

The Two Counties Trust

Trustees' Report and Financial Statements

For the Year Ended 31 August 2019



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The Two Counties Trust
(A Company Limited by Guarantee)

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The Two Counties Trust
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Reference and Administrative Details

Members	J Mountain R Stones B Dixon G Bradley
Trustees	K Potts, Chair of Trustees I Greenway G Haslam R Ruszczyński R Wheelhouse A Chmiel W Unsworth (resigned 23 October 2019) C Hallam S Coffey (resigned 24 September 2018) A Hahn (appointed 20 May 2019) A McLaughlin (appointed 9 September 2019)
Company Registered Number	07972029
Company name	The Two Counties Trust
Principal and Registered Office	Sutton Road Kirkby in Ashfield Nottinghamshire NG17 8HP
Chief Executive Officer	R Vasey
Strategic Leadership Team	R Vasey, Chief Executive Officer K Hearn, Chief Financial Officer D Duggan, Head of HR J Maher, Head of Ashfield School C Woollard, Head of Frederick Gent School P Monk, Head of Friesland School R Marlow, Head of Heritage High School K Kerry, Head of Manor Academy P Halcro, Head of Selston High School J Fawcett, Head of Swanwick Hall School J Crofts, Head of Wilsthorpe School

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Reference and Administrative Details (continued)
For the Year Ended 31 August 2019

Independent Auditors	Dains LLP Charlotte House Stanier Way The Wyvern Business Park Derby DE21 6BF
Bankers	Barclays Bank Plc Level 4 Chapel Quarter Maid Marian Way Nottingham NG1 6HQ
Solicitors	Brown Jacobson LLP The Arc NG2 Business Park Enterprise Way Nottingham NG2 1EN
Solicitors	Flint Bishop Solicitors LLP St Michaels Court St Michaels Lane Derby DE1 3HQ

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Reference and Administrative Details (continued)
For the Year Ended 31 August 2019

Ashfield School	Sutton Road Kirkby in Ashfield Nottinghamshire NG17 8HP
Selston High School	Chapel Road Selston Nottinghamshire NG16 6BW
Swanwick Hall School	Derby Road Swanwick Derbyshire DE55 1AE
Manor Academy	Park Hall Road Mansfield Woodhouse Nottinghamshire NG19 8QA
Heritage High School	Boughton Lane Clowne Chesterfield Derbyshire S43 4QG
Frederick Gent School	Mansfield Road South Normanton Alfreton DE55 2ER
Friesland School	Nursery Avenue Sandiacre Nottingham NG10 5AF
Wilsthorpe School	Derby Road Long Eaton Nottingham NG10 4WT

The Two Counties Trust
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Trustees' Report
For the Year Ended 31 August 2019

The Trustees present their annual report together with the financial statements and auditors' report of the charitable company for the year 1 September 2018 to 31 August 2019. The annual report serves the purposes of both a Trustees' report and a directors' report under company law.

The Two Counties Trust is a Multi-Academy Trust established on 1st April 2016. The founding members of The Two Counties Trust were all secondary academies: Ashfield School, Selston High School and Swanwick Hall School. However we have grown quickly over three years and the following secondary academies have joined the Trust:

- Manor Academy (sponsored academy) in September 2016
- Heritage High School (sponsored academy) in April 2017
- Frederick Gent School (sponsored academy) in November 2017
- Friesland School (converter academy) in June 2018
- Wilsthorpe School (converter academy) in December 2018

The Trust consists of like-minded academies that share a passion for working together in order to continually improve the quality of provision and outcomes for all our students through focussing on academy improvement. All our academies are located in close proximity along the M1 corridor in Derbyshire and Nottinghamshire and have common characteristics such as being ex-mining areas, with a predominantly white, working-class population and higher than average levels of disadvantage. We currently provide education for over 9,500 students, employ over 1,300 staff and have an annual turnover of c£50m.

Structure, governance and management

a. Constitution

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

The Trustees of The Two Counties Trust are also the directors of the charitable company for the purposes of company law. The charitable company is known as The Two Counties Trust.

Details of the Trustees who served during the year, and to the date these accounts are approved are included in the Reference and administrative details on page 1.

The principle activity of the Trust is the operation of the Academies under the Multi Academy Trust called 'The Two Counties Trust', to provide education, with a balanced and broadly based curriculum, for pupils of different abilities between the ages of 11 and 19, who are wholly or mainly drawn from the area in which the Academies are situated. Trustees and Governors, in their various committees, adhere to statutory guidance and Codes of Practice related to Admissions, Exclusions, Data Protection, Freedom of Information and Child Protection.

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.

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Trustees' Report (continued)
For the Year Ended 31 August 2019

Structure, governance and management (continued)

c. Trustees' indemnities

Subject to the provisions of the Companies Act 2006 every Trustee, Governor or other officer or auditor of the Multi Academy Trust shall be indemnified out of the assets of The Two Counties Trust against any liability incurred by him in that capacity in defending any proceedings, whether civil or criminal, in which judgment is given in favour or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of The Two Counties Trust.

d. Method of recruitment and appointment or election of Trustees

Trustees are appointed in accordance with the articles of association. The Members may appoint by ordinary resolution up to 5 Trustees. The Trustees may appoint co-opted Trustees.

The term of office for any Trustee is four years, save that this time limit shall not apply to any post which is held ex officio. Subject to remaining eligible to be a particular type of Trustee, any Trustee may be re-appointed or re-elected at a General Meeting. Typically, a term of office will only be renewed for a maximum of three terms, however the Board has discretion to extend this period in order to retain specialist skills and knowledge.

e. Policies adopted for the induction and training of Trustees

The training and induction for new Trustees depends on their existing experience. The Trust when required purchases support services which provides individual and full Trust Board training which is reviewed in line with legislation. The Trust reviews skills of Trustees and recruits and trains accordingly.

f. Organisational structure

The members must hold at least 1 Annual General Meeting per year and have delegated authority to the Board of Trustees.

The Board of Trustees holds 5 meetings per Academic year, in addition the Risk and Audit Committee meets 3 times a year. The Trustees have delegated authority to a number of Local Governing Bodies, 1 per Academy. The CEO is the Accounting Officer for the Trust.

The Clerk to the Trustees is employed by the Trust and manages the governance arrangements across the Trust. The Clerk is qualified and has access to regular training.

The Strategic Leadership Groups meet 11 times a year working alternately between a School Improvement Focus and a full Trust bias and consists of CEO, CFO, Head of HR and each Academy Headteacher. This group is responsible for delivering the Trust Strategy, Mission and Vision.

The Trustees have an agreed Scheme of Delegation which clearly outlines the devolved authority from the Board of Trustees to each Local Governing Body. The composition of Local Governing Bodies is approved by the Board of Trustees and may include the Headteacher, staff and parent governors, Trust appointed governors and co-opted governors. This is updated and reviewed annually. Each Local Governing Body is responsible for monitoring their Academy's academic performance, approving an annual school improvement plan, recommending the budget including staffing and associated costs and making decisions about the direction of their Academy. The Local Governing Body defines the aims, objectives, principals and strategies of their Academy. The Academy Leadership Team ensures that all operational decisions are in accordance with these principals.

The day to day management of each Academy is delegated to the Headteachers who direct their Leadership Teams. Budgets are devolved to each Academy by the Board of Trustees. The Trust develops and approves

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Trustees' Report (continued)
For the Year Ended 31 August 2019

Structure, governance and management (continued)

Financial Limits of Authority across the Academies, these are reviewed on an annual basis.

g. Arrangements for setting pay and remuneration of key management personnel

The Board of Trustees has delegated authority for setting pay and remuneration of The Trust Executive Team to the Remuneration Committee. All Members of the Executive Team are set Performance Objectives on an annual basis and these are monitored and reviewed by the Remuneration Committee.

h. Trade union facility time

Relevant union officials

Number of employees who were relevant union officials during the year	13
Full-time equivalent employee number	13

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	1
1%-50%	10
51%-99%	1
100%	1

Percentage of pay bill spent on facility time	£000
Total cost of facility time	11
Total pay bill	40,304
Percentage of total pay bill spent on facility time	- %

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	- %
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i. Related parties and other connected charities and organisations

The Academies enjoy a number of partnerships and collaborations, both formal and informal, which have been established to further the principal activities. The Chief Executive Officer is a Local Leader of Education and as such is deployed to support other academies which may have gone into an Ofsted category or which need additional leadership and management support. The Chief Executive Officer is providing training on NPQH courses within the region. The Chief Executive Officer is also a registered Ofsted Inspector and will carry out regular inspections of other schools and academies.

The Academies within the Trust play an active role in the local School Behaviour and Attendance Partnerships. These partnerships are focussed on improving both behaviour and attendance of students and deal with Hard to Place young people and Managed Moves. The Academies work closely within the wider community contributing towards the education of students within the Academies. The Academies actively seek to link with other educational and employment providers to further promote Academy aims.

Structure, governance and management (continued)

The Trust has developed a strong team of Careers Advisors who support the delivery of Careers Education, Information, Advice and Guidance in Academies both internally and in other Trusts. This work has led to improved progression rates for our young people at both 16 and 18.

Objectives and activities

a. Objects and aims

The principal objective and activity of the charitable company is the operation of The Two Counties Trust to provide education to children of different abilities between the ages of 11 and 19.

The Two Counties Trust has a core purpose and vision which is: **To raise the educational standards and better the life chances of students within the MAT through working in partnership to challenge and support all academies to continually improve.**

b. Objectives, strategies and activities

The Trust Strategic Plan is reviewed annually and outlines our key aims which will deliver the vision in all of our academies across the Trust. We currently have three strategic goals:

- To support excellent standards of teaching and learning which maximises student progress and outcomes
- To maintain a clear vision and develop a strong and efficient central services infrastructure to secure the on-going improvement and development of the Trust
- To ensure high quality leadership and governance at Trust Board, LGB and individual school level

For each strategic goal Trustees have agreed a set of key performance indicators which are monitored and reviewed termly. The Trust Strategic Plan is underpinned by 3 year delivery plans in each of our seven key operational areas: School Improvement, Finances, HR, Premises and Estates, ICT, Health and Safety and Governance and Compliance.

c. Public benefit

The Trustees and academy governors have complied with their duty to have due regard to the Charity Commission guidance on public benefit in exercising their powers and duties, as noted above in the review of activities during the period in regard to the objects of the charitable company.

The Trust has played a major role in supporting community development by providing resources, expertise and support for various local groups, Community Forum, Adult Education, numerous Sports Teams, local charities and local politicians.

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Trustees' Report (continued)
For the Year Ended 31 August 2019

Strategic report

Achievements and performance

a. Key performance indicators

Both Trustees and the Executive Leadership Team monitor progress against our strategic goals and related KPIs. These are reported termly to the Board of Trustees.

The Trust continues to develop its educational and financial key performance indicators and targets. Below are the summer 2019 examination results from The Two Counties Trust academies.

Key Stage 4 (KS4) Standards

The following table shows the Trust-wide trend for the key performance indicators. However this does not compare "like for like" as more schools have joined the Trust over the three years. The table shows that the 2019 results were the best ever achieved by the Trust as a whole.

	2017	2018	2019
Basics L5+	35%	37%	38%
Basics L4+	58%	59%	60%
Avg P8	-0.26	-0.48	-0.23
Avg Attn 8	43.44	42.9	44.2
Avg Ebacc	11.40%	12.00%	18.70%

At individual school level outcomes at the end of Key Stage 4 are as follows:

Academy	Joined MAT	Ofsted	2018 P8	2019 P8	Basics 5+	EBacc APS	Attendance	% PAN Y7-11
Ashfield	April 16	Good	-0.24	-0.05	37%	3.68	94.6%	100%
Selston High	April 16	Good	-0.31	-0.42	35%	3.75	95.6%	89%
Swanwick Hall	April 16	RI	-0.24	-0.18	31%	3.68	94.8%	97%
Manor Academy	Sept 16	Good	-0.33	-0.31	34%	3.51	94.6%	75%
Heritage High	April 17	RI	-0.73	-0.45	33%	3.61	94.8%	89%
Frederick Gent	Nov 17	RI	-0.57	-0.18	46%	3.98	95.2%	76%
Friesland	June 18	Good	+0.01	-0.28	39%	4.10	94.8%	99%
Wilsthorpe	Dec. 18	Good	-0.36	-0.02	45%	3.87	95.1%	92%

Strategic report (continued)

Achievements and performance (continued)

Post 16 Standards

Generally the A level results were very impressive across the Trust with some outstanding individual students successes and also subject outcomes. Over 90% of students aiming to get into Higher Education got their 1st choice place and everyone was successful in gaining a place at university who sought one.

Academy	No. of students	APS per entry	% A*/B grades	% attaining AAB	Value Added
Ashfield	116	35.3	53%	3%	+0.03
Manor	30	27.5	28%	3%	-0.02
Friesland	60	34.4	46%	18%	+0.08
Swanwick Hall	62	28.9	35%	14%	-0.40
Wilsthorpe	34	33.1	48%	15%	+0.17

During the reporting year 3 schools in the Trust were subject to an inspection by Ofsted. We were pleased that both Ashfield School and Selston High School maintained their judgements of 'Good'. We were disappointed that Swanwick Hall School received a judgement of Requires Improvement but with the support of Trust leaders the issues identified by Ofsted have already been addressed and there is evidence of positive impact and improved standards at the school. In terms of Ofsted grades the current profile of the Trust is 5 Good academies and 3 academies Requiring Improvement.

School improvement activity continues to be at the heart of Trust work. The CEO undertakes an Annual Standards Review in each academy and as a result each Academy is judged to be either sustain, improve, repair or stabilise. This category drives the level of improvement activity for each academy which is bespoke to the Academy and is a result of on-going discussions with both respective Headteachers and Local Governing Bodies. Our aim is to respond as quickly as possible to any emerging issues within an Academy and provide the Academy-to-Academy support that will enable Academies to improve standards and outcomes for pupils.

b. Going concern

After making appropriate enquiries, the board of Trustees has a reasonable expectation that the Multi-Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue 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.

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Trustees' Report (continued)
For the Year Ended 31 August 2019

Strategic report (continued)

Financial review

a. Overview

Most of the Trust's income is obtained from the DfE in the form of recurrent grants, the use of which is restricted to particular purposes in pursuance of the Trust's objects. The grants received from the DfE during the period ended 31 August 2019 and the associated expenditure are shown as restricted general funds in the Statement of Finance Activities.

The Trust also receives grants for fixed assets from the DfE in accordance with the Charities Statement of Recommended Practice (SORP 2005) such grants are shown in the Statement of Financial Activities as restricted income in the restricted fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

At 31 August 2019 the net book value of fixed assets was £183,862,000 and movements in tangible fixed assets are shown in note 15 to the Financial Statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Trust. The Trustees have been advised by the actuary for the Local Government Pension Scheme that the pension liability has increased to £22,949,000 as at 31 August 2019, for the current shortfall in payments required to fund non-academic staffs annual salary pension schemes (in accordance with FRS 102).

b. Reserves policy

The Trustees review the reserve levels of the Trust on a regular basis as part of their regular monitoring of the Trust finances. The reserves policy target range for restricted general funds (excluding pension reserve) and unrestricted funds is set at a level which takes into account key financial risks. The actual level of reserves was within the target range as at 31 August 2019. The Trust held fund balances at 31 August 2019 of £2,818,000 consisting of £nil restricted funds and £2,818,000 unrestricted funds. Included in the restricted fund is an amount of £184,993,000 invested in fixed assets and a pension reserve deficit of £22,949,000.

c. Investment policy

In furtherance of the Objects, The Two Counties Trust may deposit or invest any funds of the Trust not immediately required for the furtherance of its Objects only after obtaining such advice from a financial expert, authorised to give investment advice under the Financial Services and Markets Act 2000, as the Trustees consider necessary and having regard to the suitability of investments and the need for diversification.

d. Principal risks and uncertainties

The Trust's exposure to financial risks is minimal due to the fact that the financial instruments that it deals with are largely bank balances, cash and trade creditors, with limited trade and other debtors. There is a deficit on the Local Government Pension Scheme, as described in note 26 to the financial statements.

Trustees have reviewed significant risks and established a Risk and Audit Committee which oversees the risk management framework and reports to the Board. Principal risks are considered to be:

- Inability to recruit high quality staff
- Failure to deliver improvement in outcomes
- Fall in student numbers
- Failure to maintain existing Ofsted grade

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Trustees' Report (continued)
For the Year Ended 31 August 2019

Fundraising

The Trust receives the majority of its income from the ESFA and DfE. Where fundraising does take place it is on a small scale and policies and controls are in place to ensure fundraising is carried out in a compliant and appropriate way.

Plans for future periods

Springwell Community College is set to join the Trust in February 2020. This academy has 900 students on roll and is located in Staveley, Derbyshire.

Funds held as custodian on behalf of others

There are no funds held as custodian.

Employee involvement and employment of the disabled

Employees have been consulted on issues of concern to them by means of regular consultative committee and staff meetings and have been kept informed on specific matters directly by management. The Group and the Multi-Academy Trust carry out exit interviews for all staff leaving the organisation and have adopted a procedure of upward feedback for senior management and the Trustees.

The Group and the Multi-Academy Trust have implemented a number of detailed policies in relation to all aspects of personnel matters including:

- Equal opportunities policy
- Volunteers' policy
- Health & safety policy

In accordance with the Group and the Multi-Academy Trust's equal opportunities policy, the Group and the Multi-Academy Trust have long-established fair employment practices in the recruitment, selection, retention and training of disabled staff.

Full details of these policies are available from the Multi-Academy Trust's offices.

Disclosure of information to auditors

Insofar as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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Trustees' Report (continued)
For the Year Ended 31 August 2019

Auditors

The auditors, Dains LLP, have indicated their willingness to continue in office. The designated Trustees will propose a motion reappointing the auditors at a meeting of the Trustees.

The Trustees' Report, incorporating a strategic report, was approved by order of the board of Trustees, as the company directors, on 9 December 2019 and signed on its behalf by:



K Potts
Chair of Trustees

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Governance Statement

Scope of responsibility

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

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

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities.

In the period from 1st September 2018 the Board of Members has formally met once in the period from 1st September 2018 to 31st August 2019. One Member (Richard Stones) has been elected as a Link Member and attends the Trustees meeting.

Attendance during the year at meetings was as follows:

Trustee	Meetings attended	Out of a possible
J Mountain	0	1
R Stones	0	1
G Bradley	1	1
B Dixon	1	1

The board of Trustees has formally met 5 times during the year.

Attendance during the year at meetings of the board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
K Potts, Chair of Trustees	3	5
G Haslam	5	5
R Wheelhouse	4	5
I Greenway	5	5
R Ruszczyński	5	5
W Unsworth (resigned 23 October 2019)	4	5
A Chmiel	5	5
C Hallam	4	5
A Hahn (appointed 20 May 2019)	1	2
S Coffey (resigned 24 September 2018)	0	0

The Board conducts a skills review and self-evaluation annually. The skills review is used to inform future Board appointments and training requirements. The self-evaluation is used to consider the future development of the Board and how it functions. During the year the Board established a framework of link Trustees whereby a Trustee is linked with each school in the Trust to provide a conduit between schools, their local governing bodies and the Board.

There were two committees of the main Board during the year. The Board has agreed to establish a Finance Committee for the coming year.

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Governance Statement (continued)

Governance (continued)

The purpose of the Risk and Audit Committee is to approve the programme of work to assess the effectiveness of internal controls, to review audit reports and to oversee the risk management framework. The Committee reports areas of concern to the Board.

Attendance during the year at meetings was as follows:

Trustee	Meetings attended	Out of a possible
I Greenaway (Chair)	3	3
A Chmiel	3	3
K Potts	2	3
G Haslam	2	3
A Hahn (appointed 20 May 2019)	1	1
E Jefferey (stepped down 25 March 2019)	2	2
M Jenkins (stepped down 25 March 2019)	2	2
S Fitton-Wilde (stepped down 25 March 2019)	1	2

The Remuneration Committee is responsible for setting pay and reviewing performance of senior Trust executives.

Attendance during the year at meetings was as follows:

Trustee	Meetings attended	Out of a possible
I Greenaway (Chair)	2	2
R Wheelhouse	2	2
K Potts	1	2

Review of value for money

As accounting officer, the Chief Executive Officer has responsibility for ensuring that the Multi-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 Multi-Academy Trust's use of its resources has provided good value for money during each academic year, and reports to the board of Trustees where value for money can be improved, including the use of benchmarking data where appropriate. The accounting officer for the Multi-Academy Trust has delivered improved value for money during the year by:

- Investing further in school improvement resources through the appointment of Trust Directors of Subject for English, Maths and Science
- Establishing Trust-wide training and development framework including a programme for middle leaders
- Appointing a Procurement Officer to focus on best practice and value for money in the Trust's procurement
- Establishing a centralised ICT team which can deliver technology to students and staff more effectively through harmonisation
- Embedding our approach to benchmarking school level financial data in order to challenge leaders' approach to staffing and resources and secure best value for money in all areas
- Establishing recovery action plans (RAPs) for those schools where the opportunity for financial improvement has been identified

Governance Statement (continued)

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Multi-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 The Two Counties Trust for the year 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The board of Trustees has reviewed the key risks to which the Multi-Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of Trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Multi-Academy Trust's significant risks that has been in place for the year 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of Trustees.

The risk and control framework

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

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

The board of Trustees has considered the need for a specific internal audit function and has decided to appoint Kevin Hearn as internal auditor. In addition the board of Trustees appointed an external advisor to report on Health and Safety.

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

- Termly Accounts audits for all Academies.
- Adherence to Finance Policy
- Reporting, payment and management of overtime
- Operation of school funds
- Progress against previously identified health and safety audit action points

On a termly basis, the internal auditor reports to the board of Trustees through the audit committee on the operation of the systems of control and on the discharge of the Trustees' financial responsibilities.

No material control issues were identified during the period.

Governance Statement (continued)


Review of effectiveness

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

- the work of the internal auditor;
- the work of the external auditors;
- the work of the executive managers within the Multi-Academy Trust who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the board of Trustees on 9 December 2019 and signed on their behalf by:



K Potts
Chair of Trustees



R Vasey
Chief Executive Officer and Accounting Officer

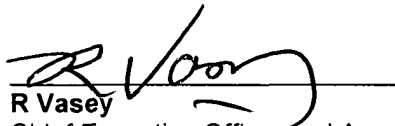
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Statement on Regularity, Propriety and Compliance

As accounting officer of The Two Counties Trust I have considered my responsibility to notify the Multi-Academy Trust board of Trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the Multi-Academy Trust, under the funding agreement in place between the Multi-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 2018.

I confirm that I and the Multi-Academy Trust board of Trustees are able to identify any material irregular or improper use of all funds by the Multi-Academy Trust, or material non-compliance with the terms and conditions of funding under the Multi-Academy Trust's funding agreement and the Academies Financial Handbook 2018.

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.



R Vasey

Chief Executive Officer and Accounting Officer

Date: 9 December 2019

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Statement of Trustees' responsibilities
For the Year Ended 31 August 2019

The Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Academies Accounts Direction published by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the charitable company and of their incoming resources and application of resources, including their income and expenditure, for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Approved by order of the members of the board of Trustees on 9 December 2019 and signed on its behalf by:



K Potts
Chair of Trustees

Independent Auditors' Report on the financial statements to the Members of The Two Counties Trust

Opinion

We have audited the financial statements of The Two Counties Trust (the 'parent Multi-Academy Trust') and its subsidiaries (the 'Group') for the year ended 31 August 2019 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Multi-Academy Trust Balance Sheet, the Consolidated Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Multi-Academy Trust's affairs as at 31 August 2019 and of the Group's 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 2018 to 2019 issued by the Education & Skills Funding Agency.

Basis for opinion

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

Conclusions relating to going concern

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

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Multi-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.

The Two Counties Trust
(A Company Limited by Guarantee)

Independent Auditors' Report on the financial statements to the Members of The Two Counties Trust
(continued)

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Other information includes the Reference and Administrative Details, the Trustees' Report including the Strategic Report, the Governance Statement, the Statement on Regularity, Propriety and Compliance, and the Statement of Trustees' responsibilities. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Group and the parent Multi-Academy Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report including the Strategic Report.

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

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

The Two Counties Trust
(A Company Limited by Guarantee)

Independent Auditors' Report on the financial statements to the Members of The Two Counties Trust
(continued)

Responsibilities of trustees

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the charitable Multi-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 charitable Multi-Academy Trust's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable Multi-Academy Trust and its members, as a body, for our audit work, for this report, or for the opinions we have formed.



Lisa Richards FCCA (Senior Statutory Auditor)

for and on behalf of
Dains LLP

Statutory Auditor
Chartered Accountants

Charlotte House, Derby

9 December 2019

The Two Counties Trust
(A Company Limited by Guarantee)

Independent Reporting Accountant's Assurance Report on Regularity to The Two Counties Trust and the Education & Skills Funding Agency

In accordance with the terms of our engagement letter dated 3 July 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Two Counties Trust during the year 1 September 2018 to 31 August 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of The Two Counties Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of The Two Counties Trust's funding agreement with the Secretary of State for Education dated 27 March 2012 and the Academies Financial Handbook, extant from 1 September 2018, 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 2018 to 2019. 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 2018 to 31 August 2019 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 2018 to 2019 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The Two Counties Trust
(A Company Limited by Guarantee)

Independent Reporting Accountant's Assurance Report on Regularity to The Two Counties Trust and the Education & Skills Funding Agency (continued)

Conclusion

In the course of our work, nothing has come to our attention which suggest in all material respects the expenditure disbursed and income received during the year 1 September 2018 to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Dains LLP

Statutory Auditor
Chartered Accountants

Charlotte House, Derby

Date: 9 December 2019

The Two Counties Trust
(A Company Limited by Guarantee)

Consolidated Statement of financial activities (incorporating income and expenditure account)
For the Year Ended 31 August 2019

		Unrestricted funds 2019 £000	Restricted funds 2019 £000	Restricted fixed asset funds 2019 £000	Total funds 2019 £000	Total funds 2018 £000
	Note					
Income from:						
Donations and capital grants:	4					
Transfer from local authority on conversion		182	(561)	27,936	27,557	34,049
Other donations and capital grants		1,488	-	2,423	3,911	2,720
Charitable activities:	5					
Funding for the multi academy trust's educational operations		1,367	46,900	-	48,267	37,471
Other trading activities	6	3,326	-	-	3,326	1,865
Investments	7	8	-	-	8	2
Total income		6,371	46,339	30,359	83,069	76,107
Expenditure on:						
Raising funds	8	2,066	53	7	2,126	1,563
Charitable activities:	8					
Multi academy trust's educational operations		3,370	50,328	3,693	57,391	40,701
Total expenditure		5,436	50,381	3,700	59,517	42,264
Net income/(expenditure)		935	(4,042)	26,659	23,552	33,843
Transfers between funds	19	(268)	(131)	399	-	-
Net movement in funds before other recognised gains/(losses)		667	(4,173)	27,058	23,552	33,843
Other recognised gains/(losses):						
Actuarial (losses)/gains on defined benefit pension schemes	26	-	(6,611)	-	(6,611)	4,010
Net movement in funds		667	(10,784)	27,058	16,941	37,853
Reconciliation of funds:						
Total funds brought forward		2,151	(12,165)	157,935	147,921	110,068
Net movement in funds		667	(10,784)	27,058	16,941	37,853
Total funds carried forward		2,818	(22,949)	184,993	164,862	147,921

The notes on pages 28 to 61 form part of these financial statements.

The Two Counties Trust
(A Company Limited by Guarantee)
Registered number: 07972029

Consolidated Balance Sheet
For the Year Ended 31 August 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	15	183,862	156,991
Current assets			
Stocks	16	4	8
Debtors	17	1,589	1,758
Cash at bank and in hand		6,406	6,335
		<u>7,999</u>	<u>8,101</u>
Creditors: amounts falling due within one year	18	(4,050)	(3,410)
Net current assets		<u>3,949</u>	<u>4,691</u>
Net assets excluding pension liability		<u>187,811</u>	<u>161,682</u>
Defined benefit pension scheme liability	26	(22,949)	(13,761)
Total net assets		<u><u>164,862</u></u>	<u><u>147,921</u></u>
Funds of the Multi-Academy Trust			
Restricted funds:			
Restricted fixed asset funds	19	184,993	157,935
Restricted income funds	19	-	1,596
		<u>184,993</u>	<u>159,531</u>
Restricted funds excluding pension liability	19	184,993	159,531
Pension reserve	19	(22,949)	(13,761)
Total restricted funds	19	<u>162,044</u>	<u>145,770</u>
Unrestricted income funds	19	<u>2,818</u>	<u>2,151</u>
Total funds		<u><u>164,862</u></u>	<u><u>147,921</u></u>

The financial statements on pages 24 to 61 were approved by the Trustees, and authorised for issue on 09 December 2019 and are signed on their behalf, by:



K Potts
Chair of Trustees

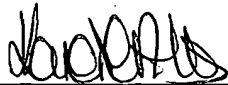
The notes on pages 28 to 61 form part of these financial statements.

The Two Counties Trust
(A Company Limited by Guarantee)
Registered number: 07972029

Multi-Academy Trust Balance sheet
For the Year Ended 31 August 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	15	183,805	156,945
Current assets			
Stocks	16	4	8
Debtors	17	1,957	1,900
Cash at bank and in hand		6,254	6,218
		<u>8,215</u>	<u>8,126</u>
Creditors: amounts falling due within one year	18	(4,209)	(3,389)
Net current assets		<u>4,006</u>	<u>4,737</u>
Net assets excluding pension liability		<u>187,811</u>	<u>161,682</u>
Defined benefit pension scheme liability	26	(22,949)	(13,761)
Total net assets		<u><u>164,862</u></u>	<u><u>147,921</u></u>
Funds of the Multi-Academy Trust			
Restricted funds:			
Restricted fixed asset funds	19	184,993	157,935
Restricted income funds	19	-	1,596
		<u>184,993</u>	<u>159,531</u>
Restricted funds excluding pension liability	19	184,993	159,531
Pension reserve	19	(22,949)	(13,761)
Total restricted funds	19	<u>162,044</u>	<u>145,770</u>
Unrestricted income funds	19	<u>2,818</u>	<u>2,151</u>
Total funds		<u><u>164,862</u></u>	<u><u>147,921</u></u>

The financial statements on pages 24 to 61 were approved by the Trustees, and authorised for issue on 09 December 2019 and are signed on their behalf, by:


K Potts
Chair of Trustees

The notes on pages 28 to 61 form part of these financial statements.

The Two Counties Trust
(A Company Limited by Guarantee)

Consolidated Statement of Cash Flows
For the Year Ended 31 August 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Net cash provided by operating activities	21	376	2,307
Cash flows from investing activities	23	(304)	(24)
Cash flows from financing activities	22	-	(3)
Change in cash and cash equivalents in the year		72	2,280
Cash and cash equivalents at the beginning of the year		6,335	4,055
Cash and cash equivalents at the end of the year	24	6,407	6,335

The notes on pages 28 to 61 form part of these financial statements

1. General information

The Two Counties Trust is a private company limited by guarantee and incorporated in England and Wales. The registered number of the company is 07972029 and its registered office is Ashfield School, Sutton Road, Kirkby-in-Ashfield, Nottinghamshire, NG17 8HP. The principal activity of the trust is given in the Trustees report.

2. Accounting policies

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

2.1 Basis of preparation of financial statements

The financial statements of the Multi-Academy Trust, which is a public benefit entity under FRS 102, have been prepared under the historic 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 2018 to 2019 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Basis of consolidation

The Consolidated Statement of Financial Activities (SOFA) and Balance Sheet consolidate the financial statements of the Multi-Academy Trust and its subsidiary undertaking. The results of the subsidiary are consolidated on a line by line basis.

The Multi-Academy Trust has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Financial Activities in these financial statements.

The income and expenditure account for the year dealt with in the accounts of the Multi Academy Trust was a surplus of £16,941,000 (2018 - £37,853,000).

2.2 Going concern

The Trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Multi-Academy Trust to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the Multi-Academy Trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Multi-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.

2. Accounting policies (continued)

2.3 Income

All incoming resources are recognised when the Multi-Academy Trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

• **Grants**

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

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

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

• **Sponsorship income**

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

• **Donations**

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

• **Other income**

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

• **Donated goods, facilities and services**

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

• **Transfer on conversion**

Where assets and liabilities are received by the Multi-Academy Trust on conversion to an academy, the transferred assets are measured at fair value and recognised in the Balance Sheet at the point when the risks and rewards of ownership pass to the Multi-Academy Trust. An equal amount of income is recognised as a transfer on conversion within 'Income from Donations and Capital Grants' to the net assets received.

• **Transfer of existing academies into the Multi-Academy Trust**

Where assets and liabilities are received on the transfer of an existing academy into the Multi-

2. Accounting policies (continued)

2.3 Income (continued)

Academy Trust, the transferred assets are measured at fair value and recognised in the Balance Sheet at the point when the risks and rewards of ownership pass to the Multi-Academy Trust. An equal amount of income is recognised for the transfer of an existing academy into the Multi-Academy Trust within 'Income from Donations and Capital Grants' to the net assets acquired.

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Income tax recoverable in relation to investment income is recognised at the time the investment income is receivable.

2.4 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**

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

- **Charitable activities**

These are costs incurred on the Group's educational operations, including support costs and costs relating to the governance of the Group apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

2.5 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the Group; this is normally upon notification of the interest paid or payable by the institution with whom the funds are deposited.

2.6 Taxation

The Multi-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 Multi-Academy Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 11, chapter 3 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

2. Accounting policies (continued)

2.7 Tangible fixed assets

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

Depreciation is provided on all tangible fixed assets other than freehold land and assets under construction, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Depreciation is provided on the following bases:

Freehold property	- 2%
Long-term leasehold property	- 0.8 - 2%
Building improvements	- 5 - 20%
Furniture and equipment	- 20%
Computer equipment	- 20%
Motor vehicles	- 20%

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use and reclassified to freehold or leasehold land and buildings.

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

2.8 Stocks

Unsold textbooks and catering stocks are valued at the lower of cost or net realisable value.

2.9 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.

2.10 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.

2. Accounting policies (continued)

2.11 Liabilities

Liabilities are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the Multi-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.

2.12 Provisions

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

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

2.13 Financial instruments

The Group only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the Group and their measurement bases 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 17. Prepayments are not financial instruments. Amounts due to the Multi-Academy Trust's wholly owned subsidiary are held at face value less any impairment. Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in note 18. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument. Amounts due to the Multi-Academy Trust's wholly owned subsidiary are held at face value less any impairment.

2.14 Operating leases

Rentals paid under operating leases are charged to the Consolidated Statement of Financial Activities on a straight line basis over the lease term.

2. Accounting policies (continued)

2.15 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Group in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded multi-employer scheme and the assets are held separately from those of the Group 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 Consolidated Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

2.16 Conversion to an academy trust

The conversion from a state maintained school to a Multi-Academy Trust involved the transfer of identifiable assets and liabilities and the operation of the school for £NIL consideration. The substance of the transfer is that of a gift and it has been accounted for on that basis as set out below.

The assets and liabilities transferred on conversion from Wilsthorpe School to the Multi-Academy Trust have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate Balance Sheet categories, with a corresponding amount recognised in Income from Donations and Capital Grants in the Consolidated Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

Further details of the transaction are set out in note 25.

2. Accounting policies (continued)

2.17 Fund accounting

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

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

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

Investment income, gains and losses are allocated to the appropriate fund.

3. Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, 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 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgement:

The preparation of the financial statements in conformity with generally accepted accounting principles requires the Trustees to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results in the future could differ from these estimates. In this regard, the Trustees believe that the critical accounting policies where judgement or estimating are necessarily applied are summarised below.

The Trustees have reviewed the asset lives and associated residual values of all fixed assets classes and have concluded that asset lives and residual values are appropriate.

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4. Income from donations and capital grants

	Unrestricted funds 2019 £000	Restricted funds 2019 £000	Restricted fixed asset funds 2019 £000	Total funds 2019 £000
Transfer from local authority on conversion	182	(561)	27,936	27,557
	182	(561)	27,936	27,557
Donations	1,488	-	-	1,488
Capital Grants	-	-	2,423	2,423
	1,670	(561)	30,359	31,468

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Total funds 2018 £000
Transfer from local authority on conversion	1,476	(1,572)	34,145	34,049
	1,476	(1,572)	34,145	34,049
Donations	480	-	-	480
Capital Grants	-	-	2,240	2,240
	1,956	(1,572)	36,385	36,769

5. Funding for the Multi-Academy Trust's educational operations

	Unrestricted funds 2019 £000	Restricted funds 2019 £000	Total funds 2019 £000
DfE/ESFA grants			
General Annual Grant (GAG)	-	42,848	42,848
Rates reclaim	-	261	261
Student Support Services	-	105	105
Pupil Premium	-	2,053	2,053
Sponsor Capacity Grant	-	95	95
Year 7 Catch Up Grant	-	152	152
Other DfE/ESFA income	-	398	398
	-	45,912	45,912
Other government grants			
Local Authority - Special Educational Needs (SEN)	-	826	826
Other Local Authority Revenue Grants	-	99	99
	-	925	925
Other funding			
Other Income	1,367	63	1,430
	1,367	63	1,430
	1,367	46,900	48,267

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	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Total funds 2018 £000
DfE/ESFA grants			
General Annual Grant (GAG)	-	34,018	34,018
Rates reclaim	-	190	190
Student Support Services	-	92	92
Pupil Premium	-	1,682	1,682
Sponsor Capacity Grant	-	113	113
Year 7 Catch Up Grant	-	119	119
	-	36,214	36,214
Other government grants			
Local Authority - Special Educational Needs (SEN)	-	756	756
Other Local Authority Revenue Grants	-	40	40
	-	796	796
Other funding			
Other Income	410	51	461
	410	51	461
	410	37,061	37,471

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Notes to the Financial Statements
For the Year Ended 31 August 2019

6. Income from other trading activities

	Unrestricted funds 2019 £000	Total funds 2019 £000	Total funds 2018 £000
Sale of equipment	14	14	33
Music activities	6	6	14
Rent and lettings	189	189	59
Other income	753	753	-
Catering income	1,493	1,493	1,010
Trading company	871	871	749
	<u>3,326</u>	<u>3,326</u>	<u>1,865</u>

7. Investment income

	Unrestricted funds 2019 £000	Total funds 2019 £000	Total funds 2018 £000
Bank interest	8	8	2
	<u>8</u>	<u>8</u>	<u>2</u>

8. Expenditure

	Staff Costs 2019 £000	Premises 2019 £000	Other 2019 £000	Total 2019 £000
Expenditure on raising voluntary income:				
Direct costs	665	-	1,461	2,126
Educational operations:				
Direct costs	36,356	-	5,053	41,409
Allocated support costs	5,753	6,720	3,509	15,982
	<u>42,774</u>	<u>6,720</u>	<u>10,023</u>	<u>59,517</u>

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	Staff Costs	Premises	Other	Total
	2018	2018	2018	2018
	£000	£000	£000	£000
Expenditure on raising voluntary income:				
Direct costs	456	-	1,107	1,563
Educational operations:				
Direct costs	28,511	-	2,829	31,340
Allocated support costs	4,231	2,991	2,138	9,360
	<u>33,198</u>	<u>2,991</u>	<u>6,074</u>	<u>42,263</u>

9. Analysis of expenditure by activities

	Activities	Support	Total
	undertaken	costs	funds
	directly	2019	2019
	2019	£000	£000
	£000	£000	£000
Educational operations	41,409	15,982	57,391

	Activities	Support	Total
	undertaken	costs	funds
	directly	2018	2018
	2018	£000	£000
	£000	£000	£000
Educational operations	31,340	9,360	40,700

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Notes to the Financial Statements
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9. Analysis of expenditure by activities (continued)

Analysis of direct costs

	Educational operations 2019 £000	Total funds 2019 £000	Total funds 2018 £000
Pension income	381	381	-
Staff costs	36,164	36,164	28,490
Staff expenses	37	37	23
Other staff costs	155	155	138
Educational supplies	1,109	1,109	961
Examination fees	1,571	1,571	1,273
Insurance	116	116	-
Technology costs	13	13	-
Other direct costs	1,863	1,863	455
	41,409	41,409	31,340

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9. Analysis of expenditure by activities (continued)

Analysis of support costs

	Total funds 2019 £000	Total funds 2018 £000
Staff costs	5,753	4,231
Depreciation	3,693	1,456
Other staff costs	175	98
Insurance	219	174
Technology costs	998	523
Maintenance of premises	1,018	229
Cleaning and caretaking	853	618
Operating lease rentals	11	11
Rates	330	264
Energy	908	690
Transport	435	342
Catering	163	99
Other premises costs	226	126
Legal and professional	657	102
Other support costs	457	346
Governance	85	51
	15,982	9,360

10. Net income/(expenditure)

Net income/(expenditure) for the year includes:

	2019 £000	2018 £000
Operating lease rentals	11	11
Depreciation of tangible fixed assets	3,700	1,461
Fees paid to auditors for:		
- audit	36	31
- other services	3	5

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Notes to the Financial Statements
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11. Staff

a. Staff costs

Staff costs during the year were as follows:

	Group	Group	Academy	Academy
	2019	2018	Trust	Trust
	£000	£000	2019	2018
			£000	£000
Wages and salaries	31,944	24,635	31,387	24,236
Social security costs	3,182	2,478	3,154	2,458
Pension costs	6,813	5,595	6,760	5,559
	41,939	32,708	41,301	32,253
Agency staff costs	643	468	616	468
Staff restructuring costs	192	22	192	22
	42,774	33,198	42,109	32,743

Staff restructuring costs comprise:

	Group	Group	Academy	Academy
	2019	2018	Trust	Trust
	£000	£000	2019	2018
			£000	£000
Redundancy payments	107	-	107	-
Severance payments	85	22	85	22
	192	22	192	22

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

Included in staff restructuring costs are non-statutory/non-contractual severance payment totalling £74,000 (2018 - £22,000). Individually, the payments were: £30,000, £25,000, £15,000, £3,000-and £1,000.

Notes to the Financial Statements
For the Year Ended 31 August 2019

11. Staff (continued)

c. Staff numbers

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

	Group 2019 No.	Group 2018 No.
Teachers	561	511
Administration and support	536	465
Management	63	56
	<u>1,160</u>	<u>1,032</u>

d. Higher paid staff

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

	Group 2019 No.	Group 2018 No.
In the band £60,001 - £70,000	13	10
In the band £70,001 - £80,000	5	4
In the band £80,001 - £90,000	2	2
In the band £90,001 - £100,000	1	-
In the band £100,001 - £110,000	3	2
In the band £110,001 - £120,000	-	1
In the band £120,001 - £130,000	1	-
In the band £150,001 - £160,000	1	1
	<u>1</u>	<u>1</u>

e. Key management personnel

The key management personnel of the multi academy trust comprise the trustees and the strategic leadership team as listed on page 1. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the multi academy trust was £1,305,000 (2018 - £1,104,000).

Notes to the Financial Statements
For the Year Ended 31 August 2019

12. Central services

The Group has provided the following central services to its academies during the year:

- Payroll services
- Annual audit and statutory financial statements management
- HR consultancy services
- Marketing and communications
- Premises and estates
- Careers
- COPE - Occupational health
- EAP - Employee Assistance Program
- GDPR - Data

The Group charges for these services on the following basis:

Payroll Services: Fixed charge based on funding plus per employee rate charge.

Annual Audit: Fixed charge.

HR Consultancy: Fixed charge based on funding plus per employee rate charge.

Marketing and communications: Fixed charge based on funding.

Premises and estates: Fixed charge based on property valuations.

Careers: Daily charge rate

COPE - Occupational health: Monthly charge rate costs incurred

EAP- Employee Assistance Program: Monthly charge rate costs incurred

GDPR - Data: Fixed charge

Top Slicing

The level of the Trusts involvement and support for each Academy is based on need which is determined by Ofsted rating. The following table determines the charge;

Ofsted Rating	Top Slice %
Outstanding (1)	1%
Good (2)	1%
Requires Improvement (3)	1%
Inadequate (4)	2%
Special Measures (5)	3%

The actual amounts charged during the year were as follows:

	2019	2018
	£000	£000
Ashfield School	122	178
Selston High School	38	59
Swanwick Hall School	57	90
Manor Academy	42	151
Heritage High School	79	101
Frederick Gent Academy	77	86
Friesland School	57	26
Wilsthorne School	34	-
Total	506	691

13. Trustees' remuneration and expenses

During the year, no Trustees received any remuneration or other benefits (2018 - £NIL).

During the year ended 31 August 2019, no Trustee expenses have been incurred (2018 - £NIL).

14. Trustees' and Officers' insurance

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

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Notes to the Financial Statements
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15. Tangible fixed assets

Group

	Freehold land and buildings £000	Long-term leasehold land and buildings £000	Building improvements £000	Furniture and equipment £000	Computer equipment £000	Motor vehicles £000	Assets under construction £000	Total £000
Cost or valuation								
At 1 September 2018	73,313	81,705	2,738	1,735	1,409	21	-	160,921
Additions	-	-	2,144	75	512	-	5	2,736
Transferred from local authority on conversion	-	27,535	-	300	-	-	-	27,835
At 31 August 2019	73,313	109,240	4,882	2,110	1,921	21	5	191,492
Depreciation								
At 1 September 2018	-	2,018	73	1,141	691	7	-	3,930
Charge for the year	1,255	1,762	149	241	289	4	-	3,700
At 31 August 2019	1,255	3,780	222	1,382	980	11	-	7,630
Net book value								
At 31 August 2019	72,058	105,460	4,660	728	941	10	5	183,862
At 31 August 2018	73,313	79,687	2,665	594	718	14	-	156,991

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Notes to the Financial Statements
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15. Tangible fixed assets (continued)

Academy Trust

	Freehold land and buildings £000	Long-term leasehold land and buildings £000	Building improvements £000	Furniture and equipment £000	Computer equipment £000	Motor vehicles £000	Assets under construction £000	Total £000
Cost or valuation								
At 1 September 2018	73,313	81,705	2,681	1,733	1,409	21	-	160,862
Additions	-	-	2,139	63	510	-	5	2,717
Transferred from local authority on conversion	-	27,535	-	300	-	-	-	27,835
At 31 August 2019	73,313	109,240	4,820	2,096	1,919	21	5	191,414
Depreciation								
At 1 September 2018	-	2,018	60	1,141	691	7	-	3,917
Charge for the year	1,255	1,762	143	239	289	4	-	3,692
At 31 August 2019	1,255	3,780	203	1,380	980	11	-	7,609
Net book value								
At 31 August 2019	72,058	105,460	4,617	716	939	10	5	183,805
At 31 August 2018	73,313	79,687	2,621	592	718	14	-	156,945

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Notes to the Financial Statements
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15. Tangible fixed assets (continued)

Included in freehold property is freehold land valued at £10,820,000 (2018 - £10,820,000) which is not depreciated.

16. Stocks

	Group 2019 £000	Group 2018 £000	Academy Trust 2019 £000	Academy Trust 2018 £000
School supplies	<u>4</u>	<u>8</u>	<u>4</u>	<u>8</u>

17. Debtors

	Group 2019 £000	Group 2018 £000	Academy Trust 2019 £000	Academy Trust 2018 £000
Due within one year				
Trade debtors	96	85	60	56
Amounts owed by group undertakings	-	-	443	199
VAT repayable	521	545	507	535
Other debtors	20	43	20	44
Prepayments and accrued income	952	1,085	927	1,066
	<u>1,589</u>	<u>1,758</u>	<u>1,957</u>	<u>1,900</u>

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Notes to the Financial Statements
For the Year Ended 31 August 2019

18. Creditors: Amounts falling due within one year

	Group	Group	Academy	Academy
	2019	2018	Trust	Trust
	£000	£000	2019	2018
			£000	£000
Trade creditors	1,792	830	1,774	821
Amounts owed to group undertakings	-	-	208	-
Other taxation and social security	804	685	798	680
Other creditors	662	822	655	819
Accruals and deferred income	792	1,073	774	1,069
	4,050	3,410	4,209	3,389
	Group	Group	Academy	Academy
	2019	2018	Trust	Trust
	£000	£000	2019	2018
			£000	£000
Deferred income at 1 September 2018	754	602	752	602
Resources deferred during the year	613	754	598	752
Amounts released from previous periods	(754)	(602)	(752)	(602)
	613	754	598	752

At the balance sheet date the multi-academy trust was holding funds received in advance for educational grants and trips booked for the autumn term 2019.

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19. Statement of funds

	Balance at 1 September 2018 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2019 £000
Unrestricted funds						
Unrestricted funds	2,151	6,371	(5,436)	(268)	-	2,818
Restricted general funds						
General Annual Grant	1,596	42,848	(44,313)	(131)	-	-
Pupil Premium	-	2,053	(2,053)	-	-	-
Other DfE/ESFA grants	-	1,011	(1,011)	-	-	-
Other government grants	-	925	(925)	-	-	-
Other income	-	63	(63)	-	-	-
Pension reserve	(13,761)	(561)	(2,016)	-	(6,611)	(22,949)
	<u>(12,165)</u>	<u>46,339</u>	<u>(50,381)</u>	<u>(131)</u>	<u>(6,611)</u>	<u>(22,949)</u>
Restricted fixed asset funds						
Fixed assets	157,935	30,359	(3,700)	399	-	184,993
Total Restricted funds	<u>145,770</u>	<u>76,698</u>	<u>(54,081)</u>	<u>268</u>	<u>(6,611)</u>	<u>162,044</u>
Total funds	<u>147,921</u>	<u>83,069</u>	<u>(59,517)</u>	<u>-</u>	<u>(6,611)</u>	<u>164,862</u>

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

Restricted general funds

This fund represents grants and other income received for the multi academy trust's operational activities and development.

Pension reserve

The pension reserve included within restricted general funds represents the multi academy trust's share of the pension liability arising on the LGPS pension fund.

19. Statement of funds (continued)

Restricted fixed asset funds

This fund represents grants and other income received to carry out works of a capital nature.

Transfers between funds

Transfers between funds relate to fixed assets purchased from the General Annual Grant.

Total funds analysis by academy

Fund balances at 31 August 2019 were allocated as follows:

	2019	2018
	£000	£000
Central MAT	49	283
Ashfield School	1,194	903
Selston High School	183	382
Swanwick Hall School	221	269
The Manor Academy	(122)	6
Heritage High School	156	372
Frederick Gent Academy	900	991
Friesland School	67	541
Wilsthorpe School	170	-
	<hr/>	<hr/>
Total before fixed asset funds and pension reserve	2,818	3,747
Restricted fixed asset fund	184,993	157,935
Pension reserve	(22,949)	(13,761)
	<hr/>	<hr/>
Total	164,862	147,921
	<hr/> <hr/>	<hr/> <hr/>

The following academy is carrying a net deficit on its portion of the funds as follows:

	Deficit
	£000
The Manor Academy	(122)
	<hr/> <hr/>

This short term deficit is as a result of the staffing required to support an increase in pupil numbers (131 increase in this year) and the lag in the funding flowing through to support these students.

The Multi-Academy Trust is taking the following action to return the academy to surplus:

The deficit was forecast and agreed at strategic level, supported by Trust reserves, and is recovered in the short term (1-2 years) as the funding of current pupil number increase is received.

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19. Statement of funds (continued)

Total cost analysis by academy

Expenditure incurred by each academy during the year was as follows:

	Teaching and educational support staff costs £000	Other support staff costs £000	Educational supplies £000	Other costs excluding depreciation £000	Total 2019 £000
Central MAT	125	1,016	-	868	2,009
Ashfield School	8,386	2,153	762	3,090	14,391
Selston High School	2,272	1,081	284	822	4,459
Swanwick Hall School	4,047	1,064	273	1,460	6,844
The Manor Academy	2,916	1,085	227	939	5,167
Heritage High School	2,811	1,087	141	988	5,027
Frederick Gent Academy	2,393	931	247	921	4,492
Friesland School	3,746	2,086	287	1,095	7,214
Wilsthorpe School	2,346	676	168	549	3,739
Multi-Academy Trust	29,042	11,179	2,389	10,732	53,342

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19. Statement of funds (continued)

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

	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Gains/ (Losses) £000	Balance at 31 August 2018 £000
Unrestricted funds					
Unrestricted funds	2,273	4,232	(4,354)	-	2,151
Restricted general funds					
General Annual Grant	222	34,018	(31,673)	-	1,596
Start Up Grant	122	190	(312)	-	-
Pupil Premium	-	1,675	(1,675)	-	-
Other DfE/ESFA grants	-	324	(324)	-	-
Other government grants	-	803	(803)	-	-
Other income	-	51	(51)	-	-
Pension reserve	(14,590)	(1,572)	(1,609)	4,010	(13,761)
	(14,246)	35,489	(36,447)	4,010	(12,165)
Restricted fixed asset funds					
Fixed assets	122,041	36,385	(1,462)	-	157,935
Total Restricted funds	107,795	71,874	(37,909)	4,010	145,770
Total funds	110,068	76,106	(42,263)	4,010	147,921

20. Analysis of net assets between funds

Analysis of net assets between funds - current year

	Unrestricted funds 2019 £000	Restricted funds 2019 £000	Restricted fixed asset funds 2019 £000	Total funds 2019 £000
Tangible fixed assets	-	-	183,862	183,862
Current assets	2,818	3,993	1,188	7,999
Creditors due within one year	-	(3,993)	(57)	(4,050)
Provisions for liabilities and charges	-	(22,949)	-	(22,949)
Total	2,818	(22,949)	184,993	164,862

Analysis of net assets between funds - prior year

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Total funds 2018 £000
Tangible fixed assets	-	-	156,991	156,991
Current assets	2,150	5,006	944	8,100
Creditors due within one year	-	(3,410)	-	(3,410)
Provisions for liabilities and charges	-	(13,761)	-	(13,761)
Total	2,150	(12,165)	157,935	147,920

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21. Reconciliation of net income to net cash flow from operating activities

	2019 £000	2018 £000
Net income for the year (as per Statement of Financial Activities)	23,552	33,843
Adjustments for:		
Depreciation	3,700	1,461
Capital grants from DfE and other capital income	(2,424)	(2,240)
Interest receivable	(8)	(2)
Defined benefit pension scheme obligation inherited	561	1,572
Defined benefit pension scheme cost less contributions payable	2,016	1,609
Decrease in stocks	4	6
Decrease/(increase) in debtors	170	(325)
Increase in creditors	640	528
Gift of fixed assets on conversion	(27,835)	(34,145)
Net cash provided by operating activities	376	2,307

22. Cash flows from financing activities

	Group 2019 £000	Group 2018 £000
Repayments of borrowing	-	(3)
Net cash provided by/(used in) financing activities	-	(3)

23. Cash flows from investing activities

	Group 2019 £000	Group 2018 £000
Dividends, interest and rents from investments	8	2
Purchase of intangible assets	(2,736)	(2,266)
Capital grants from DfE Group	2,424	2,240
Net cash used in investing activities	(304)	(24)

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24. Analysis of cash and cash equivalents

	Group 2019 £000	Group 2018 £000
Cash in hand	6,407	6,335
Total cash and cash equivalents	6,407	6,335

25. Conversion to an academy trust

On 1 December 2018 Wilsthorpe School converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to The Two Counties Trust from Derbyshire County Council for £NIL consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair value and recognised in the Consolidated Balance Sheet under the appropriate heading with a corresponding net amount recognised as a net gain in the Consolidated Statement of Financial Activities as Income from Donations and Capital Grants - transfer from local authority on conversion.

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the Consolidated Statement of Financial Activities.

	Unrestricted funds £000	Restricted fixed asset funds £000	Total funds £000
Tangible fixed assets			
Leasehold land and buildings	-	27,535	27,535
Other tangible fixed assets	-	300	300
Current assets			
Cash - representing budget surplus on LA funds	129	100	229
Cash - representing budget surplus on other school funds	53	-	53
Net assets	182	27,935	28,117

26. Pension commitments

The Multi-Academy Trust's employees belong to two principal pension schemes: the Teachers' 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 Nottingham County Council and Derbyshire County Council. Both are multi-employer defined benefit schemes.

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

Contributions amounting to £651,000 were payable to the schemes at 31 August 2019 (2018 - £567,000) and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS or scheme) is a statutory, unfunded, defined benefit occupational scheme, governed by the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pension Scheme Regulations 2014 (as amended). These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%). The timing of the implementation is to align its introduction with employers' budget planning cycles. Until then, employers will pay the current rate of 16.48%.

Scheme Changes

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of a Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015.

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in

26. Pension commitments (continued)

2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, have rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

The employer's pension costs paid to TPS in the year amounted to £3,672,000 (2018 - £2,842,000).

A copy of the valuation report and supporting documentation is on the [Teachers' Pensions website](#).

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

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2019 was £2,045,000 (2018 - £1,509,000), of which employer's contributions totalled £1,582,000 (2018 - £1,144,000) and employees' contributions totalled £ 463,000 (2018 - £365,000). The agreed contribution rates for future years are 19.7 per cent for employers and 5.5 - 12.5 per cent 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

	2019 %	2018 %
Rate of increase in salaries	3.19	3.31
Rate of increase for pensions in payment/inflation	2.25	2.36
Discount rate for scheme liabilities	1.88	2.73

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

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26. Pension commitments (continued)

	2019 Years	2018 Years
<i>Retiring today</i>		
Males	21.8	22.3
Females	24.4	25.0
<i>Retiring in 20 years</i>		
Males	23.6	24.4
Females	26.4	27.3

Sensitivity analysis

	2019 £000	2018 £000
Discount rate +0.1%	(1,258)	(1,768)
Discount rate -0.1%	1,275	1,768
Salary increase +0.1%	210	230
Salary increase -0.1%	(209)	(229)
Pension increase +0.1%	1,009	1,458
Pension increase -0.1%	(993)	(1,458)

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

	At 31 August 2019 £000	At 31 August 2018 £000
Equities	16,434	13,333
Gilts	3,796	314
Corporate bonds	1,081	2,904
Property	2,789	2,192
Cash and other liquid assets	1,355	842
Other	1,203	755
Total market value of assets	26,658	20,340

The actual return on scheme assets was £1,268,000 (2018 - £578,000).

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26. Pension commitments (continued)

The amounts recognised in the Consolidated Statement of Financial Activities are as follows:

	2019	2018
	£000	£000
Current service cost	(2,698)	(2,355)
Past service cost	(515)	-
Interest income	608	422
Interest cost	(989)	(816)
Administrative expenses	(4)	(3)
Total amount recognised in the Consolidated Statement of Financial Activities	(3,598)	(2,752)

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

	2019	2018
	£000	£000
At 1 September	34,100	28,206
Conversion of academy trusts	1,950	5,894
Current service cost	2,698	2,355
Interest cost	989	816
Employee contributions	463	365
Actuarial losses/(gains)	7,261	(3,432)
Benefits paid	(280)	(104)
Past service costs	515	-
At 31 August	47,696	34,100

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

	2019	2018
	£000	£000
At 1 September	20,339	13,616
Conversion of academy trusts	1,389	4,322
Interest income	608	422
Actuarial gains	650	578
Employer contributions	1,582	1,144
Employee contributions	463	365
Benefits paid	(280)	(104)
Administrative expenses	(4)	(4)
At 31 August	24,747	20,339

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27. Operating lease commitments

At 31 August 2019 the Group and the Multi-Academy Trust had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £000	Group 2018 £000	Academy Trust 2019 £000	Academy Trust 2018 £000
Not later than 1 year	7	7	7	7
Later than 1 year and not later than 5 years	-	7	-	7
	<u>7</u>	<u>14</u>	<u>7</u>	<u>14</u>

28. 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.

29. Related party transactions

Owing to the nature of the Multi Academy Trust's operations and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which a trustees has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Multi-Academy Trust's financial regulations and normal procurement procedures.

During the year, the Multi Academy Trust received a gift aid payment of £6,000 (2018 - £111,000) from its subsidiary undertaking, The Two Counties Trading Company. At the year end, the amount due from the Two Counties Trading Company was £230,000 (2018 - £199,000).

No other related party transactions took place in the period of account other than certain trustees' remuneration and expenses already disclosed in note 13.