

Company Registration No. 08087508 (England and Wales)

ZEST ACADEMY TRUST

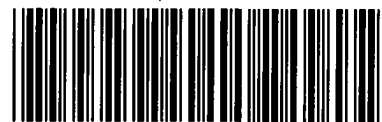
(A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 AUGUST 2018



TUESDAY



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COMPANIES HOUSE



MHA Moore & Smalley
Trusted Thinking

ZEST ACADEMY TRUST

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ZEST ACADEMY TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

Members	Mr W J Thompson Mr D Brookes (resigned 31/08/2018) Mr D Fann (resigned 05/05/2018) Mr M Garnett (appointed 04/05/2018) Mrs K Shuttleworth (appointed 31/08/2018)	
Directors	Mr W J Thompson (Chair) Mr P Thompson Mr S West (Resigned 26 October 2017) Mrs J Evans (Resigned 24 January 2018) Mrs S Cardwell Mr M J Hamblett (Principal and Accounting Officer) Miss A Lalla (Appointed 8 January 2018) Miss M Kirkham (Appointed 23 March 2018) Mrs C Wyatt (Appointed 10 May 2018) Mr H Asher (Appointed 24 October 2018) Mrs J Alexander (Appointed 25 October 2018)	
Senior management team		
- CEO	Mr M Hamblett	
- Director of Business and Finance	Mrs S Cardwell	
Company secretary	Mrs S Cardwell	
Company name	Zest Academy Trust	
Company registration number	08087508 (England and Wales)	
Registered office	Waterloo Road Blackpool FY4 3AG	
Academies operated	Location	CEO
Waterloo Primary Academy	Blackpool	Mr M Hamblett (appointed 1 September 2017)
Independent auditor	MHA Moore and Smalley Richard House 9 Winckley Square Preston PR1 3HP	
Solicitors	Browne Jacobson LLP 14th Floor No.1 Spinningfields 1 Hardman Square Manchester M3 3EB	

ZEST ACADEMY TRUST

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 AUGUST 2018

The Directors present their annual report together with the accounts and independent auditor's reports of the Charitable Company for the period 1 September 2017 to 31 August 2018. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

As of the 31st August 2018, Waterloo Primary Academy remains as the only academy within the trust. The academy trust operates an academy for pupils aged 3 to 11 serving a catchment area in Blackpool. It has a pupil capacity of 656 and had a roll of 658 in the school census on January 2018.

In accordance with the articles of association the Charitable Company has adopted a "Scheme of Governance" approved by the Secretary of State for Education. The Scheme of Governance specifies, amongst other things, the basis for admitting students to the Academy, the catchment area from which the students are drawn, and that the curriculum should be broad, balanced and comply with the substance of the national curriculum.

It should be noted that the Academy Trust have adopted the terminology 'Academy Council' and 'Academy Council Members' opposed to 'Governors and 'Governing Body'.

Structure, governance and management

Constitution

Zest Academy Trusts incorporated name change came in to force on 22 April 2016. The Academy 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 Academy Trust.

The Academy Trust name change was incorporated on 22nd April 2016 following Waterloo Primary Academy's incorporation on 29th May 2012.

The Directors are the trustees of Zest Academy Trust and are also the directors of the Charitable Company for the purposes of company law. Details of the Directors who served during the year are included in the Reference and Administrative Details on page 1.

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.

Trustees' indemnities

The Academy has purchased indemnity insurance to protect governors and officers from claims arising in connection with Academy business. The insurance provides cover of up to £5,000,000 on any one claim.

ZEST ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Method of recruitment and appointment or election of Directors and Academy Council Members

Members

The Articles of Associations under Article 12 states that the number of members of the Academy Trust shall not be less than three.

Trustees / Directors

The Articles of Associations under Article 45 states that the number of Trustees of the Academy Trust shall not be less than three but (unless otherwise determined by ordinary resolution) shall not be subject to any maximum.

Subject to Articles 48-49 and 53 the Academy Trust shall have the following Trustees:

- 5 trustees appointed under Article 50
- minimum of 2 parent trustees under Articles 53-56 in the event that no Academy Councils are established
- Co-opted trustees under Article 58
- Original trustees named in the statement delivered pursuant to sections 9 and 12 of the Companies Act 2006
- The total number of trustees including the Chief Executive Officer under Article 57 shall not exceed one third of the total number of Trustees

Zest Academy Trust recognise the importance of transparency and are working towards limiting the number of 'staff trustees' on the board to just the Chief Executive Officer.

Academy Councils

The Academy Trust has appointed Academy Councils within its academies with the membership structure as follows:

- 2 parent academy council members
- 1 teaching academy council member
- 1 non-teaching academy council member
- Academy Council Members as appointed by the board of Trustees

The term of office for any Trustee or Academy Council Member shall be 4 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.

Policies and procedures adopted for the induction and training of Directors and Academy Council Members

The training and induction provided for new Members, Trustees and Academy Council Members will depend on their existing experience.

All Members, Trustees and Academy Council Members are provided with copies of key documents, such as policies, procedures, accounts, budgets, plans and other documents on appointment and in relation to their role.

Induction is undertaken for all those in governance, which highlights their responsibilities and accountabilities. Further training is offered by the Trust and also National Governance Association.

This year the Trust held its first annual conference for Members, Trustees and Academy Council Members. The focus was based around accountabilities, responsibilities and strategy for growth.

ZEST ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Organisational structure

The Academy Trust consists of four levels of organisation structure: Members, Trustees / Directors, Academy Council Members, the Principal and Senior Leadership Team.

Over the last year, Zest Academy Trust has commissioned a full governance review (by The Constant Group) at Trust level, which has resulted in more clearly defined roles, responsibilities and accountabilities. We have also refined the Trust's vision and values, recruited additional Trustees and Members (with the relevant skills, in line with the DfE's core competencies framework) and revisited our central services offer and scheme of delegation.

Members are accountable for:

- determining the Trust constitution
- vision and values
- appointing and removing Trustees
- approving the Trusts annual financial accounts

Trustees are responsible for:

- strategy and leadership
- policies and practice
- financial management
- risk management
- central services
- safeguarding
- strategy for growth

Academy Council members are responsible for:

- curriculum and standards
- teaching and learning
- pupil progress
- annual budget monitoring
- academy admissions

Academy Council Members have powers delegated to them from the Trustees to make decisions on behalf of the academy as detailed in the scheme of delegation. The scheme of delegation has been reviewed in the year 2017 - 2018 to show clear lines of accountability. All those in governance have received a copy.

During the course of 2017 – 2018 academic year the Trust met three times, with members also meeting to undertake their Annual General Meeting in sign off the Trust accounts.

The Trustees have reviewed the financial scheme of delegation, this year, which clearly sets out the level of financial authority delegated to the CEO / Principal (who is the Accounting Officer) and other members of staff. This document has been circulated to all staff.

Arrangements for setting pay and remuneration of key management personnel

Zest Academy Trust has a robust performance management policy in place for setting pay and remuneration for key Trust personnel.

Performance targets are set in the autumn term by the Academy Council Members and Trustees, following a meeting with the external School Improvement Advisor. These progress measures are reviewed regularly but are linked to pupil progress, strategic leadership and individual operational performance. These targets are reviewed three times throughout the year. Recommendations are then made to the full Academy Council and Trustees.

ZEST ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Trade union facility time

Relevant union officials

Number of employees who were relevant union officials during the relevant period

-

Full-time equivalent employee number

-

Percentage of time spent on facility time

Percentage of time

Number of employees

0%

-

1%-50%

-

51%-99%

-

100%

-

Percentage of pay bill spent on facility time

Total cost of facility time

-

Total pay bill

-

Percentage of the 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

-

Related parties and other connected charities and organisations

Zest Academy Trust is a Multi Academy Trust with one academy, Waterloo Primary Academy.

The Trust works closely with a cluster of local Blackpool academies, sharing best practice and working collaboratively on a variety of topics. The Trust also provides administrative support to Blackpool Schools Partnership and other local primary schools.

The Trusts Business and Finance Director is an accredited School Resource Management Adviser (SRMA) working with the Education Skills Funding Agency on undertaking deployments in other academies.

ZEST ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Objectives and activities

Objects and aims

Zest Academy Trust is ambitious, optimistic and forward thinking. It aims to:

- recruit and retain high quality staff
- deliver and develop quality first teaching. Provide a relevant and engaging curriculum
- build capacity for improvement with schools
- promote wellbeing
- celebrate diversity
- deliver rapid and sustained improvement

The Trust is committed to achieving high outcomes for all its children. Principals, supported by Academy Council Members and Trustees, are committed fully to securing the highest standards and to sustaining improvement in all areas of the school's work. The Trust benefits from a high standard of leadership not only in the Trust but also within its academy.

Zest Academy Trust will:

- promote a love of learning, have a constant focus on teaching and assessment and will effectively manage all its resources
- prepare our children for life's challenges by creating innovative, safe learning environments that challenge preconceptions and expectations
- value each member of the Zest learning community by trusting, supporting and treating each other with dignity and respect
- enable our family of schools to maintain and develop their own school identity, sharing innovative practice and support
- enable staff to develop professionally and share their enthusiasm and love of learning with the children in their care
- share expertise and experience within the Zest community and will collaboratively support professional development and build effective learning capacity
- always challenge to improve

Objectives, strategies and activities

The Trusts' long term objective is to establish a successful Multi Academy Trust which works collaboratively with its academies. The Trust has the capacity to sponsor schools who are in need of support and identified by the Regional Schools Commissioner after the DfE has issued an academy order.

We firmly believe that our Trust should:

- provide guidance and support
- challenge where appropriate
- work collaboratively
- be committed to improving outcomes for children

The Trust is also committed to adhering to the 7 principles of public life, selflessness, integrity, objectivity, accountability, openness, honesty and leadership (the Nolan Principles).

Public benefit

The Trustees are aware of the Charity Commission Guidance on providing public benefit and have had due regard to this in exercising their duties during the year. The key public benefit delivered by Zest Academy Trust as identified in the Articles of Association is to provide education to the young people of the community it serves.

ZEST ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Strategic report

Achievements and performance including Key Performance Indicators

The Trust utilises a variety of KPIs such as financial data, assessment data and Ofsted ratings.

Waterloo Primary Academy was inspected in February 2018 with the following outcomes being achieved.

OFSTED (February 2018)

Overall effectiveness: Good 2

Previous inspection: Good 2

The KS1 and KS2 curriculum assessment test express outcomes as a scaled score of 100 or more.

KS2 attainment by subject

Waterloo		Blackpool		National	
Reading	69%	Reading	71%	Reading	75%
Writing	85% (TA)	Writing	77% (TA)	Writing	78% (TA)
GPS	81%	GPS	76%	GPS	77%
Maths	73%	Maths	76%	Maths	75%
R/W/M	64%	R/W/M	61%	R/W/M	64%

KS1 attainment by subject

Waterloo		National	
Reading	66%	Reading	76%
Writing	73%	Writing	70%
Maths	81%	Maths	76%

Year 1 Phonics

Waterloo		National	
Phonics	81%		83%

(unvalidated data)

Reception achieving a Good level of development

Waterloo		National	
GLD	71%	GLD	72%

2018 Progress measures

	Progress Measure	Average Scaled score
Reading	0.3	102
Writing	2.6	
GPS		104
Maths	1.5	103

ZEST ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Going concern

After making appropriate enquiries, the Board of Trustees has a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason the Board of Trustees continues to adopt the going concern basis in preparing the accounts. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies.

Financial review

The School's total incoming resources during the year were £3,473,976 (2017: £3,421,068). The majority of the academy's income derives from central government funding via the Education Skills Funding Agency, in the form of current grants. Total funding received for the School's educational operations in the year was £3,195,328 (2017: £3,253,353) and further details are provided in note 5 to the accounts.

Total outgoing resources for the year were £3,614,198 (2017: £3,537,812), the majority of which related to the direct provision of educational operations of £3,614,198 (2017: £3,537,812). The deficit of income over expenditure was £140,222 (2017: deficit of £116,744).

At the year end the School's total reserves were £3,229,823 (2017: £2,999,045), including unrestricted funds of £146,886 (2017: £146,886) and restricted funds of £3,082,937 (2017: £2,852,159). Restricted funds include fixed assets of £4,104,293 (2017: £4,185,980), less the LGPS pensions scheme deficit of £1,338,000 (2017: £1,524,000). The remaining balance on restricted funds of £320,371 relate to funding received to date, which is due to be spent in future years in accordance with the terms of funding. Further detail is provided in note 18.

The deficit on the LGPS does not mean that an immediate liability crystallises. The deficit results in a cash flow effect for the academy in the form of possible future increases in pension contributions, which, if required, will be met from the budgeted annual income. There is therefore no direct impact on the free reserves of the academy trust because of recognising the deficit. Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding local government pension scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

At 31 August 2018 all assets shown in the accounts were used exclusively for providing education and associated support services to students of the School.

Reserves policy

The Trust Board review the reserve levels each year. The review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance and repairs.

The Trusts current reserves, net of amounts allocated to fixed assets and the pension deficit, are £463,530 (2017: £337,065).

This year the Trust agreed to finish the top floor of the sports hall so that additional teaching spaces were created. In addition, the new library area was also developed and funded through the schools reserves.

The Trust will take appropriate action to ensure that reserves are always at a prudent level.

Restricted GAG reserves

The Trustees have considered the level of GAG reserves which they believe will provide sufficient working capital to cover delays between the spending and receipt of grants and unexpected or planned future revenue and capital costs. At 31 August 2018 the school held GAG reserves of £316,644 (2017: £190,179). The Trust aim to have in their reserves at least two month's salary and business costs with additional costs being accumulated for school improvement.

ZEST ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Unrestricted reserves

In addition to the GAG reserve, which can only be utilised for the restricted purposes set out in the Funding Agreement, the Trust holds unrestricted free reserves, which provide additional working capital and are not committed or designated at 31 August 2018 the level of unrestricted reserves held was £146,886 (2017: £146,886), which is in line with the reserves policy.

Restricted pension scheme reserve

On conversion, the School inherited a deficit of £867,000 in respect of the Local Government Pension Scheme, which many of the non-teaching staff belong to. This deficit has now increased to £1,338,000 by 31 August 2018, mainly due to changes in actuarial assumptions. The level of any deficit payments was reviewed in April 2018. The School does not have an obligation to settle this liability immediately and there are no indications that it will crystallise in the foreseeable future. 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.

Investment policy

All investments are agreed by the board of Trustees, which has regard to the Charity Commission guidance in relation to charity investment policy. The Trust does not currently hold any investments other than cash, which is held for its normal operations. The Trustees have adopted a low risk strategy to its cash holdings. Surplus cash is held in an instant access deposit account to ensure that there is always access to sufficient cash to meet short and medium term requirements.

Principal risks and uncertainties

Trustees have assessed the major risks to which the Trust is exposed, in particular those relating to teaching, provision of facilities, other operational areas of the Trust and its finances. Risk is a standing agenda item and is reviewed on a quarterly basis.

A number of new financial risks have been identified throughout the year which include increased teaching salaries and more recently increased employer teaching pension contributions. In September 2018 HM Treasury published guidance regarding employer contributions for the Teachers Pension Scheme. Contributions are expected to rise to 23.6% from September 2019 with the rate being finalised in 2019. Following this release and recently announced teachers' pay increases, uncertainties exist regarding the extent to which teachers' pay increases and increases to the TPS contribution rates will be funded, and for how long.

The internal financial systems of delegation are based on the Academies Financial Handbook September 2018 alongside the Trusts scheme of delegation and financial management procedures. The systems are based on a framework of segregation of duties, schemes of delegation that include authorisation and approval at each layer. Varying financial management information is provided to all Members, Trustees and Academy Council Members on a quarterly basis. The information provided to those in governance is differentiated depending on the layer of governance they fall under.

The Trust continues to utilise the Responsible Officer (RO) role. The RO role has been performed, by Mr David Brookes and reports have been presented to Trustees. No major issues have been identified and any recommendations have been implemented.

ZEST ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

Financial and risk management objectives and policies

The Trust receives a portion of its income on a monthly basis and manages its cash flow accordingly.

The key Trust financial objectives are;

- Adhere to the 7 principles of public life
- Apply at all time, best value principles
- Monitor and report on financial matters
- Ensure that all financial transactions are open and transparent

In line with the financial objectives the Trust recognises that risk management is key to the success of the Trust and as such the Business and Finance Director reviews the risk register on a monthly basis. The risk register considers strategic and reputational risks, operational risk, compliance risks and financial risks. The risk register is a live working document.

The Trust also regularly undertakes horizon scanning and keeps up to date with new policy and legislation changes that could impact on the Trusts financial position of otherwise.

Fundraising

The Academy Trust has undertaken fundraising during 2017/18 where funds have been raised to support local and national charities such as Children in Need. Traditional approaches to fundraising have been used, including non uniform days. All funds are collected by the Finance Department and paid to the relevant charity via BACS or Cheque.

Secondly, funds have been raised by the Academy to improve the quality of education for all students. Fundraising initiatives undertaken included school discos, Christmas toy fair and Summer fair and funds have been used on extra curriculum activities or events such as Zoo and Blackpool Tower passes.

The Trust does not have a PTFA associated with Waterloo Primary Academy. All fundraising activities are monitored by the Senior Leadership Team and are undertaken in accordance with regulations. The Academy does not work with professional fundraisers or commercial participators and has received no complaints in relation to its fundraising activities.

Plans for future periods

The Trusts strategic development plan outlines its growth strategy. Whilst continuing to raise standards at Waterloo Primary Academy, we are keen to grow. The Executive team continue to liaise with both the RSC for the North and Lancashire and West Yorkshire in providing school to school support.

The Trust have continued to provide business and finance support to other schools and academies in the form of service contracts and will continue this line of income generation.

After undertaking a review of the whole-school curriculum, a new thematic approach will be delivered from January 2018. The new curriculum 'Learning means the world' is a whole-school curriculum based around 4 key concepts; *Communication, Conservation, Culture and Conflict*. The new curriculum which is broad, balanced and designed for 21st century learning aims to build on the very best practice that Waterloo has seen over the years, however, with more rigour than ever before, expectations even higher and more accountability, the need for an inclusive, robust, international curriculum has never been greater. The new thematic curriculum is designed around the four Cs mentioned above. We are confident that a renewed approach to learning will improve learning outcomes further and for all our children including those deemed more able as well as supporting those with SEND. A renewed approach to teaching in the wider curriculum will renew the vigour and excitement in the staff delivering the lessons, which in turn will hopefully further excite, motivate and inspire our children.

Funds held as custodian trustee on behalf of others

For the year ending 31 August 2018 there are no assets and arrangements for safe custody segregation.

ZEST ACADEMY TRUST

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

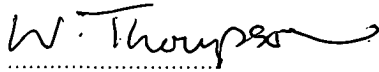
Auditor

In so far as the Directors are aware:

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

A resolution proposing that MHA Moore and Smalley be reappointed as auditor of the Charitable Company will be put to the members.

The Trustees' report, incorporating a strategic report, was approved by order of the Board of Trustees, as the company directors, on 18.12.18 and signed on its behalf by:



Mr W J Thompson
Chair

ZEST ACADEMY TRUST

GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2018

Scope of responsibility

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

The Board of Trustees has delegated the day-to-day responsibility to the CEO, 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 Zest Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees has formally met 3 times during the year. The finance and audit responsibilities are included within the board of directors meetings and no separate committee is set up for these responsibilities. Attendance during the year at meetings of the Board of Trustees was as follows:

Directors	Meetings attended	Out of possible
Mr W J Thompson (Chair)	3	3
Mr P Thompson	1	3
Mr S West (Resigned 26 October 2017)	0	1
Mrs J Evans (Resigned 24 January 2018)	1	1
Mrs S Cardwell	3	3
Mr M J Hamblett (Principal and Accounting Officer)	3	3
Miss A Lalla (Appointed 8 January 2018)	1	2
Miss M Kirkham (Appointed 23 March 2018)	0	1
Mrs C Wyatt (Appointed 10 May 2018)	1	1
Mr H Asher (Appointed 24 October 2018)		
Mrs J Alexander (Appointed 25 October 2018)		

In 2017 - 2018 the Trust has had a complete governance review undertaken by an external company, The Constant Group. The review was undertaken in conjunction with a skills audit and the governance competency framework. Members and Trustees were recruited to enhance the board's composition. Whilst the Board remain in a very strong position, Members have appointed two more Trustees in October 2018.

The Trust continually review a variety of data that is submitted to them to assess the performance and sustainability of the Trust. Reports that are received are:

- Annual budgets
- Financial management accounts
- Financially budget monitoring
- HR recruitment and retention statistics
- Efficiency metrics such as PTR, average salary costs and percentage of staffing costs to name a few
- Attainment and progress reports

The Business and Finance Director provides the Trust Board with an annual benchmark report so they can ensure value for money and best value are attained.

Review of value for money

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

ZEST ACADEMY TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

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

- Quality first teaching
- Improved assessment and tracking systems
- New financial software to streamline process
- New payroll lead HR system to reduce duplication of work
- Business consultancy
- Financial and administration of Blackpool School Partnership

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Zest Academy Trust for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

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

The risk and control framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Trustees;
- regular reviews by the 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 not to appoint an internal auditor. However the Directors have appointed Mr David Brooks, an external Business Manager, as Responsible Officer ("RO").

The RO's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems.

ZEST ACADEMY TRUST

GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

RO visits for 2017 - 2018 were undertaken on 24th September 2017 and 24th May 2018. The following systems were reviewed:

- testing of payroll systems
- testing of purchase systems
- testing of control account/bank reconciliations
- testing of returns
- testing of risk management

All findings are presented to the Trust Board.

Review of effectiveness

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

- the work of the responsible officer
- the work of the external auditor
- the financial management and governance self-assessment process
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Trustees and Academy Council Members of Waterloo Primary Academy and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the Board of Trustees on 18.12.18 and signed on its behalf by:



Mr W J Thompson
Chair



Mr M J Hamblett
Principal and Accounting Officer

ZEST ACADEMY TRUST

STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE FOR THE YEAR ENDED 31 AUGUST 2018

As Accounting Officer of Zest Academy Trust I have considered my responsibility to notify the Academy Trust Board of Trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

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



Mr M J Hamblett
Accounting Officer

18.12.18.....

ZEST ACADEMY TRUST

STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE YEAR ENDED 31 AUGUST 2018

The directors (who also act as trustees for Zest Academy Trust) are responsible for preparing the Trustees' report and the accounts in accordance with the Annual Accounts Direction issued by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period.

In preparing these accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- make 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the Board of Trustees on 18.12.18 and signed on its behalf by:



Mr W J Thompson
Chair

ZEST ACADEMY TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZEST ACADEMY TRUST FOR THE YEAR ENDED 31 AUGUST 2018

Opinion

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

In our opinion the accounts:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the accounts and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the accounts 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 accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts 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 accounts 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.

ZEST ACADEMY TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZEST ACADEMY TRUST (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' report including the incorporated strategic report for the financial year for which the accounts are prepared is consistent with the accounts; and
- the Trustees' report including the incorporated strategic report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Academy Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' report, including the incorporated strategic report.

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

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

Responsibilities of Directors

As explained more fully in the statement of Trustees' responsibilities, the Directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the Directors are responsible for assessing the Academy Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the charitable company, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the accounts

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

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

ZEST ACADEMY TRUST

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZEST ACADEMY TRUST (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

Use of our report

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



**Christine Wilson (Senior Statutory Auditor)
for and on behalf of MHA Moore and Smalley
Chartered Accountants
Statutory Auditor**

Richard House
9 Winckley Square
Preston
PR1 3HP

18/12/18

ZEST ACADEMY TRUST

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO ZEST ACADEMY TRUST AND THE EDUCATION & SKILLS FUNDING AGENCY FOR THE YEAR ENDED 31 AUGUST 2018

In accordance with the terms of our engagement letter dated 15 November 2016 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Zest Academy Trust during the period 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

The accounting officer is responsible, under the requirements of Zest Academy Trust's funding agreement with the Secretary of State for Education dated 18 May 2016 and the Academies Financial Handbook, extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

Approach

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

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

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

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

We have undertaken testing as appropriate in line with the guidance included in Technical release 08/12AAF from the Institute of Chartered Accountants in England and Wales.

The work undertaken to draw our conclusion includes an evaluation of the control environment of the school together with enquiry, analytical review and substantive testing of transactions.

ZEST ACADEMY TRUST

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

FOR THE YEAR ENDED 31 AUGUST 2018

Conclusion

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

MHA Moore and Smalley

**Reporting Accountant
MHA Moore and Smalley**

Richard House
9 Winckley Square
Preston
PR1 3HP

18/12/18

ZEST ACADEMY TRUST

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2018

		Unrestricted funds	Restricted general funds	Restricted fixed asset funds	Total 2018	Total 2017
	Notes	£	£	£	£	£
Income and endowments from:						
Donations and capital grants	4	-	9,043	228,579	237,622	131,830
Charitable activities:						
- Funding for educational operations	5	106,817	3,088,511	-	3,195,328	3,253,353
Other trading activities	6	40,723	-	-	40,723	35,413
Investments	7	303	-	-	303	472
Total income and endowments		<u>147,843</u>	<u>3,097,554</u>	<u>228,579</u>	<u>3,473,976</u>	<u>3,421,068</u>
Expenditure on:						
Charitable activities:						
- Educational operations	10	147,843	3,306,746	159,609	3,614,198	3,537,812
Total expenditure	8	<u>147,843</u>	<u>3,306,746</u>	<u>159,609</u>	<u>3,614,198</u>	<u>3,537,812</u>
Net income/(expenditure)		-	(209,192)	68,970	(140,222)	(116,744)
Transfers between funds		-	150,657	(150,657)	-	-
Other recognised gains and losses						
Actuarial gains on defined benefit pension schemes	20	-	371,000	-	371,000	166,000
Net movement in funds		-	312,465	(81,687)	230,778	49,256
Reconciliation of funds						
Total funds brought forward		146,886	(1,333,821)	4,185,980	2,999,045	2,949,789
Total funds carried forward	18	<u>146,886</u>	<u>(1,021,356)</u>	<u>4,104,293</u>	<u>3,229,823</u>	<u>2,999,045</u>

ZEST ACADEMY TRUST

BALANCE SHEET

AS AT 31 AUGUST 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	14		4,064,846		4,130,463
Current assets					
Debtors	15	187,023		169,199	
Cash at bank and in hand		650,686		409,657	
		837,709		578,856	
Current liabilities					
Creditors: amounts falling due within one year	16	(334,732)		(186,274)	
Net current assets			502,977		392,582
Net assets excluding pension liability			4,567,823		4,523,045
Defined benefit pension scheme liability	20		(1,338,000)		(1,524,000)
Net assets			3,229,823		2,999,045
Funds of the Academy Trust:					
Restricted funds	18				
- Fixed asset funds			4,104,293		4,185,980
- Restricted income funds			316,644		190,179
- Pension reserve			(1,338,000)		(1,524,000)
Total restricted funds			3,082,937		2,852,159
Unrestricted income funds	18		146,886		146,886
Total funds			3,229,823		2,999,045

The accounts on pages 22 to 45 were approved by the Directors and authorised for issue on 18.12.18 and are signed on their behalf by:



Mr W J Thompson
Chair

Company Number 08087508

ZEST ACADEMY TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Net cash provided by operating activities	21		106,139		110,167
Cash flows from investing activities					
Dividends, interest and rents from investments		303		472	
Capital grants from DfE Group		228,579		107,374	
Purchase of tangible fixed assets		(93,992)		(577,653)	
Net cash provided by/(used in) investing activities			134,890		(469,807)
Net increase/(decrease) in cash and cash equivalents in the reporting period			241,029		(359,640)
Cash and cash equivalents at beginning of the year			409,657		769,297
Cash and cash equivalents at end of the year			650,686		409,657

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies

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

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

1.1 Basis of preparation

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

Zest Academy Trust meets the definition of a public benefit entity under FRS 102. The financial statements are prepared in sterling, which is the functional currency of the Academy. Monetary amounts in these financial statements are rounded to the nearest £.

1.2 Going concern

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

1.3 Income

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

Grants

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

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

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

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies

(Continued)

Sponsorship income

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

Donations

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

Other income

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

Donated goods, facilities and services

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

Donated fixed assets

Donated fixed assets are measured at fair value unless it is impractical to measure this reliably, in which case the cost of the item to the donor is used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Academy Trust's accounting policies.

1.4 Expenditure

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

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

All resources expended are inclusive of irrecoverable VAT.

Expenditure on raising funds

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

Charitable activities

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

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies

(Continued)

1.5 Tangible fixed assets and depreciation

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. The related grants are credited to a restricted fixed asset fund in the statement of financial activities and carried forward in the balance sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the statement of financial activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Academy Trust's depreciation policy. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

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

Land and buildings	Over the lease term/2%
Computer equipment	3 years
Fixtures, fittings & equipment	4 to 5 years

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 statement of financial activities.

1.6 Liabilities

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

1.7 Leased assets

Rentals payable under operating leases are charged against income on a straight line basis over the period of the lease.

1.8 Financial instruments

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

Financial assets

Trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost. Prepayments are not financial instruments.

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

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

1 Accounting policies

(Continued)

Financial liabilities

Trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost. Taxation and social security are not included in the financial instruments disclosure definition.

Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

1.9 Taxation

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

1.10 Pensions benefits

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a projected unit method. The TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions are 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 Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the statement of financial activities 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.

1.11 Fund accounting

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

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

Restricted general funds comprise all other restricted funds received and include grants from the Education Funding Agency and other government bodies.

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

2 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

Valuation of the Local Government Pension Scheme defined benefit liability

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 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Useful economic life of tangible fixed assets

The useful economic life of tangible fixed assets is judged at the point of purchase. These are disclosed above under the policy for tangible fixed assets and depreciation..

Impairment of fixed assets

At each balance sheet date, management undertake an assessment of the carrying value of tangible fixed assets to determine whether there is any indication that the value has been impaired. Where necessary, impairment is recorded as an impairment loss.

Impairment of trade debtors

At each balance sheet date, management undertake a review of outstanding debtor balances and consider whether there is any indication of impairment or any balances requiring provision.

This calculation is based on the financial position of the customers, the payment history and any ongoing discussions.

Critical areas of judgement

Classification and valuation of long leasehold land and buildings

The academy's long leasehold land and buildings are held under a 125 year lease and are wholly used in the course of the academy's business and are held within the academy. No value was paid for the land and buildings, which have been incorporated into the accounts as a donated asset, based on a depreciated replacement cost valuation carried out as at 31 March 2013 on behalf of the Department for Education by DTZ. This valuation has been adjusted to take account of depreciation in the period since conversion, to arrive at an estimate for the value of land and buildings acquired on conversion. Subsequent purchases of land and buildings are initially measured at cost.

3 General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, the Academy Trust was not subject to limits at 31 August 2018 on the amount of GAG that could be carried forward from one year to the next.

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

4 Donations and capital grants

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Capital grants	-	228,579	228,579	107,374
Other donations	-	9,043	9,043	24,456
	-	237,622	237,622	131,830

The income from donations and capital grants was £237,622 (2017: £131,830) of which £- was unrestricted (2017: £9,173), £9,043 was restricted (2017: £15,283) and £228,579 was restricted fixed assets (2017: £107,374).

5 Funding for the Academy Trust's educational operations

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
DfE / ESFA grants				
General annual grant (GAG)	-	2,411,524	2,411,524	2,452,912
Other DfE / ESFA grants	-	499,744	499,744	530,503
	-	2,911,268	2,911,268	2,983,415
Other government grants				
Local authority grants	-	165,725	165,725	128,851
Other funds				
Other incoming resources	106,817	11,518	118,335	141,087
Total funding	106,817	3,088,511	3,195,328	3,253,353

The income from funding for educational operations was £3,195,328 (2017: £3,253,353) of which £106,817 was unrestricted (2017: £123,311) and £3,088,511 was restricted (2017: £3,130,042).

6 Other trading activities

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Other income	40,723	-	40,723	35,413

The income from other trading activities was £40,723 (2017: £35,413) of which £40,723 was unrestricted (2017: £35,413).

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

7 Investment income

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Short term deposits	303	-	303	472

The income from funding for investment income was £303 (2017: £472) of which £303 was unrestricted (2017: £472).

8 Expenditure

	Staff costs £	Non Pay Expenditure Premises £	Other £	Total 2018 £	Total 2017 £
Academy's educational operations					
- Direct costs	2,161,132	57,321	188,082	2,406,535	2,590,001
- Allocated support costs	538,484	495,790	173,389	1,207,663	947,811
	2,699,616	553,111	361,471	3,614,198	3,537,812

Net income/(expenditure) for the year includes:

	2018 £	2017 £
Fees payable to auditor for:		
- Audit	7,150	6,960
- Other services	6,945	3,370
Operating lease rentals	16,595	21,855
Depreciation of tangible fixed assets	159,609	168,929
Net interest on defined benefit pension liability	36,000	31,000

9 Central services

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

- human resources;
- financial services;
- legal services;
- educational support services.

The Academy Trust charges for these services on the following basis:

- time-apportioned based on staff costs.

The amounts charged during the year were as follows:

	2018 £	2017 £
Waterloo Primary Academy	136,164	122,640
	136,164	122,640

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

10 Charitable activities

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Direct costs				
Educational operations	70,477	2,336,058	2,406,535	2,590,001
Support costs				
Educational operations	77,366	1,130,297	1,207,663	947,811
	<u>147,843</u>	<u>3,466,355</u>	<u>3,614,198</u>	<u>3,537,812</u>

The expenditure on educational operations was £3,614,198 (2017: £3,537,812) of which £147,843 was unrestricted (2017: £169,250), £3,306,746 was restricted (2017: £3,199,633) and £159,609 was restricted fixed assets (2017: £168,929).

	2018 £	2017 £
Analysis of support costs		
Support staff costs	538,484	519,717
Depreciation	102,288	106,256
Premises costs	351,997	163,340
Other support costs	183,120	142,910
Governance costs	31,774	15,588
	<u>1,207,663</u>	<u>947,811</u>

11 Trustees' remuneration and expenses

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

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

M Hamblett - Principal (appointed 31 August 2017):

Remuneration - £75,001 - £80,000 (2017: £nil)

Employers' pension contributions - £10,001 - £15,000 (2017: £nil)

M Gray - Principal (resigned 31 August 2017):

Remuneration - £nil (2017: £100,001 - £105,000)

Employers' pension contributions - £nil (2017: £15,001 - £20,000)

S Cardwell - Business & Finance Director

Remuneration - £45,001 - £50,000 (2017: £45,001 - £50,000)

Employers' pension contributions - £5,001 - £10,000 (2017: £5,001 - £10,000)

During the year travel and subsistence expenses totalling £68 (2017: £428) were reimbursed to one Director.

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

12 Directors and officers insurance

In accordance with normal commercial practice, the academy trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy trust business. The insurance provides cover up to £5,000,000 on any one claim and the cost of this insurance is included in the total insurance cost and is not separately identifiable.

13 Staff

Staff costs

Staff costs during the year were:

	2018 £	2017 £
Wages and salaries	1,817,842	2,139,901
Social security costs	204,756	177,209
Pension costs	636,061	500,148
Staff costs	2,658,659	2,817,258
Agency staff costs	25,957	27,800
Staff restructuring costs	15,000	-
Total staff expenditure	2,699,616	2,845,058

Staff restructuring costs comprise:

Severance payments	15,000	-
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Non statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £15,000 (2017: £nil). Individually, the payment was: £15,000 made on 4 December 2017.

Staff numbers

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

	2018 Number	2017 Number
Teachers	31	33
Administration and support	64	61
Management	2	2
	97	96

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

13 Staff

(Continued)

Higher paid staff

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

	2018 Number	2017 Number
£70,001 - £80,000	1	-
£100,001 - £110,000	-	1
	<u> </u>	<u> </u>

Key management personnel

The key management personnel of the Academy Trust comprise the Directors and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Academy Trust was £162,123 (2017: £192,154).

14 Tangible fixed assets

	Land and buildings	Computer equipment	Fixtures, fittings & equipment	Total
	£	£	£	£
Cost				
At 1 September 2017	4,376,534	221,554	133,823	4,731,911
Additions	51,638	37,280	5,074	93,992
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 August 2018	4,428,172	258,834	138,897	4,825,903
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation				
At 1 September 2017	356,191	156,961	88,296	601,448
Charge for the year	75,653	57,321	26,635	159,609
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 August 2018	431,844	214,282	114,931	761,057
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value				
At 31 August 2018	3,996,328	44,552	23,966	4,064,846
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 August 2017	4,020,343	64,593	45,527	4,130,463
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The net book value of land and buildings comprises:

	2018 £	2017 £
Long leaseholds (over 50 years)	3,996,328	4,020,343
	<u> </u>	<u> </u>

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

15 Debtors	2018	2017
	£	£
VAT recoverable	31,563	14,228
Other debtors	28,289	-
Prepayments and accrued income	127,171	154,971
	<u>187,023</u>	<u>169,199</u>
16 Creditors: amounts falling due within one year	2018	2017
	£	£
Trade creditors	169,154	-
Other taxation and social security	39,337	44,076
Other creditors	59,928	47,752
Accruals and deferred income	66,313	94,446
	<u>334,732</u>	<u>186,274</u>
17 Deferred income	2018	2017
	£	£
Deferred income is included within:		
Creditors due within one year	<u>38,748</u>	<u>41,170</u>
Deferred income at 1 September 2017	41,170	39,640
Released from previous years	(41,170)	(39,640)
Resources deferred in the year	<u>38,748</u>	<u>41,170</u>
Deferred income at 31 August 2018	<u>38,748</u>	<u>41,170</u>

At the balance sheet date the Academy Trust was holding funds received in advance for the year to 31 August 2018 for the Universal Infant Free School Meals.

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

18 Funds

	Balance at 1 September 2017 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2018 £
Restricted general funds					
General Annual Grant (GAG)	190,179	2,411,524	(2,435,716)	150,657	316,644
Other DfE / ESFA grants	-	499,744	(499,744)	-	-
Other government grants	-	165,725	(165,725)	-	-
Other restricted funds	-	20,561	(20,561)	-	-
Pension reserve	(1,524,000)	-	(185,000)	371,000	(1,338,000)
	<u>(1,333,821)</u>	<u>3,097,554</u>	<u>(3,306,746)</u>	<u>521,657</u>	<u>(1,021,356)</u>
Restricted fixed asset funds					
Transfer on conversion	3,236,724	-	(68,688)	-	3,168,036
DfE group capital grants	61,173	228,579	(2,820)	(244,649)	42,283
Capital expenditure from GAG	888,083	-	(88,101)	93,992	893,974
	<u>4,185,980</u>	<u>228,579</u>	<u>(159,609)</u>	<u>(150,657)</u>	<u>4,104,293</u>
Total restricted funds	<u>2,852,159</u>	<u>3,326,133</u>	<u>(3,466,355)</u>	<u>371,000</u>	<u>3,082,937</u>
Unrestricted funds					
General funds	<u>146,886</u>	<u>147,843</u>	<u>(147,843)</u>	<u>-</u>	<u>146,886</u>
Total funds	<u>2,999,045</u>	<u>3,473,976</u>	<u>(3,614,198)</u>	<u>371,000</u>	<u>3,229,823</u>

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

18 Funds

(Continued)

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward.

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

General Annual Grant must be used for the normal running expenses of the School and any amounts carried forward at the end of a financial period must be used in accordance with the terms of the Funding Agreement.

Other DfE/ESFA grants comprise additional funding received for the furtherance of education, which must be used in accordance with the specific terms of each grant.

Other government grants includes local authority nursery grants and other support staff funding.

Other restricted funds include contributions received for school trips.

The pension reserve represents the value of the School's share of the deficit in the Local Government Pension Scheme.

Restricted fixed asset funds include assets inherited on conversion and expenditure out of GAG and other capital grants during the year. Depreciation is charged against the fund.

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

18 Funds

(Continued)

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

	Balance at 1 September 2016 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2017 £
Restricted general funds					
General Annual Grant (GAG)	555,442	2,452,912	(2,292,379)	(525,796)	190,179
Start up grants	47,841	-	(47,841)	-	-
Other DfE / ESFA grants	-	530,503	(530,503)	-	-
Other government grants	-	128,851	(128,851)	-	-
Other restricted funds	-	33,059	(33,059)	-	-
Pension reserve	(1,523,000)	-	(167,000)	166,000	(1,524,000)
	<u>(919,717)</u>	<u>3,145,325</u>	<u>(3,199,633)</u>	<u>(359,796)</u>	<u>(1,333,821)</u>
Restricted fixed asset funds					
Transfer on conversion	3,305,412	-	(68,688)	-	3,236,724
DfE group capital grants	8,476	107,374	(2,820)	(51,857)	61,173
Capital expenditure from GAG	407,851	-	(97,421)	577,653	888,083
	<u>3,721,739</u>	<u>107,374</u>	<u>(168,929)</u>	<u>525,796</u>	<u>4,185,980</u>
Total restricted funds	<u>2,802,022</u>	<u>3,252,699</u>	<u>(3,368,562)</u>	<u>166,000</u>	<u>2,852,159</u>
Unrestricted funds					
General funds	<u>147,767</u>	<u>168,369</u>	<u>(169,250)</u>	<u>-</u>	<u>146,886</u>
Total funds	<u>2,949,789</u>	<u>3,421,068</u>	<u>(3,537,812)</u>	<u>166,000</u>	<u>2,999,045</u>

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

18 Funds

(Continued)

A current year 12 months and prior year 12 months combined position is as follows:

	Balance at 1 September 2016 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2018 £
Restricted general funds					
General Annual Grant (GAG)	555,442	4,864,436	(4,728,095)	(375,139)	316,644
Start up grants	47,841	-	(47,841)	-	-
Other DfE / ESFA grants	-	1,030,247	(1,030,247)	-	-
Other government grants	-	294,576	(294,576)	-	-
Other restricted funds	-	53,620	(53,620)	-	-
Pension reserve	(1,523,000)	-	(352,000)	537,000	(1,338,000)
	<u>(919,717)</u>	<u>6,242,879</u>	<u>(6,506,379)</u>	<u>161,861</u>	<u>(1,021,356)</u>
Restricted fixed asset funds					
Transfer on conversion	3,305,412	-	(137,376)	-	3,168,036
DfE group capital grants	8,476	335,953	(5,640)	(296,506)	42,283
Capital expenditure from GAG	407,851	-	(185,522)	671,645	893,974
	<u>3,721,739</u>	<u>335,953</u>	<u>(328,538)</u>	<u>375,139</u>	<u>4,104,293</u>
Total restricted funds	<u>2,802,022</u>	<u>6,578,832</u>	<u>(6,834,917)</u>	<u>537,000</u>	<u>3,082,937</u>
Unrestricted funds					
General funds	<u>147,767</u>	<u>316,212</u>	<u>(317,093)</u>	<u>-</u>	<u>146,886</u>
Total funds	<u>2,949,789</u>	<u>6,895,044</u>	<u>(7,152,010)</u>	<u>537,000</u>	<u>3,229,823</u>

Total funds analysis by academy

	2018 £	2017 £
Fund balances at 31 August 2018 were allocated as follows:		
Waterloo Primary Academy	447,965	303,218
Central services	15,565	33,847
Total before fixed assets fund and pension reserve	<u>463,530</u>	<u>337,065</u>
Restricted fixed asset fund	4,104,293	4,185,980
Pension reserve	(1,338,000)	(1,524,000)
Total funds	<u>3,229,823</u>	<u>2,999,045</u>

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

18 Funds

(Continued)

Total cost analysis by academy

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

	Teaching and educational support staff	Other support staff costs	Educational supplies	Other costs excluding depreciation	Total
	£	£	£	£	£
Waterloo Primary Academy	2,146,935	472,376	156,127	495,974	3,271,412
Central services	14,196	66,108	31,954	70,917	183,175
	<u>2,161,131</u>	<u>538,484</u>	<u>188,081</u>	<u>566,891</u>	<u>3,454,587</u>

19 Analysis of net assets between funds

	Unrestricted Funds £	Restricted funds: General £	Fixed asset £	Total Funds £
Fund balances at 31 August 2018 are represented by:				
Tangible fixed assets	-	-	4,064,846	4,064,846
Current assets	146,886	651,376	39,447	837,709
Creditors falling due within one year	-	(334,732)	-	(334,732)
Defined benefit pension liability	-	(1,338,000)	-	(1,338,000)
Total net assets	<u>146,886</u>	<u>(1,021,356)</u>	<u>4,104,293</u>	<u>3,229,823</u>

	Unrestricted Funds £	Restricted funds: General £	Fixed asset £	Total Funds £
Fund balances at 31 August 2017 are represented by:				
Tangible fixed assets	-	-	4,130,463	4,130,463
Current assets	146,886	376,453	55,517	578,856
Creditors falling due within one year	-	(186,274)	-	(186,274)
Defined benefit pension liability	-	(1,524,000)	-	(1,524,000)
Total net assets	<u>146,886</u>	<u>(1,333,821)</u>	<u>4,185,980</u>	<u>2,999,045</u>

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

20 Pension and similar obligations

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and that of the LGPS related to the period ended 31 March 2016.

Contributions amounting to £57,611 (2017: £40,474) were payable to the schemes at 31 August 2018 and are included within creditors.

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

The key elements of the valuation and subsequent consultation are:

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

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

The pension costs paid to the TPS in the period amounted to £174,884 (2017: £193,986).

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

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2018

20 Pension and similar obligations

(Continued)

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contributions are as noted below. The agreed contribution rates for future years are 5.5% for employers and 12.5% for employees. The estimated value of employer contributions for the forthcoming year is £131,000. Based on the latest actuarial report for the deficit recovery payments, these are due to increase at 4% per annum over the next 2 years. Additional deficit contributions of £30,900, £32,000 and £33,200 are due in 2018, 2019 and 2020 respectively.

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

Total contributions made	2018 £	2017 £
Employer's contributions	152,000	136,000
Employees' contributions	51,000	47,000
Total contributions	203,000	183,000

Principal actuarial assumptions	2018 %	2017 %
Rate of increase in salaries	3.6	3.7
Rate of increase for pensions in payment/inflation	2.2	2.2
Discount rate for scheme liabilities	2.8	2.5
Inflation assumption (CPI)	2.1	2.2

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

	2018 Years	2017 Years
Retiring today		
- Males	22.7	22.6
- Females	25.4	25.2
Retiring in 20 years		
- Males	25	24.9
- Females	28	27.9

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

20 Pension and similar obligations

(Continued)

Sensitivity analysis at 31 August 2018:

	Central £000	Sensitivity 1 + 0.1% p.a. discount rate £000	Sensitivity 2 + 0.1% p.a. inflation £000	Sensitivity 3 + 0.1% p.a. 1 yr increase in pay growth £000	Sensitivity 4 life expectancy £000
Liabilities	3,615	3,534	3,699	3,632	3,681
Assets	(2,277)	(2,277)	(2,277)	(2,277)	(2,277)
Deficit/(surplus)	1,338	1,257	1,422	1,355	1,404
Projected service cost	265	257	274	265	271
Projected net interest cost	35	34	38	36	37

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

	2018 Fair value £	2017 Fair value £
Equities	1,001,000	888,000
Government bonds	77,000	38,000
Other bonds	14,000	47,000
Cash/liquidity	20,000	93,000
Property	209,000	210,000
Other assets	956,000	746,000
Total market value of assets	2,277,000	2,022,000

The actual return on scheme assets was £126,000 (2017: £281,000).

Amount recognised in the Statement of Financial Activities

	2018 £	2017 £
Current service cost	297,000	268,000
Interest income	(52,000)	(35,000)
Interest cost	88,000	66,000
Administration expenses	4,000	4,000
Total operating charge	337,000	303,000

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

20 Pension and similar obligations		(Continued)
Changes in the present value of defined benefit obligations	2018 £	2017 £
At 1 September 2017	3,546,000	3,146,000
Current service cost	297,000	268,000
Interest cost	88,000	66,000
Employee contributions	51,000	47,000
Actuarial (gain)/loss	(297,000)	80,000
Benefits paid	(70,000)	(61,000)
At 31 August 2018	3,615,000	3,546,000
Changes in the fair value of the Academy Trust's share of scheme assets	2018 £	2017 £
At 1 September 2017	2,022,000	1,623,000
Interest income	52,000	35,000
Actuarial gain	74,000	246,000
Employer contributions	152,000	136,000
Employee contributions	51,000	47,000
Benefits paid	(70,000)	(61,000)
Administrative expenses	(4,000)	(4,000)
At 31 August 2018	2,277,000	2,022,000
21 Reconciliation of net expenditure to net cash flow from operating activities	2018 £	2017 £
Net expenditure for the reporting period (as per the Statement of Financial Activities)	(140,222)	(116,744)
Adjusted for:		
Capital grants from DfE/ESFA and other capital income	(228,579)	(107,374)
Investment income receivable	(303)	(472)
Defined benefit pension costs less contributions payable	149,000	136,000
Defined benefit pension net finance cost	36,000	31,000
Depreciation of tangible fixed assets	159,609	168,929
(Increase) in debtors	(17,824)	(37,073)
Increase in creditors	148,458	35,901
Net cash provided by operating activities	106,139	110,167

ZEST ACADEMY TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2018

22 Capital commitments

	2018 £	2017 £
Expenditure contracted for but not provided in the accounts	44,447	3,432

23 Commitments under operating leases

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

	2018 £	2017 £
Amounts due within one year	16,594	16,594
Amounts due in two and five years	37,295	53,324
Amounts due after five years	-	566
	<u>53,889</u>	<u>70,484</u>

24 Related party transactions

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

During the year £nil was paid to William Thompson (Chair) for consultancy provided to the Trust (2017: £500).

25 Members' liability

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