev A Johnson, Community Trustee ¹ S Oxley, Parent Trustee ¹ P M Johnson, Parent Trustee ¹ E Prentice, Staff Trustee ¹ R Shah, Parent Trustee (appointed 12 December 2016) J Breeze, Community Trustee (appointed 1 September 2017) ¹ Members of the Resources Committee
Company registered number	07670723
Company name	Arnold Academy
Principal and registered office	Arnold Academy Hexton Road Barton-Le-Clay Bedfordshire MK45 4JZ
Company secretary	Mrs K Wildey
Senior management team	S Kelly, Head Teacher Mrs M L Sides, Deputy Head Teacher (resigned 31 December 2016) Mrs C McManus, Deputy Head Teacher Mrs R Moss, Standards Leaders Mrs R Bradford, Standards Leaders Mrs K Wildey, Business Manager Mrs A Wright, Key Stage 2 Leader

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY TRUST, ITS GOVERNORS AND
ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2017**

Advisers (continued)

Independent auditors	Streets Audit LLP Chartered Accountants Statutory Auditors Potton House Wyboston Lakes Great North Road Wyboston Bedfordshire MK44 3BZ
Bankers	Lloyds TSB Bank Plc Central Milton Keynes Buckinghamshire MK9 3EH
Solicitors	Anthony Collins Solicitors LLP 134 Edmund Street Birmingham B3 2ES

ARNOLD ACADEMY
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GOVERNORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2017

The Governors present their annual report together with the financial statements and auditor's report of the charitable company for the 1 September 2016 to 31 August 2017. The Annual Report serves the purposes of both a Governors' Report, and a Directors' report under company law.

Structure, governance and management

a. CONSTITUTION

The Academy is a company limited by guarantee and an exempt charity. The companies Memorandum and Articles of Association are the primary governing documents of the Academy.

The Governors act as trustees for the charitable activities of the Academy and are also Directors of the charitable company for the purposes of company law. The charitable company is known as Arnold Academy.

Details of the Governors who served during the year except as noted are included in the Reference and Administrative details on page 1.

Members of the Academy Trust are appointed by the Secretary of State or from within the Governors to include the Chair of the Governors, the Vice Chair, the Principal, the Chair of the Resources/Finance Committee and the Chair of the Teaching and Learning Committee.

b. MEMBERS' LIABILITY

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

c. GOVERNORS' INDEMNITIES

Each member's liability is limited by an indemnity pursuant to the provisions of the Companies Act 2006 in respect of negligence, default, breach of duty or breach of trust in relation to the affairs of the Academy Trust.

d. METHOD OF RECRUITMENT AND APPOINTMENT OR ELECTION OF GOVERNORS

A Governor's term of Office shall be 4 years, but this time limit will not apply to the Principal, however any Governor may be re-appointed or re-elected.

e. POLICIES AND PROCEDURES ADOPTED FOR THE INDUCTION AND TRAINING OF GOVERNORS

During the year under review the Governors held four Full Governing Body meetings. In addition the Resources Committee met on three occasions and the Teaching and Learning Committee on three occasions. Additional meetings were held by the Headteacher's performance management committee and chairs committee.

There were new Governing Body appointments for year ending 31 August 2017, including one new Parent Governor and a new Community Governor. All Governors are provided with copies of the policies, procedures, minutes, accounts, budgets, plans and other documents they need to undertake their role as Governors. All new Governors are required to attend a Governors Training course run by the Local Education Authority or such other provider the service to which the Academy subscribes. The Governing Body also introduced an informal business meeting at the beginning of the academic year (September 2016) in order to agree roles/responsibilities and to set out the formal meeting dates for the forthcoming year.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

f. ORGANISATIONAL STRUCTURE

The management structure of the Academy was re-organised in January 2017, resulting in there being a single deputy head instead of two formerly. The two 'Standards Leader' roles have been enhanced. The introduction of the 'Pastoral Hub', staffed by non-teachers, has been very successful and has enabled the Head and Deputy Head to concentrate more time on their strategic and operational roles and providing back up and a degree of succession planning. The standards leaders are responsible for "Teaching, Learning and Standards" and "Behaviour, Attendance and Pastoral" respectively. The overall structure remains the same, consisting of three levels: The Members of the Academy, The Governors and the Senior Leadership Team. The aim of the structure is to devolve responsibility and encourage involvement in decision making at all levels and avoid undue bureaucracy or replication of works and roles.

The Members have delegated their powers to the Governors who are responsible for setting general policy, adopting an annual plan and budget, monitoring the Academy by the use of budgets and making decisions about the direction of the Academy, capital expenditure and senior staff appointments.

The Senior Leadership Team at Arnold Academy consists of the headteacher, one deputy head, two standards leaders, a Key Stage 2 leader & Business Manager. Some spending control is devolved to department heads and to the office manager, but the senior managers can authorise expenditure within agreed limits and budgets but capital or other significant expenditure requires authorisation by the Resources committee of the Governors subject to the Academy's best value policy.

The Senior Leadership Team is responsible for the day to day operation of the Academy, in particular organising the teaching staff, facilities and students.

g. PAY POLICY FOR KEY MANAGEMENT PERSONNEL

The pay scales for key management personnel are set in accordance with the school group size defined as per DfE guidelines. The Headteacher's performance is reviewed with the support of an independent external consultant who advises the Headteacher's performance management committee, which reports to the FGB. The performance of the rest of the senior leadership team is reviewed by the headteacher, who reports findings and makes recommendations to the full governing body.

h. CONNECTED ORGANISATIONS, INCLUDING RELATED PARTY RELATIONSHIPS

Arnold Academy is a member of the Harlington Area Schools Trust (HAST), which consists of 13 local schools operating within one 'pyramid' feeding Harlington Upper School. The arrangement is voluntary and is not, at the present time, a federation or multi-academy trust.

Arnold Academy PTA is a separate registered charity which holds fundraising events for the Academy Trust.

There are no other subsidiary companies or connected organisations.

Objectives and Activities

a. OBJECTS AND AIMS

The principal objective and activity of the Academy Trust is the operation of Arnold Academy to provide education for pupils of different abilities between the ages of 9 and 13 and to advance for the public benefit education in the United Kingdom.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

b. STRATEGIES AND ACTIVITIES

The Academy's main strategy is encompassed in its mission statement which is "the best we can be in all that we do." To this end the activities include:

- delivering an outstanding educational experience for all pupils through excellent teaching, inventive curricular experiences and modern facilities
- identifying and overcoming barriers to learning through early intervention enabling every child to achieve their potential
- engaging parents, carers and support networks in effective communication to enhance the holistic approach to learning
- establishing sustainable cross phase partnerships that enable schools to pool resources and raise overall standards
- Celebrating with the wider community all the achievements of Arnold Academy.

c. PUBLIC BENEFIT

The Governors confirm that they have complied with their duty to have due regard to the Charity Commissioner's general guidance on public benefit in exercising their powers or duties. They have referred to this guidance when reviewing the Academy's aims and objectives and in planning its future activities.

The Academy has a strategy to support the local community by offering its premises and facilities to community groups for their use where possible and economic to do so.

d. EQUAL OPPORTUNITIES POLICY

The governors 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.

e. EMPLOYEE INVOLVEMENT AND EMPLOYMENT OF THE DISABLED

Lifts, ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to all the main areas of the Academy. It is a policy of the Academy to support recruitment and retention of the 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.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

Strategic report

Achievements and performance

a. KEY PERFORMANCE INDICATORS

The sixth year as an Academy has been very successful and has built on the strong performance of previous years. Structures and practice are effectively embedded and continue to achieve positive outcomes in learning. Pupil progress over the four years at Arnold Academy remains strong for all groups of pupils. The most recent Key Stage 2 SAT results were amongst the highest in the local authority and significantly above national and local averages. Our year 6 writing outcomes were moderated and validated by the local authority as part of their cycle of review. The new intake number at year five has again been strong and there has been a steady increase in the number of pupils throughout the year as new pupils have been attracted following successful results across the year groups. This resulted in the school being over-subscribed in three out of four year groups. As of 31 August 2017 there are 595 on roll. The academy has agreed to informally increase its admission number in September 2017 to 180, with a view to increasing the overall capacity to 720 in the following three years, subject to agreement by the ESFA. Pupil attendance remains above national average and improved further this year.

In July 2017, the academy was inspected by OFSTED, with the result being that Arnold Academy remains 'Good' in all areas, with an acknowledgement that Arnold Academy has, 'maintained and further developed the good quality of education in the school since the last inspection.' The published inspection report highlights significant successes relating to both academic and pastoral achievement.

Rigorous processes have been fully embedded into performance management procedures for all staff. Additionally, the new curriculum and assessment procedures have been fully adopted and embraced. Year 5 pupils continue to be benchmarked at the start of the academic year so that their progress can be tracked more accurately throughout their time at Arnold Academy.

The Academy continues to ensure that raising standards and improving enrichment remain high on the agenda. In particular, the transition into and out of the school is well managed, ensuring pupils are happy and that their academic and personal development is not adversely effected. In all these respects new targets and increased rigour of teaching and assessment ensure that standards and achievements continue to improve.

b. GOING CONCERN

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

Financial review

a. FINANCIAL REVIEW

Most of the Academy's income is obtained from the ESFA, the use of which is restricted to particular purposes. Any grants or other sources of income are shown in the Statement of Financial Activities.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

During the year, the academy's income totalled £5,636,241 (2016 £2,899,626). Income includes £2,752,000 (2016 £nil) which was committed by Central Bedfordshire Council on 4 April 2017 towards the costs of expanding pupil capacity at Arnold Academy. Expenditure totalled £3,386,906 (2016 £3,103,659) in the year, of which £169,322 (2016 £nil) was in respect of refurbishment for the expansion project, £89,000 (2016 £44,000) related to the Academy's Local Government Pension Scheme and £222,349 (2016 £224,015) was the depreciation charge for the year. The Academy has reduced its accumulated GAG reserve from £135,962 to £133,744 at the balance sheet date and expects to use some of this reserve in the forthcoming year to support the cost of growing pupil numbers which is not fully funded by Central Bedfordshire Council.

The Academy also recognised Devolved Formula Capital income of £19,528 which was used to finance repairs to the school premises, leaving a nil balance at the year end. The restricted fixed asset fund for the expansion project includes a balance of £2,582,678 from Central Bedfordshire Council funds which will be used in the forthcoming year for the construction of new buildings on the existing site.

At 31 August 2017, the net book value of fixed assets was £5,205,074. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy.

The Academy monitors all areas of expenditure, being aware that there are constant pressures on the Academy's grant funding. In particular, natural staff turnover and retirements have enabled us to continue to review staffing levels, re-structuring existing staff to back fill key roles and where possible, recruiting strategically to reduce costs. The Governors are aware that payroll costs are a high percentage of income received, partly due to nationally agreed annual pay rises and increased pension contributions. Although these elements are beyond the Academy's control, the senior leadership team have been having meetings to discuss the staff salaries costs.

b. RESERVES POLICY

The Governors review the reserve levels of the Academy termly. This review examines the income and expenditure streams against the forecasts to match commitments etc., and to identify or forecast any potential shortfall. As a minimum, the reserves should provide sufficient working capital to cover delays between spending and receipt of income from the applicable streams, and to provide a cushion for unexpected expenditure and emergencies. The Academy will continue to keep reserves at this level subject to constant and on-going review.

The academy held fund balances at 31 August 2017, excluding pension deficit, of £8,144,543 comprising Restricted Fixed Asset Funds of £7,787,752, Restricted Funds of £133,744 and Unrestricted Funds of £223,047.

c. INVESTMENT POLICY

All cash balances held by the academy remain in the academy bank account and are fully committed to the budget for the following year, therefore, the academy does not currently require an Investment Policy.

d. PRINCIPAL RISKS AND UNCERTAINTIES

The direction of government education policy is a significant risk to the school. Levels of school funding remain a significant threat, with the Academy having to make year-on-year real terms cuts to expenditure in all areas. On a local level, whilst the HAST pyramid remains strong, the future of the three tier system within Central Bedfordshire remains uncertain. However, a projected increase in pupil numbers and a potential significant investment in the fabric of the academy means that the school would be able to adapt to any potential changes of school structure.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

The issue of school funding remains the critical long term risk to the academy; real terms and actual funding per pupil has declined over the past four years. This, coupled with increasing staff costs caused by unfunded pay rises, incremental pay increases, changes to national insurance contributions and changes to employer pension contributions mean that the Academy will find it increasingly challenging to maintain the high standards it has set and the successes it has achieved.

Plans for future periods

a. FUTURE DEVELOPMENTS

The Academy effectively reached its maximum number of pupils on roll during the 2016-2017 academic year. This provided a more stable environment upon which it managed and forecast expenditure and create improved opportunities for expenditure on agreed priorities, as set out in the academy development plan, safe in the knowledge that funding is available.

In 2016, the local authority approached the academy with a view to expanding the provision to become a 720 place middle school. This has now progressed, so the school will take an additional 30 pupils into year 5 in September 2017. The local authority provided growth funding for this and further funds to allow the re-organisation of teaching space for the additional 30 pupils. Subject to planning approval, ESFA approval and contract agreement, the academy will receive further additional funds in the coming academic year to provide significant additional accommodation including a new sports hall, specialist teaching areas and classrooms. This funding will also allow for the refurbishment and re-organisation of many existing areas of the academy. It is intended that the school will formally change its published admission number to 180 per year group from September 2018. This increase in pupil numbers will also create some financial gains in terms of economies of scale, as 720 is a much more viable pupil number from which to operate. The enhanced facilities will also offer opportunities for additional sources of income, for example through the letting of the new sports hall facility.

Discussions are ongoing within the HAST group of schools as to their response to the government's white paper 'Education Excellence Everywhere', which advocates all schools becoming academies and forming multi-academy trusts. The Trust is now actively working towards the formation of a MAT. The governors of Arnold Academy are considering the benefits of forming and joining a HAST MAT following the completion of a working party report, of which Arnold were a pivotal member.

In respect to teaching & learning, the academy continues to look for opportunities to improve the level of performance of its pupils at all levels and to develop and support the school ethos and values learning. The Academy will remain open to alternative routes of income generation which would aid the Academy in achieving its aims and mission statement.

The Academy continually updates its development plan to react to changes on all levels to benefit its students and wider community.

FUNDS HELD AS CUSTODIAN

The academy and its Governors do not act as the custodian trustees of any other charity.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

DISCLOSURE OF INFORMATION TO AUDITORS

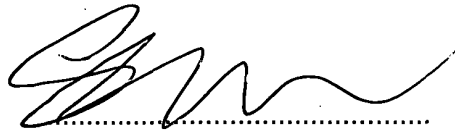
Insofar as the Governors are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Governors have taken all the steps that ought to have been taken as a Governor in order to be aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

The Governors' Report, incorporating a strategic report, was approved by order of the Board of Governors, as the company directors, on 4 December 2017 and signed on its behalf by:



.....
O Flack, Chair



.....
S Kelly, Headteacher

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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

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

The Board of Governors has delegated the day-to-day responsibility to the Headteacher, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Arnold Academy and the Secretary of State for Education. They are also responsible for reporting to the Board of Governors any material weaknesses or breakdowns in internal control.

GOVERNANCE

The information on governance included here supplements that described in the Governors' Report and in the Statement of Governors' Responsibilities. The Board of Governors has formally met 4 times during the year. Attendance during the year at meetings of the Board of Governors was as follows:

Governor	Meetings attended	Out of a possible
O Flack, Chair	4	4
Mrs C J Barbour, Community Trustee	0	4
Mrs M E Sharpe, Parent Trustee (resigned 1 September 2016)	0	0
S Kelly, Headteacher	4	4
M Chalmers-Hunt, Vice Chair (resigned 31 August 2017)	2	4
Mrs C A Hewitt, Staff Trustee	4	4
Rev A Johnson, Community Trustee	3	4
S Oxley, Parent Trustee	4	4
P M Johnson, Parent Trustee	4	4
E Prentice, Staff Trustee	4	4
R Shah, Parent Trustee	3	4
J Breeze, Community Trustee (appointed 1 September 2017)	0	0

Mrs K Wildey (Business Manager) also attends meetings of the Board of Governors.

The Resources Committee is a sub-committee of the main Board of Governors. Its purpose is to monitor, evaluate and review policy and performance in relation to financial management, comply with reporting and regulatory requirements, receive reports from the Responsible Officer and auditors and draft the annual budget.

Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
O Flack, Chair	2	3
S Kelly, Headteacher	3	3
M Chalmers-Hunt, Vice Chair	2	3
Rev A Johnson, Community Trustee	2	3
S Oxley, Parent Trustee	3	3
P M Johnson, Parent Trustee	3	3
E Prentice, Staff Trustee	3	3

Mrs K Wildey (Business Manager) and D Childs (Site Agent) also attend meetings of the Resources Committee.

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GOVERNANCE STATEMENT (continued)

Governance reviews:

During the year, the Board of Governors started to review their roles and responsibilities, in line with the new OFSTED framework. Self evaluation forms were distributed to all Governors and to assess their areas of interest and expertise. Governors agreed that they would attend some of the weekly staff meetings to increase Governor involvement in the running of the school.

REVIEW OF VALUE FOR MONEY

As Accounting Officer, the Headteacher has responsibility for ensuring that the Academy Trust delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and 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 Governors where value for money can be improved, including the use of benchmarking data where appropriate.

Improving educational outcomes remains a key priority for Arnold Academy. We are committed to each pupil achieving their potential through academic achievement; additional curricular activities and an extensive variety of enrichment opportunities, contributing to the development of the whole person and help them prepare for transition to the upper school.

The Accounting Officer for the Academy Trust has delivered improved value for money during the year by:

Targeted Improvement: Arnold Academy continues to use robust tracking methodology for monitoring achievement and is continually reviewing how data can inform staff, enabling them to support and extend pupils learning. Using skilled staff we have a number of intervention techniques that allow us to focus on pupil's learning needs; encouraging innovation and creativity to meet those needs.

Focus on individual pupils: Arnold Academy offers a comprehensive support system and a specialist learning provision. Where appropriate, pupils benefit from one-to-one mentoring; small group working and assistance for external specialist agency resource. The Academy rewards excellence and promotes positive behaviour. Achievement is celebrated and all pupils are encouraged to stretch their abilities by trying new activities, developing confidence and leaderships skills.

Collaboration: As a member of HAST (Harlington Area Schools' Trust) the Academy works closely with its partner lower schools, middle school and the upper school. Regular meetings of staff at all levels ensure the sharing of good practise and the seamless transition for pupils between schools.

Quantifying Improvements: All pupils are mapped and tracked via our comprehensive data management system. Results are readily identifiable so that improvement or intervention measures can be quickly deployed.

Financial governance and oversight: The resources committee and full governing body (FGB) receive regular (termly) written financial reports based upon the monthly reported income and expenditure. The FGB approves the school budget that has been previously discussed and approved by the resources committee. It is well understood the need to balance expenditure against income, ensuring the Academy Trust remains a going concern. The FGB receives and approves the school's annual accounts and external Auditors Report. The academy has a responsible officer who visits the school termly; tests the financial data and provides a written report to the FGB, which is minuted at the resources committee. The academy has an appropriate 'delegation of authority' in place, ensuring the expenditure is transparent.

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GOVERNANCE STATEMENT (continued)

Better Purchasing: All contracts and services are routinely reviewed in line with best practise and re-negotiated when appropriate to maintain best value. The Academy obtains three quotes on large expenditure and where this is not achievable, the reasons documented. Arnold Academy continues to be a member of a purchasing consortium, thus maximising leverage on group purchasing. All staff continually look for competitive pricing and use various procurement tools and economies of scale etc. As part of HAST, we routinely benchmark our financial performance against other schools in order to evidence 'good value for money' principles.

Better Income Generation: Arnold Academy continues to explore all revenue stream opportunities, through the effective hire of its premises and resources to local clubs and sport teams. In addition the school is regularly hired by both educational and non-educational organisations.

Reviewing Controls and Managing Risks: Produced monthly, financial monitoring reports are regularly reviewed by both the Business Manager and Headteacher. In addition, they are presented termly to the FGB. Any significant variances are reported to the FGB and Governors and where appropriate, remedial action taken. The school's finance department maintains a cash-flow spreadsheet, ensuring timely expenditure, when compared against monthly income received from the ESFA. The Academy does not have large 'cash at bank' balances that require an investment strategy.

Lesson Learned: The Academy is in its sixth year of operation and is increasingly aware of its options in terms of autonomy and increased flexibility. Improved results and outcomes for pupils have resulted in increased popularity and 'year on year' growth in pupil numbers. Whilst welcome, it has brought its own set of challenges in managing 'funding lag'. It has however been able to maintain continuity of services and reduce the impact of the conversion.

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 Arnold Academy for the year 1 September 2016 to 31 August 2017 and up to the date of approval of the annual report and financial statements.

CAPACITY TO HANDLE RISK

The Board of Governors 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 Governors 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 2016 to 31 August 2017 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Governors.

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GOVERNANCE STATEMENT (continued)

THE RISK AND CONTROL FRAMEWORK

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

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

The Board of Governors has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Governors have appointed Mrs S Baker, as Responsible Officer (RO).

The RO's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. In particular the checks carried out in the current period included:

- Procurement: Testing purchasing, invoices, payments and authorisation limits.
- Payroll: Checking appointments, change of circumstances and payments.
- Accounts: Bank reconciliations.
- Income: Testing invoicing, receipts and banking.
- Month End: Reviewing month end reconciliations.
- Governance: Viewing budget reports to Governors for Resources Committee meetings.
- Process: Comment upon compliance with ESFA guidelines, completion of internal checks and segregation of duties.

On a termly basis, the RO reports to the Board of Governors through the finance and general purposes committee on the operation of the systems of control and on the discharge of the Board of Governors' financial responsibilities.

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GOVERNANCE STATEMENT (continued)

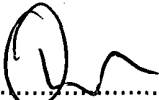
REVIEW OF EFFECTIVENESS

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

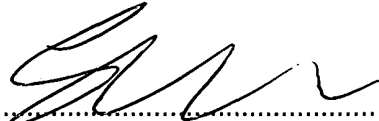
- the work of the Responsible Officer;
- the work of the external auditors;
- the financial management and governance self-assessment process;
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the Board of Governors on 4 December 2017 and signed on their behalf, by:



.....
O Flack
Chair of Governors



.....
S Kelly
Accounting Officer

ARNOLD ACADEMY
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Arnold Academy I have considered my responsibility to notify the academy trust board of trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, 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 2016.

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 2016.

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.



.....
S Kelly
Accounting Officer

Date: 4 December 2017

ARNOLD ACADEMY
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STATEMENT OF GOVERNORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2017

The Governors (who act as trustees of Arnold Academy for the purposes of charity law and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Governors' Report and the financial statements in accordance with the Annual Accounts Direction issued by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Governors to prepare financial statements for each financial year. Under company law the Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Governors 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 2016 to 2017;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the Board of Governors on 4 December 2017 and signed on its behalf by:



.....
O Flack
Chair of Governors

ARNOLD ACADEMY
(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
ARNOLD ACADEMY**

OPINION

We have audited the financial statements of Arnold Academy for the year ended 31 August 2017 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 FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

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

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 2017 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 2016 to 2017 issued by the Education and Skills Funding Agency.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Academy Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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 Governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governors 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.

ARNOLD ACADEMY
(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
ARNOLD ACADEMY**

OTHER INFORMATION

The Governors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the 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 Governors' Report including the Strategic Report for which the financial statements are prepared is consistent with the financial statements.
- the Governors' 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 Governors' Report including the Strategic Report.

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

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

However, only partial disclosure has been made in respect of Governors' remuneration (note 11).

ARNOLD ACADEMY
(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
ARNOLD ACADEMY**

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Statement of Governors' Responsibilities, the Governors (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 Governors 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 Governors 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 Governors either intend to liquidate the Academy Trust's or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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



Linda J Lord (Senior Statutory Auditor)

for and on behalf of

Streets Audit LLP

Chartered Accountants

Statutory Auditors

Potton House

Wyboston Lakes

Great North Road

Wyboston

Bedfordshire

MK44 3BZ

Date: 12 December 2017

ARNOLD ACADEMY
(A Company Limited by Guarantee)

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO ARNOLD ACADEMY AND THE EDUCATION AND SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 12 September 2017 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Arnold Academy during the year 1 September 2016 to 31 August 2017 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 Arnold Academy and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Arnold Academy and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Arnold Academy and the ESFA, for our work, for this report, or for the conclusion we have formed.

RESPECTIVE RESPONSIBILITIES OF ARNOLD ACADEMY'S ACCOUNTING OFFICER AND THE REPORTING ACCOUNTANT

The Accounting Officer is responsible, under the requirements of Arnold Academy's funding agreement with the Secretary of State for Education dated 8 July 2011, and the Academies Financial Handbook extant from 1 September 2016, 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 2016 to 2017. 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 2016 to 31 August 2017 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 2016 to 2017 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.

ARNOLD ACADEMY
(A Company Limited by Guarantee)


**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO ARNOLD
ACADEMY AND THE EDUCATION AND SKILLS FUNDING AGENCY (continued)**

The work undertaken to draw our conclusions included:

- Review of the Academy's systems and controls to ensure effective design
- Confirmation of satisfactory operation of controls during the year, including authorisation of invoices, payments and salary adjustments.
- Review of a sample of expenses focusing on those nominal codes considered to include transactions of a greater risk;
- Review of the reports from internal scrutiny work undertaken during the year.
- Discussion with the Finance Team.

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 2016 to 31 August 2017 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Linda J Lord

Streets Audit LLP
Chartered Accountants
Statutory Auditors
Potton House
Wyboston Lakes
Great North Road
Wyboston
Bedfordshire
MK44 3BZ

Date: 12 December 2017

ARNOLD ACADEMY
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2017**

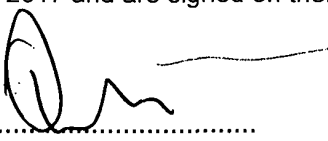
	Note	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £	Total funds 2016 £
INCOME FROM:						
Donations and capital grants	2	67,494	8,737	2,771,528	2,847,759	110,712
Charitable activities	3	-	2,777,528	-	2,777,528	2,776,459
Other trading activities	4	9,949	-	-	9,949	10,010
Investments	5	1,005	-	-	1,005	2,445
TOTAL INCOME		78,448	2,786,265	2,771,528	5,636,241	2,899,626
EXPENDITURE ON:						
Raising funds		76,663	-	-	76,663	91,324
Charitable activities		-	2,893,483	416,760	3,310,243	3,012,335
TOTAL EXPENDITURE	6, 7	76,663	2,893,483	416,760	3,386,906	3,103,659
NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES						
		1,785	(107,218)	2,354,768	2,249,335	(204,033)
Actuarial gains/(losses) on defined benefit pension schemes	20	-	224,000	-	224,000	(314,000)
NET MOVEMENT IN FUNDS		1,785	116,782	2,354,768	2,473,335	(518,033)
RECONCILIATION OF FUNDS:						
Total funds brought forward		221,262	(609,038)	5,432,984	5,045,208	5,563,241
TOTAL FUNDS CARRIED FORWARD		223,047	(492,256)	7,787,752	7,518,543	5,045,208

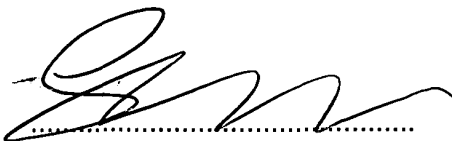
ARNOLD ACADEMY
(A Company Limited by Guarantee)
REGISTERED NUMBER: 07670723

BALANCE SHEET
AS AT 31 AUGUST 2017

	Note	£	2017 £	£	2016 £
FIXED ASSETS					
Tangible assets	13		5,205,074		5,427,423
CURRENT ASSETS					
Debtors	14	2,650,864		45,829	
Cash at bank and in hand		400,260		357,703	
		<u>3,051,124</u>		<u>403,532</u>	
CREDITORS: amounts falling due within one year	15	(111,655)		(40,747)	
NET CURRENT ASSETS			<u>2,939,469</u>		<u>362,785</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>8,144,543</u>		<u>5,790,208</u>
Defined benefit pension scheme liability	20	(626,000)			(745,000)
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u><u>7,518,543</u></u>		<u><u>5,045,208</u></u>
FUNDS OF THE ACADEMY					
Restricted income funds:					
Restricted income funds	16	133,744		135,962	
Restricted fixed asset funds	16	<u>7,787,752</u>		<u>5,432,984</u>	
Restricted income funds excluding pension liability		<u>7,921,496</u>		<u>5,568,946</u>	
Pension reserve		<u>(626,000)</u>		<u>(745,000)</u>	
Total restricted income funds			<u>7,295,496</u>		<u>4,823,946</u>
Unrestricted income funds	16		<u>223,047</u>		<u>221,262</u>
TOTAL FUNDS			<u><u>7,518,543</u></u>		<u><u>5,045,208</u></u>

The financial statements on pages 22 to 47 were approved by the Governors, and authorised for issue, on 4 December 2017 and are signed on their behalf, by:


.....
O Flack
Chair of Governors


.....
S Kelly
Headteacher

ARNOLD ACADEMY
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Net cash provided by operating activities	18	<u>31,603</u>	<u>54,564</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		<u>10,954</u>	<u>12,455</u>
Net cash provided by investing activities		<u>10,954</u>	<u>12,455</u>
Change in cash and cash equivalents in the year		<u>42,557</u>	<u>67,019</u>
Cash and cash equivalents brought forward		<u>357,703</u>	<u>290,684</u>
Cash and cash equivalents carried forward		<u><u>400,260</u></u>	<u><u>357,703</u></u>

ARNOLD ACADEMY
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

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 financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2016 to 2017 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

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

1.2 Going concern

The Governors 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 Governors 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.

ARNOLD ACADEMY
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.3 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.

ARNOLD ACADEMY
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.4 Expenditure

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

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

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.

Grants payable are charged in the year when the offer is made except in those cases where the offer is conditional, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to conditions which have not been met at the year end are noted as a commitment, but not accrued as expenditure.

All expenditure is inclusive of irrecoverable VAT.

1.5 Tangible fixed assets and depreciation

All assets costing more than £1,000 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:

ARNOLD ACADEMY
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

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	-	over the remaining useful life of 25.78 years
Motor vehicles	-	20% per annum straight line
Fixtures, fittings and equipment	-	15% or 20% per annum straight line

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.

1.6 Operating leases

Rentals under operating leases are charged to the Statement of Financial Activities incorporating Income and Expenditure Account on a straight line basis over the lease term.

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.

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.

ARNOLD ACADEMY
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

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 14. Prepayments are not financial instruments. Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised costs as detailed in note 15. 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.

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 20, 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.

ARNOLD ACADEMY
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each Balance Sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/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 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 Governors.

Designated funds comprise unrestricted funds that have been set aside by the Governors for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Department for Education 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 and include grants from the Education and Skills Funding Agency.

ARNOLD ACADEMY
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

1. ACCOUNTING POLICIES (continued)

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 20, 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 2017. 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.

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £	Total funds 2016 £
Donations	575	8,737	-	9,312	5,254
Local Authority Capital Grant	-	-	2,752,000	2,752,000	-
ESFA Devolved Formula Capital Grant	-	-	19,528	19,528	11,872
School funds income	66,919	-	-	66,919	93,586
	<u>67,494</u>	<u>8,737</u>	<u>2,771,528</u>	<u>2,847,759</u>	<u>110,712</u>
Total 2016	<u>93,586</u>	<u>5,254</u>	<u>11,872</u>	<u>110,712</u>	

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
DfE/ESFA grants				
General Annual Grant	-	2,399,937	2,399,937	2,445,360
Other DfE/EFA grants	-	129,726	129,726	139,181
	-	2,529,663	2,529,663	2,584,541
Other government grants				
Local Authority grants	-	137,977	137,977	98,204
	-	137,977	137,977	98,204
Other funding				
Catering	-	97,210	97,210	89,905
Study books	-	2,885	2,885	2,989
Consultancy and other income	-	9,793	9,793	820
	-	109,888	109,888	93,714
	-	2,777,528	2,777,528	2,776,459
<i>Total 2016</i>	-	2,776,459	2,776,459	

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Hire of Facilities	9,949	-	9,949	10,010
<i>Total 2016</i>	10,010	-	10,010	

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

5. INVESTMENT INCOME

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Bank interest received	1,005	-	1,005	2,445
<i>Total 2016</i>	<i>2,445</i>	<i>-</i>	<i>2,445</i>	

6. EXPENDITURE

	Staff costs 2017 £	Premises 2017 £	Other costs 2017 £	Total 2017 £	Total 2016 £
Expenditure on raising voluntary income (school trips)	-	-	76,663	76,663	91,324
Educational operations:					
Direct costs	2,164,417	-	50,266	2,214,683	2,127,273
Support costs	405,305	72,722	603,278	1,081,305	872,005
	<u>2,569,722</u>	<u>72,722</u>	<u>730,207</u>	<u>3,372,651</u>	<u>3,090,602</u>
<i>Total 2016</i>	<i>2,420,287</i>	<i>84,399</i>	<i>585,916</i>	<i>3,090,602</i>	

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7. CHARITABLE ACTIVITIES

	2017 £	2016 £
DIRECT COSTS		
Wages and salaries	1,705,098	1,683,369
National insurance	162,097	105,467
Pension cost	291,312	277,190
Educational supplies	50,266	38,643
Agency staff costs	5,910	22,604
	<u>2,214,683</u>	<u>2,127,273</u>
SUPPORT COSTS		
Wages and salaries	264,239	256,999
National insurance	10,642	7,493
Pension costs	130,424	67,165
Depreciation	222,349	224,015
Net interest cost on pension scheme	16,000	15,000
Staff development	6,082	8,398
Technology	69,829	77,903
Recruitment and support	14,917	16,438
Maintenance of property and equipment	36,028	31,035
Expansion refurbishment works	169,322	-
Rent and rates	21,652	25,951
Energy costs	15,042	27,413
Insurance	17,581	25,676
Security and transport	3,516	9,616
Catering	53,659	46,651
Other costs	30,023	32,252
	<u>1,081,305</u>	<u>872,005</u>
Total	<u><u>3,295,988</u></u>	<u><u>2,999,278</u></u>

8. NET INCOME/(EXPENDITURE)

This is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets:		
- owned by the charity	222,349	224,015
Auditors' remuneration - audit	7,000	7,000
Auditors' remuneration - other services	4,175	2,860
Governance Internal audit costs	407	407
Operating lease rentals	5,927	7,498
	<u><u>239,858</u></u>	<u><u>241,780</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

9. STAFF COSTS

Staff costs were as follows:

	2017 £	2016 £
Wages and salaries	1,969,337	1,940,368
Social security costs	172,739	112,960
Operating costs of defined benefit pension schemes	421,736	344,355
	<u>2,563,812</u>	<u>2,397,683</u>
Supply teacher costs	5,910	22,604
	<u>2,569,722</u>	<u>2,420,287</u>

The average number of persons employed by the Academy Trust during the year was as follows:

	2017 No.	2016 No.
Management	6	6
Teaching staff	28	30
Support Staff	59	57
	<u>93</u>	<u>93</u>

Average headcount expressed as a full time equivalent:

	2017 No.	2016 No.
Management	6	6
Teaching staff	28	31
Support staff	35	35
	<u>69</u>	<u>72</u>

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

	2017 No.	2016 No.
In the band £70,001 - £80,000	1	1

The above employee participated in the Teachers' Pension Scheme.

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £378,473 (2016 - £327,412)

ARNOLD ACADEMY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

10. GOVERNORS' AND OFFICERS' INSURANCE

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

11. GOVERNORS' REMUNERATION AND EXPENSES

During the year retirement benefits were accruing to 3 Staff Governors (2016 - 3) in respect of defined benefit pension schemes, for their employment at the school.

There are 3 governors who are also staff members who were paid a total of £138,228 (2016 £128,014) and employer pension contributions totalled £22,332 (2016 £21,074). This remuneration was in respect of their employment as members of the academy staff and not in respect of their services as governors.

During the year, no Governors received any benefits in kind or reimbursed expenses (2016 - £nil).

There are 3 governors who are also staff member who were paid a total of £xxx,xxx (2015 £122,816) and employer pension contributions totalled £21,074 (2015 £18,373). This remuneration was in respect of their employment as members of the academy staff and not in respect of their services as trustees.

12. OTHER FINANCE INCOME

	2017	2016
	£	£
Interest income on pension scheme assets	21,000	28,000
Interest on pension scheme liabilities	(37,000)	(43,000)
	(16,000)	(15,000)

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**NOTES TO THE FINANCIAL STATEMENTS
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13. TANGIBLE FIXED ASSETS

	Freehold property £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
Cost				
At 1 September 2016 and 31 August 2017	6,213,812	15,000	91,991	6,320,803
Depreciation				
At 1 September 2016	828,866	12,000	52,514	893,380
Charge for the year	207,217	1,333	13,799	222,349
At 31 August 2017	1,036,083	13,333	66,313	1,115,729
Net book value				
At 31 August 2017	5,177,729	1,667	25,678	5,205,074
At 31 August 2016	5,384,946	3,000	39,477	5,427,423

14. DEBTORS

	2017 £	2016 £
Trade debtors	2,138	690
VAT recoverable	47,848	10,239
Other debtors - School Expansion Project	2,417,000	-
Prepayments and accrued income	183,878	34,900
	2,650,864	45,829

On 4 April 2017, Central Bedfordshire Council committed £2,752,000 to Arnold Academy, to fund the construction of new buildings and the refurbishment of some existing property in order to increase the number of pupils at the school in the future. At the balance sheet date, £335,000 had been received by Arnold Academy, with the balance being paid in monthly instalments.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

15. CREDITORS: Amounts falling due within one year

	2017	2016
	£	£
Accruals and deferred income	111,655	40,747
	2017	2016
	£	£
Deferred income		
Deferred income at 1 September 2016	20,373	24,891
Resources deferred during the year	15,219	20,373
Amounts released from previous years	(20,373)	(24,891)
Deferred income at 31 August 2017	15,219	20,373

Deferred income comprises receipts in advance of school trips totalling £13,477 and receipts in advance for catering income totalling £1,742.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

16. STATEMENT OF FUNDS

	Balance at 1 September 2016 £	Income £	Expenditure £	Gains/ (Losses) £	Balance at 31 August 2017 £
Designated funds					
School funds	69,434	66,919	(76,663)	-	59,690
Donations	-	575	-	-	575
	<u>69,434</u>	<u>67,494</u>	<u>(76,663)</u>	<u>-</u>	<u>60,265</u>
General funds					
General Fund	151,828	10,954	-	-	162,782
Total Unrestricted funds	<u>221,262</u>	<u>78,448</u>	<u>(76,663)</u>	<u>-</u>	<u>223,047</u>
Restricted funds					
General Annual Grant (GAG)	135,962	2,399,937	(2,402,155)	-	133,744
Other DfE/EFA grants	-	129,726	(129,726)	-	-
Local authority grants	-	137,977	(137,977)	-	-
Catering	-	97,210	(97,210)	-	-
Donations and other income	-	21,415	(21,415)	-	-
Pension reserve	(745,000)	-	(105,000)	224,000	(626,000)
	<u>(609,038)</u>	<u>2,786,265</u>	<u>(2,893,483)</u>	<u>224,000</u>	<u>(492,256)</u>
Restricted fixed asset funds					
Fixed Asset Reserve	5,427,423	-	(222,349)	-	5,205,074
DfE/EFA Capital Grants	5,561	19,528	(25,089)	-	-
Expansion Project	-	2,752,000	(169,322)	-	2,582,678
	<u>5,432,984</u>	<u>2,771,528</u>	<u>(416,760)</u>	<u>-</u>	<u>7,787,752</u>
Total restricted funds	<u>4,823,946</u>	<u>5,557,793</u>	<u>(3,310,243)</u>	<u>224,000</u>	<u>7,295,496</u>
Total of funds	<u>5,045,208</u>	<u>5,636,241</u>	<u>(3,386,906)</u>	<u>224,000</u>	<u>7,518,543</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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16. STATEMENT OF FUNDS (continued)

STATEMENT OF FUNDS - PRIOR YEAR

	Balance at 1 September 2015 £	Income £	Expenditure £	Gains/ (Losses) £	Balance at 31 August 2016 £
Designated funds					
School funds	67,172	93,586	(91,324)	-	69,434
	<u>67,172</u>	<u>93,586</u>	<u>(91,324)</u>	<u>-</u>	<u>69,434</u>
General funds					
General Fund	139,373	12,455	-	-	151,828
	<u>139,373</u>	<u>12,455</u>	<u>-</u>	<u>-</u>	<u>151,828</u>
Total Unrestricted funds	<u>206,545</u>	<u>106,041</u>	<u>(91,324)</u>	<u>-</u>	<u>221,262</u>
Restricted funds					
General Annual Grant (GAG)	89,980	2,445,360	(2,399,378)	-	135,962
Other DfE/EFA grants	-	139,181	(139,181)	-	-
Local authority grants	-	98,204	(98,204)	-	-
Catering	-	89,905	(89,905)	-	-
Donations and other income	-	9,063	(9,063)	-	-
Pension reserve	(387,000)	-	(44,000)	(314,000)	(745,000)
	<u>(297,020)</u>	<u>2,781,713</u>	<u>(2,779,731)</u>	<u>(314,000)</u>	<u>(609,038)</u>
Restricted fixed asset funds					
Fixed Asset Reserve	5,651,438	-	(224,015)	-	5,427,423
DfE/EFA Capital Grants	2,278	11,872	(8,589)	-	5,561
	<u>5,653,716</u>	<u>11,872</u>	<u>(232,604)</u>	<u>-</u>	<u>5,432,984</u>
Total restricted funds	<u>5,356,696</u>	<u>2,793,585</u>	<u>(3,012,335)</u>	<u>(314,000)</u>	<u>4,823,946</u>
Total of funds	<u>5,563,241</u>	<u>2,899,626</u>	<u>(3,103,659)</u>	<u>(314,000)</u>	<u>5,045,208</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

16. STATEMENT OF FUNDS (continued)

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

Designated Funds

School Fund:

The Academy maintains a separate school fund which includes income and expenditure relating to school trips and other fundraising activities.

General Funds

The Academy's general fund represents income and expenditure relating to activities undertaken by the Academy as part of its charitable activities. The Academy can use these funds for any purpose.

Restricted Funds

The Academy received a number of grants during the year for the purpose of providing educational services to its pupils. These funds included grants from the ESFA for the General Annual Grant (GAG) and Pupil Premium. These grants have been used for staff costs, educational resources and general costs incurred in the running of the Academy.

Pension Reserve - As stated in note 20 the Academy is a participating employer in two defined benefit pension schemes. The liabilities relating to Arnold Academy can only be determined for one of these schemes. A separate reserve has been included to show the impact of the changes in valuation of this pension scheme.

Restricted Fixed Asset Funds

Assets which are capitalised in the accounts are represented by a separate fund within the Restricted Fixed Assets reserves.

The Academy continued to receive income from Devolved Formula Capital grant which, together with the unused grant from 2015/16, was used to finance capital repairs to the school buildings.

In 2016/17 the Academy was awarded £2,752,000 by Central Bedfordshire Council to fund the refurbishment of existing classrooms and the construction of new facilities as part of a planned expansion in pupil numbers. At 31 August 2017, the refurbishment work had been completed, costing £169,322. The unspent grant funding has been carried forward and is expected to be used in the forthcoming year.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

17. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £
Tangible fixed assets	-	-	5,205,074	5,205,074
Current assets	223,047	245,399	2,582,678	3,051,124
Creditors due within one year	-	(111,655)	-	(111,655)
Provisions for liabilities and charges	-	(626,000)	-	(626,000)
	<u>223,047</u>	<u>(492,256)</u>	<u>7,787,752</u>	<u>7,518,543</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £
Tangible fixed assets	-	-	5,427,423	5,427,423
Current assets	221,262	176,709	5,561	403,532
Creditors due within one year	-	(40,747)	-	(40,747)
Provisions for liabilities and charges	-	(745,000)	-	(745,000)
	<u>221,262</u>	<u>(609,038)</u>	<u>5,432,984</u>	<u>5,045,208</u>

18. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2017 £	2016 £
Net income/(expenditure) for the year (as per Statement of Financial Activities)	2,249,335	(204,033)
Adjustment for:		
Depreciation charges	222,349	224,015
Dividends, interest and rents from investments	(10,954)	(12,455)
(Increase)/decrease in debtors	(2,605,035)	15,300
Increase/(decrease) in creditors	70,908	(12,263)
Defined benefit pension scheme cost less contributions payable	89,000	29,000
Defined benefit pension scheme finance cost	16,000	15,000
Net cash provided by operating activities	<u>31,603</u>	<u>54,564</u>

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NOTES TO THE FINANCIAL STATEMENTS
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19. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash in hand	400,260	357,703
Total	<u>400,260</u>	<u>357,703</u>

20. 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 Bedford Borough 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.

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NOTES TO THE FINANCIAL STATEMENTS
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20. PENSION COMMITMENTS (continued)

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 (currently 14.1%)
- 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%.

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £214,088 (2016 - £216,599).

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 a 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 2017 was £151,000 (2016 - £125,000), of which employer's contributions totalled £118,000 (2016 - £97,000) and employees' contributions totalled £33,000 (2016 - £28,000). The agreed contribution rates for future years are 20.7% for employers and varying % for employees.

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

Principal actuarial assumptions:

	2017	2016
Discount rate for scheme liabilities	2.50 %	2.10 %
Rate of increase in salaries	2.70 %	3.10 %
Rate of increase for pensions in payment / inflation	2.40 %	2.10 %

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NOTES TO THE FINANCIAL STATEMENTS
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20. PENSION COMMITMENTS (continued)

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

	2017	2016
Retiring today		
Males	22.4	22.4
Females	24.5	24.3
Retiring in 20 years		
Males	24.0	24.4
Females	26.2	26.8

Sensitivity analysis	At 31 August 2017	At 31 August 2016
	£	£
Discount rate -0.1%	231,000	227,000
Mortality assumption - 1 year increase	203,000	50,000
CPI rate +0.1%	26,000	151,000

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

	Fair value at 31 August 2017	Fair value at 31 August 2016
	£	£
Equities	608,000	711,000
Gilts	-	-
Corporate bonds	160,000	93,000
Cash	-	-
Property	96,000	92,000
Cash and other liquid assets	203,000	28,000
Derivatives	-	-
Total market value of assets	1,067,000	924,000

The actual return on scheme assets was £21,000 (2016 - £28,000).

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**NOTES TO THE FINANCIAL STATEMENTS
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20. PENSION COMMITMENTS (continued)

The amounts recognised in the Statement of Financial Activities incorporating Income and Expenditure Account are as follows:

	2017 £	2016 £
Current service cost	(207,000)	(126,000)
Interest income	21,000	28,000
Interest cost	(37,000)	(43,000)
Total	<u>(223,000)</u>	<u>(141,000)</u>

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

	2017 £	2016 £
Opening defined benefit obligation	1,669,000	1,068,000
Current service cost	207,000	126,000
Interest cost	37,000	43,000
Employee contributions	33,000	28,000
Actuarial (gains)/losses	(239,000)	411,000
Benefits paid	(14,000)	(7,000)
Closing defined benefit obligation	<u>1,693,000</u>	<u>1,669,000</u>

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

	2017 £	2016 £
Opening fair value of scheme assets	924,000	681,000
Interest income	21,000	28,000
Actuarial gains/(losses)	(15,000)	97,000
Employer contributions	118,000	97,000
Employee contributions	33,000	28,000
Benefits paid	(14,000)	(7,000)
Closing fair value of scheme assets	<u>1,067,000</u>	<u>924,000</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

21. OPERATING LEASE COMMITMENTS

At 31 August 2017 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	2017 £	2016 £
Amounts payable:		
Within 1 year	220	800
Between 1 and 5 years	41,395	52,947
Total	<u>41,615</u>	<u>53,747</u>

22. RELATED PARTY TRANSACTIONS

During the year the following related party transactions took place.

Mr S Kelly, Headteacher, trustee and Accounting Officer of Arnold Academy is also a trustee of Arnold Academy PTA which is an independent registered charity outside the control of the Academy Trust. During the year Arnold Academy PTA donated £7,949 (2016 £4,943) to Arnold Academy. There were no amounts due to or from Arnold PTA at the balance sheet date (2016 £nil).

Owen Flack, Chair of Governors at Arnold Academy is also a trustee of The Harlington Area Schools Trust (HAST), an independent charitable company. Arnold Academy is also a member of HAST. During the year, Arnold Academy received income totalling £7,543 (2016 £1,760) and paid expenses totalling £706 (2016 £816) for charitable activities. At the balance sheet date, Arnold Academy was owed £2,000 (2016 £nil) by HAST.

23. 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.