

Company Registration Number:  
09175427 (England and Wales)

**THE HOWARD ACADEMY TRUST**  
(A company limited by guarantee)

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 31 AUGUST 2016**

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**THE HOWARD ACADEMY TRUST**

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## THE HOWARD ACADEMY TRUST

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### REFERENCE AND ADMINISTRATIVE DETAILS

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#### **Members of Single Academy Trust (up to 30 November 2015)**

D Arnold, Vice Chair of Trustees, Chair of Curriculum Committee\*

K Brown, Chair of Trustees\*

D Drizen, Chair of Audit, Risk Management and Policy Committee

#### **Members of Multi Academy Trust (from 1 December 2015)**

K Brown (tenure continued from 14 August 2014)

S Mahmood (appointed 9 November 2015)

S Seal (appointed 12 November 2015)

D Capelin (appointed 1 December 2015) – *resigned 5 August 2016*

#### **Trustees (from 1 December 2015)**

K Brown\*

D Drizen

P Morris, Principal and Accounting Officer\*

O McColgan, Finance & HR Director (appointed 16 November 2015)

B Fincham (appointed 16 November 2015)

F Martin (appointed 16 November 2015)

J Watson (appointed 16 November 2015)

R McKenna (appointed 16 November 2015)

J Richardson (appointed 30 November 2015)

#### **Trustees (up to 30 November 2015)**

D Arnold\*

K Brown\*

D Drizen

J Baker

M Durcan\*

N Fray\*

R Greening, Staff Trustee\*

B Harman, Staff Trustee\*

C Ling

T Marchant\*

G Marshall

K Moore, Staff Trustee\*

P Morris, Principal and Accounting Officer\*

N Nash

P Snook, (resigned 21 September 2015)\*

\* denotes also a member of Finance Committee

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## THE HOWARD ACADEMY TRUST

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### REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)

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#### Senior Leadership team

P Morris, Principal (CEO from 1 December 2015)  
O McColgan, Director of Finance and HR  
C Reid, Director of Teaching, Learning and Assessment  
T Millar, Head of School (The Howard School)  
M McCusker, Headteacher (Temple Mill Primary School)

#### Principal and registered office

Derwent Way  
Gillingham  
Kent  
ME8 0BZ

#### Company registered number

9175427

#### Member Schools

The Howard School  
Derwent Way  
Rainham  
Kent  
ME8 0Bx

Temple Mill Primary School  
Cliffe Road  
Strood  
Rochester  
Kent  
ME2 3NL

#### Independent auditors

Moore Stephens LLP, 150 Aldersgate Street, London, EC1A 4AB

#### Bankers

HSBC, 1-5 Week Street, Maidstone, ME14 1QW

#### Solicitors

Browne Jacobson LLP, 5<sup>th</sup> Floor, 6 Bevis Marks, London, EC3A 7BA

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## THE HOWARD ACADEMY TRUST

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### TRUSTEES' REPORT FOR THE PERIOD ENDED 31 AUGUST 2016

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The Howard Academy Trust was incorporated as a charitable company under the Companies Act 2006 on 14 August 2014 and commenced operations on 1 October 2014.

The Trustees are directors for the purposes of the Companies Act 2006.

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 1 September 2015 – 31 August 2016. The annual report serves the purposes of both a trustees' report under the charities SORP, and a directors' report under company law.

The Trust acts as a strategic body helping to promote and assist education at the Academies.

The trust operates two academies within Medway, Kent. The Howard School is a secondary academy for pupils aged 11 to 18 serving a catchment area in Rainham. It has a pupil capacity of 1500 pupils and had a roll of 1468 in the school census on 1 October 2016. Temple Mill Primary School is a primary academy for pupils aged 3 – 12 serving a catchment area in Strood, Medway. It has a pupil capacity of 210 pupils and had a roll of 205 in the school census on 1 October 2016.

#### STRUCTURE, GOVERNANCE AND MANAGEMENT

##### Constitution

The academy trust is a company limited by guarantee and an exempt charity which was incorporated on 14 August 2014. The charitable company's Memorandum and Articles of Association are the primary governing documents of the academy trust. The trustees of The Howard Academy Trust are also the directors of the charitable company for the purposes of company law. They are also the Academy Trust Trustees.

On 1 December 2015 the Trust became a multi-academy and Temple Mill Primary School joined the Trust on the same date.

The members delegate the management of operations of the Academy Trust to the Board of Trustees.

The Members of the Academy Trust comprise:

1. The signatories to the Memorandum;
2. The chairman of Trustees;
3. The vice-chairman of the Trustees;
4. The chair of the Audit, Risk Management and Policy Committee established in accordance with Article 101; and
5. Any person appointed under Article 16.

On 1 December 2015 the Trust amended its articles of association. From this date the Members of the Academy Trust comprise:

1. The signatories to the Memorandum
2. Any person appointed under Article 15A

From this date an employee of the Trust cannot be a Member.

Details of the trustees who served during the period are included in the Reference and Administrative Details on page 1. The changes in appointments after the period end were to structure the governance from a single

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## THE HOWARD ACADEMY TRUST

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### TRUSTEES' REPORT (continued) FOR THE PERIOD ENDED 31 AUGUST 2016

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academy to a multi academy trust.

#### **Member's 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.

#### **Members' Indemnities**

The Academy Trust's insurers indemnify against any claims in respect of any civil liability and which arises out of the conduct of the insured in their personal capacity as a director, Trustee, or officer of the Academy Trust.

#### **Method of Recruitment and Appointment or Election of Trustees**

The management of the Academy Trust is the responsibility of the Trustees who are elected and co-opted under the terms of the Trust deed.

The Academy Trust has the following Trustees and methods of appointment:

- a) A minimum of three Parent Trustees appointed by parents of registered pupils at the Academy;
- b) The Principal;
- c) Up to three Staff Trustees appointed through such process as they may determine and shall not exceed one third of the total number of Trustees;
- d) Up to six Community Trustees appointed by the Governing Body;
- e) Up to five Partnership Trustees appointed by the Governing Body provided that the appointment represents one or more of the commercial partners of the Academy.

As noted above, the Academy Trust amended its Articles of Association as a result of becoming a multi academy trust on 1 December 2015. From this date the Academy Trust has the following Trustees and methods of appointment:

- a) Up to seven Trustees appointed under Article 50 (appointed by the Members by ordinary resolution);
- b) The Chief Executive Officer;
- c) Up to one Staff Trustee appointed through such process as they may determine and shall not exceed one third of the total number of Trustees;
- d) A minimum of two Parent Trustees appointed by parents of registered pupils at the Academy, in the event that no Local Governing Bodies are established or if no provision is made for at least 2 Parent Trustees on each established Local Governing Body

#### **Term of office**

The term of office for any Trustee shall be four years, save that this time limit shall not apply to the Chief Executive. Subject to remaining eligible to be a particular type of Trustee, any Trustee may be re-appointed or re-elected.

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## **THE HOWARD ACADEMY TRUST**

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### **TRUSTEES' REPORT (continued) FOR THE PERIOD ENDED 31 AUGUST 2016**

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#### **Policies and Procedures Adopted for the Induction and Training of Trustees**

Upon their appointment, all new Trustees are given an induction by the Academy Trust and Governing Body. All Trustees are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Trustees.

#### **Organisational Structure**

The structure of the organisation has three levels; the Trustees, the Academy Trust leadership team and the operational Academy Trust managers. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

The Trustees are responsible for overall administration of the Academy's finances. They are also responsible for ensuring that funding is used for the purposes intended, approve the annual budget and material changes, ensure a scheme of delegation is in place, ensure assets are managed and accounting records are maintained, ensure budget monitoring statements are a true and accurate record on income and expenditure and approve the Annual Statutory Financial Statements.

The operational Academy Trust managers are responsible for the day to day operation of the Academy Trust departments, in particular organising staff, facilities and pupils.

From 1 December 2015 (as a result of conversion to multi-academy status) an additional level was added to the structure of the organisation, the Local Governing Bodies (LGB). The LGBs are responsible for monitoring and supporting the work of the academy to which they are appointed, within the parameters prescribed by the Board of Trustees.

#### **Connected Organisations, Including Related Party Relationships**

There are no connected organisations or related party relationships other than those noted in note 25 to the Financial Statements.

### **OBJECTIVES AND ACTIVITIES**

#### **Principal Activities**

In accordance with the Articles of Association the Academy Trust has adopted a funding agreement approved by the Secretary of State for Education. The funding agreement specifies amongst other things, the basis for admitting pupils to the Academy Trust and that the Academy Trust will provide a broad and balanced curriculum.

The following schools are currently part of The Howard Academy Trust:

- The Howard School
- Temple Mill Primary School

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## THE HOWARD ACADEMY TRUST

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### TRUSTEES' REPORT (continued) FOR THE PERIOD ENDED 31 AUGUST 2016

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#### Objects and Aims

The principal object of the Academy Trust is specifically restricted to the following:

- to advance for the public benefit education in the United Kingdom, in particular, but without prejudice to the generality of the foregoing, by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum.
- to promote for the benefit of individuals living in Gillingham, Kent and the surrounding area who have need by reason of their age, infirmity or disability, financial hardship or social and economic circumstances or for the public at large the provision of facilities for recreation or other leisure time activities in the interests of social welfare and with the object of improving the condition of life of the said individuals.

#### Objectives, Strategies and Activities

The vision statement of The Howard Academy Trust is as follows:

We aim to create a close knit family of Good and Outstanding schools through partnership, challenge, accountability and support within a cooperative framework.

We are committed to enhancing the life chances of young people by improving their educational achievement.

Schools within the Trust will retain their unique and individual character.

We strive for excellence and aim to bring about transformational change where necessary in schools.

We are truly inclusive and aim to establish the highest expectations for young people and all those who work with them.

As a Trust we have four fundamental tenets:

- We strive to create a culture of dignity, respect and trust in all our schools
- There is no ceiling to achievement for young people
- All staff have the right to exceptional professional development
- Our moral purpose is to make a positive difference to the lives of young people

#### Public Benefit

The Trustees acknowledge the duty to have due regard to the Charity Commission's published general and relevant sub sector guidance on public benefit. We have referred to this guidance when reviewing our aims, strategy and in planning future activities. All activities undertaken by the Academy Trust are for the public benefit.

The Howard School, one of the academy of the Trust is a Specialist Sports College with ICT as the second strand. It is a high achieving successful 11 to 18 school in the local area of Medway. This Academy Trust is specifically restricted to advance, for public benefit, education in the United Kingdom.

Temple Mill Primary school operates within Strood, Medway and joined the trust as a sponsored academy. The trust has been working closely with Senior Leaders and teachers to ensure that the quality of teaching and learning within the school improves.



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## THE HOWARD ACADEMY TRUST

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### TRUSTEES' REPORT (continued) FOR THE PERIOD ENDED 31 AUGUST 2016

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## STRATEGIC REPORT

### Achievements and Performance

During the past year, The Howard Academy Trust (THAT) academies have continued to prioritise on making improvements to student achievement outcomes, particularly in regard to progress measures. There has been a strong focus on driving progress and on those students who trigger the Pupil Premium.

#### *The Howard School*

The Howard School clearly exceeded the government floor target in summer 2016 at GCSE. Using the DfE's former key indicator in KS4 (students achieving A\*-C in both English and Maths), 59% of students were successful (up from 53% 2015). This is in advance of national average outcomes for all schools and clearly ahead of average outcomes for non-selective schools, comprehensives and all boys nationally. Students reaching and exceeding expected Levels of Progress in both English and Maths were well above national norms and an improvement from 2015. An impressive 22% of students achieved the EBacc and the provisional Progress 8 figure stands at a positive 0.2. The average GCSE grade for exams taken was C+. The Pupil Premium gap was reduced significantly with students achieving well above national averages under this heading.

The School maintained an average C grade in Level 3 academic qualifications and moved forward to an impressive 'average' grade Distinction in vocational equivalents at KS5. Average Points for Entry (APE) for academic subjects stands at an improved 197. APE for non-academic/vocational is 225 resulting in a score of 210 overall.

#### *Temple Mill Primary School*

In 2016 Temple Mill delivered exponential improvements under all headings at both KS1 and KS2 over 2015 outcomes. At KS2, 60% of students reached expected levels for English and Maths combined (7% above national average). At KS1, 76% of students reached expected levels for English and Maths combined, an improvement from 46% in 2015.

THAT have implemented a 3-year strategic plan with the aim of moving schools towards achieving ever-improved outcomes. Senior teams have been restructured to bring about improvements in all Ofsted key areas. Performance management for teachers has been embedded, linked to a new pay policy directly related to student progress, professional conduct and the standards of quality of teaching and learning.

### Educational Management

A culture of high expectation of what all groups of students can achieve has been instilled across the Trust. Teachers have a detailed knowledge of students' abilities, which ensures that they are able to plan activities which build securely on students' prior learning and helps them make rapid progress. Success of this strategy is evidenced by improvements in end of key stage outcomes.

Teachers' excellent subject knowledge, coupled with their ability to stimulate and maintain interest, enables students to gain deep and accurate understanding. Teachers succeed in creating a positive climate for learning. Teaching is assessed as 'Good' overall in both academies with much of what is delivered considered 'Outstanding'.

The Howard School Ofsted Report of November 2016 rated the Academy as Good under all inspection judgements. Full details are available on the school's website.

Temple Mill Primary School is sponsored by THAT, having been placed in Special Measures in 2014. Support from the Trust has delivered significant improvements under all headings. Regular monitoring and evaluation indicates that the school is approaching a position where it can confidently secure 'Good' judgements from Ofsted.

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## THE HOWARD ACADEMY TRUST

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### TRUSTEES' REPORT (continued) FOR THE PERIOD ENDED 31 AUGUST 2016

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The Trust has extensive monitoring and tracking systems in place to ensure all students are making good progress. Reporting to parents/carers is completed a minimum of three times per year. Data Managers collate, analyse and disseminate information to enable all teachers and support staff to intervene when students fall behind. Systems are supported via the effective use of IT and training for staff.

Teachers mark students' work regularly and thoroughly. The quality of marking is regularly monitored by senior staff. Detailed written and verbal feedback enables them to know what they have done well and how they can improve further. Student responses are informed and effective. Student voice is positive about the quality of teaching across the Trust.

#### **Attendance, Behaviour and Safety**

Attendance at The Howard School has improved from last year and moved ahead of national norms. Authorised absence for years 7 to 11 reduced to 4% (from 4.6% 2014/15). Unauthorised absence at 1% remains unchanged. KS3 absence for 2015/16 stood at 4% authorised and 1% unauthorised. In KS4, there was 4% authorised absence and 0.9% unauthorised absence. The best year for attendance was Year 7 at 4.3% overall.

Temple Mill School for 2015/16 improved to 95.4%, up from 94.7% in 2014/15. There was little or no unauthorised absence.

All THAT students with less than 90% attendance are strictly monitored and subject to interventions which has led to a reduction in 'persistent absence'.

The Trust's work to keep students safe and secure is good. Student voice indicates they feel safe in our schools and there is clear evidence of a genuine concern regarding their welfare.

The drive to reduce the number of fixed term exclusions year-on-year established in 2007 has continued without diluting expectations of what constitutes acceptable behaviour. In both Temple Mill and The Howard, fixed term exclusions are reducing. At Temple Mill School, there were no exclusions in the period from January to August 2016. We continue to evaluate the effectiveness of our behaviour management systems in our schools and have restructured behaviour support facilities, which has impacted positively on behaviour. Behaviour of students is considered good in both academies. Students show they are keen to learn and maintain a positive attitude which contributes to progress. Students from a wide variety of backgrounds and traditions relate well to one another. Student reports of bullying activity are comparatively rare and when incidents occur they are effectively and promptly dealt with. They are informed of the different forms bullying can take, including homophobic and cyber bullying.

The Howard School holds the prestigious Level 2 UNICEF Rights Respecting School Award. This is a clear and positive validation of students' approaches to others in the school community.

#### **Range of Educational Activities**

The Trust delivers an extensive range of educational activities and enrichment opportunities which enhance the offer for all students. There is a full programme of educational visits and residential journeys ranging from local and, at secondary level, to international destinations. The secondary academy is committed to students benefitting from work place experience. Every child in the Year 11, 12 and 13 has completed a minimum of one week in a place of work.

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## THE HOWARD ACADEMY TRUST

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### TRUSTEES' REPORT (continued) FOR THE PERIOD ENDED 31 AUGUST 2016

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#### **Admissions**

The number of students on roll at The Howard School is at or around 1520 (as at 21.09.2016), which indicates that the school is effectively full (up from 1465 in 2013). The school is over-subscribed in Year 7 and has taken 6 students over PAN this September. There are approaching 300 students in the Sixth Form.

At Temple Mill School, there are 205 students on roll, indicating that the school is 5 short of full capacity. This is up from 189 in 2014-15. The school is fully subscribed in Reception and Year 1.

#### **Leadership**

The leadership and management of the schools is at least good.

The Head of School and Headteacher, supported by senior colleagues and the Trust, have been relentless in the drive to ensure that high quality teaching results in impressive achievement for students. Senior leaders continue to set increasingly ambitious targets for improvement and ensure that all staff fully understand and make every effort to achieve them.

Middle leaders are evidenced to be knowledgeable and enthusiastic about their areas of responsibility. They make a very positive contribution to ensuring that, for example, newly appointed staff receive the support and guidance they need to be quickly effective in their roles.

The Trust has improved the frequency and the accuracy with which student progress is assessed. This enables staff to identify quickly any student who is at risk of underachieving and to provide the support they need to overcome any barriers they may face. Leaders have recently introduced a more effective system for recording and sharing information about student progress. Staff make good use of this system by analysing students' performance even more closely.

The Trust's curriculum offer makes an excellent contribution to students' spiritual, moral, social and cultural development. Students benefit from an extensive range of courses, activities and interventions which enable them to achieve extremely well and prepares them very successfully for the next stage of their education and for future careers. They also enjoy taking part in an extremely wide variety of after-school and special events. This gives them opportunities to develop their interests and skills in, for example, music, drama and sport. They also benefit from expert and impartial careers advice and guidance.

Leaders have made extremely good use of additional funding to ensure that no students are prevented from taking part in any such activity.

THAT no longer has formal links with the local authority. It maintains relations with Medway and the CEO, as a Local Leader of Education, provides beneficial support to local schools. Through cooperation with another local secondary school, the Trust has increased the range of courses available to students at post-16.

#### **Key Performance Indicators**

##### *The Howard School*

Key education performance indicators are:

Inspection outcomes 2016 –

Overall effectiveness: Good 2

Quality and Standards of Education – Good 2

Quality of teaching, learning and assessment – Good 2

Personal development, behaviour and welfare – Good 2

Effectiveness of Leadership and management – Good 2

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## THE HOWARD ACADEMY TRUST

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### TRUSTEES' REPORT (continued) FOR THE PERIOD ENDED 31 AUGUST 2016

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#### *Temple Mill Primary School*

Estimated key education performance indicators are:

Overall effectiveness: Moving towards Good 2  
Quality and Standards of Education – Moving towards Good 2  
Quality of teaching, learning and assessment – Moving towards Good 2  
Personal development, behaviour and welfare – Moving towards Good 2  
Effectiveness of Leadership and management – Moving towards Good 2

The key financial performance indicators are:

- The Finance Director reviews the actual against the budget reports and investigates any significant variances.
- Half termly reports are prepared for presentation to the finance committee with explanations of significant variances.

Non-financial performance indicators are: pupil numbers and staff costs and these are constantly monitored. Pupil numbers primarily drive the level of GAG funding.

#### **Going Concern**

After making appropriate enquiries, the Trustees have a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

The Board of Trustees believe that the Trust is a going concern as there are consistent student numbers across all our academies which secures future income for the academies operation. The Trust currently prepares five-year budget forecasts which enables management to ensure that a secure budget is in place.

The trust is carrying a net deficit of £261,000 on restricted general funds (excluding pension reserve) plus unrestricted funds because of increased curriculum costs and surplus staffing at The Howard School. The trust is taking the following action to return these funds to surplus:

- Restructure of Senior Management at The Howard School which concluded on August 2016;
- Implementation of Curriculum Led Financial Planning to ensure that the timetable is constructed using available staff.

In 2017 a further two academies will join the trust which will enable the trust to continue operating into the foreseeable future.

Further details regarding the adoption of the going concern basis can be found in the Accounting Policies.

#### **Financial Review**

Most of the Academy Trust's income is obtained from the DfE in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE during the period ended 31 August 2016 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

Within the accounting period the Academy also received grants from the DfE for fixed assets. In accordance with the Charities Statement of Recommended Practice, "Accounting and Reporting by Charities" (SORP 2015 FRS 102), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

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## THE HOWARD ACADEMY TRUST

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### TRUSTEES' REPORT (continued) FOR THE PERIOD ENDED 31 AUGUST 2016

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On 1<sup>st</sup> December 2015 Temple Mill Primary School converted to academy status and all the operations and assets and liabilities were transferred to The Howard Academy Trust from the Medway Local Authority for £Nil consideration.

During the period ended 31 August 2016 total expenditure of £10,792,000 (2015: £8,648,000) was covered by recurrent grant funding from the EFA together with other incoming resources. The excess of income over expenditure for the period was £1,682,000 (2015: £21,482,000) made up of restricted fixed asset funds of £26,917 (2015: £22,548,000); restricted general funds (before pension reserve) of (£348,000) (2015: £189,000) and unrestricted funds of £87,000 (2015: £36,000).

Expenditure was used to provide a stimulating education for students and to improve the infrastructure of the school in order to improve learning.

The deficit in the Local Government Pension Scheme (LGPS) is recognised on the Balance Sheet in accordance with FRS102. At 31 August 2016, the deficit stood at £3,492,000. The existence of the pension scheme deficit does not mean an immediate liability crystallises and is addressed over a series of years through pension contributions recommended by the pension scheme actuaries during subsequent triennial valuations of the scheme. Note 24 details the assumptions and movements during the year on the Scheme.

As at 31 August 2016 the net book value of fixed assets was £26,917,000 and movements in tangible assets are shown in Note 12 to the financial statements. The buildings and land at The Howard School are owned by the Trust. Temple Mill Primary School land and buildings are on a leasehold. Any alterations or improvements incurred by the Trust are shown as fixed assets.

#### Reserves Policy

The policy of the Trustees is to maintain a level of reserves that will be adequate to provide a stable base for the continuing operation of the Academy Trust whilst ensuring that excessive funds are not accumulated. Through a combination of government funding and funds inherited on conversion the Trustees are satisfied that the Academy's reserves are sufficient for its current purpose. The reserves as at 31 August 2016 amounted to a surplus of £23,164,000. This includes a pension fund deficit of £3,492,000. Free reserves amounted to £87,000. See the Statement of Financial Activities for more detail.

#### Investment Policy and Performance

The Academy Trust does not currently invest funds. The trustees have considered the needs for reserves and would ideally like to build up an amount which equates to 1-2% of GAG income for each academy.

#### Principal Risks and Uncertainties

The principal goal for the Academy Trust is to safeguard its long-term ability to continue to attract high-calibre staff and deliver an excellent education to all pupils, and to maintain its physical facilities.

The principal risk for the finances of the Academy Trust is a reduction in pupil numbers. The majority of the Academy Trust's income comes from the EFA, which is principally calculated by reference to the numbers of students enrolled at the Academy. The Trustees assess the risk of a substantial reduction in funding to be low. However, income could still be affected by any changes in government funding. The Government is proposing significant changes to education funding by introducing a National Funding Formula from 2018. The Trustees have mitigated this risk by being mindful of the situation and are therefore constantly monitoring and promoting each academy within the trust to ensure that it has sufficient pupil numbers.

This year the deficit attached to the Local Government Pension Scheme (LGPS) has increased significantly. The pension fund is reviewed on a triennial basis by the scheme actuaries which could cause the pension contribution rate to increase. This creates a substantial risk for the trust and could cause support staff costs to increase significantly.

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## THE HOWARD ACADEMY TRUST

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### TRUSTEES' REPORT (continued) FOR THE PERIOD ENDED 31 AUGUST 2016

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#### Plans for Future Periods

In October 2016 Deanwood Primary School joined the trust. The Regional Schools Commissioner has since agreed for Thames View Primary School and Miers Court Primary School to join the trust in 2017.

The trust management team has submitted two applications to the DfE to open primary Free Schools in the Medway area. The outcome of these applications is currently unknown. The application assessment process is due to be completed in January 2017.

The Howard School has been successful with an application in PSBP2 for additional facilities and this will involve the construction of two new purpose built classroom blocks. Work is due to commence on the build in late 2017.

#### Risk Management

The Trustees have assessed the major risks to which the Academy is exposed, in particular those relating to teaching, provision of facilities and other operational areas of the Academy, and its finances. The Trustees have implemented a number of systems to assess risks that the Academy faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school trips) and in relation to the control of finances. They have also introduced systems and procedures (e.g. safeguarding) and internal financial controls in order to minimise risk. Where significant risk still remains, they have ensured that they have sufficient insurance cover. The Academy Trust has an effective system of internal financial controls and this is explained in more detail in the following statement.

As Trustees, we acknowledge we have overall responsibility for ensuring that the Academy Trust has an effective and appropriate system of controls, both financial and otherwise. We are also responsible for ensuring that proper accounting records are kept that disclose with reasonable accuracy the financial position of the Academy Trust and enable us to prepare financial statements that comply with the Companies Act.

We also acknowledge responsibility for safeguarding the assets of the Academy Trust and for taking reasonable assurance that:

- The Academy Trust is operating efficiently and effectively;
- Its assets are safeguarded against unauthorised use and disposition;
- Proper records are maintained and financial information used within the Academy or for publication is reliable;
- The Academy complies with relevant laws and regulations.

#### Financial and Risk Management Objectives and Policies

The main objective is to ensure that the Academy Trust operates within its allocated budget and settles its liabilities as they fall due.

In accordance with the Academy Trust's statutes, the Trustees and senior staff are responsible for the administration and management of the Academy Trust's affairs. They are responsible for setting objectives and policies to ensure that:

- There is an effective system of internal control and that accounting records are properly kept;
- There are appropriate financial and management controls in place to safeguard the assets of the Academy Trust and to prevent and detect fraud; and
- The Academy Trust secures economical, efficient and effective management of its resources and expenditure.

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**THE HOWARD ACADEMY TRUST**

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**TRUSTEES' REPORT (continued)  
FOR THE PERIOD ENDED 31 AUGUST 2016**

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**Liquidity risk**

- The Academy Trust manages its cash resources, including sufficient working capital, so that all its operating needs are met without the need for short-term borrowing.

**Key Management Personnel**

The key management personnel within the organisation are the Trustees who do not receive a salary with the exception of staff trustees. Senior Management of the Trust salaries are determined in line with the Trust's Pay Policy.

**Disclosure of Information to Auditor**

Each of the persons who are Trustees at the time when this Trustees' report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware, and
- the Trustees have taken all the steps that ought to have been taken as a Trustee in order to be aware of any information needed by the charitable company's auditor in connection with preparing their report and to establish that the charitable company's auditor is aware of that information.

The trustees report, incorporating the strategic report was approved by order of the Board of Trustees on 5 December 2016 and signed on its behalf by:



**K Brown**  
**Chair of Trustees**

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## THE HOWARD ACADEMY TRUST

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### GOVERNANCE STATEMENT FOR THE PERIOD ENDED 31 AUGUST 2016

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#### SCOPE OF RESPONSIBILITY

As trustees we acknowledge we have overall responsibility for ensuring that The Howard 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 Chief Executive, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Howard Academy Trust and the Secretary of State for Education. He is 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 2 times during the period as a Single Academy Trust and 5 times throughout the year as a Multi Academy Trust. Attendance during the period at meetings of the board of trustees was as follows:

##### Up to 30 November 2015

Trustee	Meetings attended	Out of a possible
D Arnold, Vice Chair of Trustees	2	2
J Baker	2	2
K Brown – Chair of Trustees	2	2
D Drizen, Chair of Audit Committee	2	2
M Durcan, Chair of Finance Committee	2	2
N Fray	1	2
R Greening, Staff Trustee	1	1
B Harman, Staff Trustee	0	2
C Ling	0	2
T Marchant	2	2
G Marshall	1	2
K Moore, Staff Trustee	2	2
P Morris, Principal and Accounting Officer	2	2
N Nash	1	2
P Snook	1	1

The Autumn meeting was before the conversion to a MAT. The Spring and Summer meetings were combined into one meeting.

##### From 16 November 2015

Trustee	Meetings attended	Out of a possible
K Brown – Chair of Trustees	4	5
D Drizen – Howard School Representative	5	5
B Fincham – Temple Mill Representative	5	5
F Martin	4	5
R McKenna	3	4
O McColgan, Staff Trustee	5	5
P Morris, CEO and Accounting Officer	5	5
J Richardson	3	3
J Watson	4	5



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## THE HOWARD ACADEMY TRUST

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### GOVERNANCE STATEMENT (continued) FOR THE PERIOD ENDED 31 AUGUST 2016

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#### Governance reviews:

When recruiting Trustees to fill vacancies, the Board of Trustees identifies which skills and competencies are required in order for the Board to have a broad balance of relevant skills and knowledge. New and existing trustees are provided access to a range of courses to develop their skills. The Board completed a skill-set self-evaluation and as a multi-academy trust, the Trustees will be reviewing their skill sets further in 2016 - 2017.

Governor training is provided via a Service Level Agreement with Governor Services at the Local Authority. Governors on Local Governing Bodies complete an annual skills audit to ensure that committee membership is based on skills and areas of expertise.

The Finance Committee is a sub-committee of the main Board of Trustees. Its purpose is:

- Initially reviewing and recommendation of the annual budget to the Board of Trustees;
- Regular monitoring of actual expenditure and income against budget;
- Ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 2006, the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' and the DfE guidance issued to academies;
- Authorising the award of contracts up to the amount stated in the Scheme of Delegation;
- Reviewing the reports of the Responsibility Officer on the effectiveness of the financial procedures and controls. Reports must also be reported to the Board of Trustees;
- Reviewing the financial policies of the Academy and where necessary make recommendations to the Board of Trustees.

The Finance Committee held three meetings during the period (Autumn, Spring and Summer Term), attended as follows:

	Actual finance meetings attended	Possible meetings
M Durkan (Chair of Committee)	1	1
D Arnold (Vice Chair of Trustees)	1	1
K Brown (Chair of Trustees)	1	1
N Fray	1	1
R Greening (Staff Trustee)	1	1
B Harman (Staff Trustee)	1	1
T Marchant	1	1
K Moore (Staff Trustee)	0	1
P Morris (Principal and Accounting Officer)	1	1

The Audit Committee is also a sub-committee of the main Board of Trustees. Its purpose is to:

- monitor the integrity of the financial statements and any formal announcements relating to financial performance;
- review internal financial controls and, unless there is a separate board risk committee, reviewing the company's internal control and risk management systems;
- monitor and review the effectiveness of the internal audit function;
- make recommendations to the board in relation to the appointment, re-appointment and removal of the external auditor and approve the remuneration and terms of engagement of the auditor;
- review the auditor's independence and objectivity; and
- develop and implement the non-audit services policy.

The Audit Committee function was absorbed for the first year of operation as a Multi Academy Trust and by the Board of Trustees who carried out this function.

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## THE HOWARD ACADEMY TRUST

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### GOVERNANCE STATEMENT (continued) FOR THE PERIOD ENDED 31 AUGUST 2016

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#### REVIEW OF VALUE FOR MONEY

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

The Accounting Officer considers how the Trust's use of its resources has provided good value for money during each academic year.

In order to confirm that satisfactory arrangements are in place to promote economy, efficiency and effectiveness across the Academy Trust, the Finance Committee of the Governing Body considers the evidence provided which form part of the Academy Trust's routine management practices and which can provide a broad appreciation of the Academy Trust's effectiveness. These activities include the strategic planning, financial strategy and budget setting processes, key performance indicator systems, costing and pricing policies, procurement activity, and capital projects. Examples include:

- Budgeting – annual budgets have been set and these have been monitored to ensure any significant variances between actual and budget are investigated. Departmental budgets are monitored by the finance team to ensure that no overspend takes place and that expenditure is procured with approved suppliers. This ensures that the appropriate number of quotes are obtained for various delegated budgets.
- Centralising Operations – this has been introduced to centralise Finance & HR throughout the Trust. This has ensured that the trust is operating an efficient and cost effective Finance & HR function with all transactions being processed in a consistent manner.
- In House Services – a review of external contracts has taken place to bring Grounds Maintenance in house within one of the academies. This has ensured that substantial savings are made.
- Centralising Procurement - all procurement is processed centrally by the finance team to ensure that appropriate suppliers are used by budget holders, aiming to benefit from economies of scale.

#### 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 The Howard Academy Trust for the period 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

#### CAPACITY TO HANDLE RISK

The Board of Trustees has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the period 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

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## THE HOWARD ACADEMY TRUST

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### GOVERNANCE STATEMENT (continued) FOR THE PERIOD ENDED 31 AUGUST 2016

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#### THE RISK AND CONTROL FRAMEWORK

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

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

The Board of Trustees has considered the need for a specific internal audit function and has decided:

- not to appoint an internal auditor. However, the trustees have appointed Moore Stephens LLP, the external auditor, to undertake additional checks.

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

- testing of payroll systems;
- testing of purchase and staff expense systems;
- testing of control account systems and bank reconciliations

Each term, the appointee will report to the Board of Trustees on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities. No material issues have been identified.

#### REVIEW OF EFFECTIVENESS

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

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

The Accounting Officer is advised of the implications of the result of their review of the system of internal control by the Audit/Finance Committee and addresses weaknesses to ensure continuous improvement of the systems and controls that are in place.

Approved by order of the members of the Board of Trustees on *5 December 2016* and signed on its behalf by:

K Brown  
Chair of Trustees



P Morris  
Accounting Officer



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**THE HOWARD ACADEMY TRUST**

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**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE**

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As Accounting Officer of The Howard Academy Trust, I have considered my responsibility to notify the Academy Trust's 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.

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 EFA.



**P Morris**  
Accounting Officer

**Date:** 5 December 2016

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## THE HOWARD ACADEMY TRUST

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### STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE PERIOD ENDED 31 AUGUST 2016

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

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

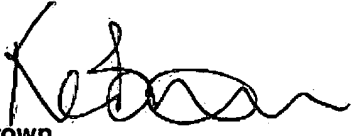
- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP 2015 (FRS 102) and the Academies Accounts Direction 2015 to 2016
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

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

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

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

Approved by order of the members of the board of trustees on 5 December 2016 and signed on its behalf by:

  
K Brown  
Chair of Trustees

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## THE HOWARD ACADEMY TRUST

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### INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE HOWARD ACADEMY TRUST

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We have audited the financial statements of The Howard Academy Trust for the year ended 31 August 2016 which comprise the Statement of financial activities, the Balance sheet, the statement of Cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

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

#### RESPECTIVE RESPONSIBILITIES OF GOVERNORS AND AUDITORS

As explained more fully in the Governors' responsibilities statement, the Governors (who are also the directors of the academy trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the academy trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 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 and Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

#### OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Trustees' report, incorporating the Strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

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THE HOWARD ACADEMY TRUST

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE  
HOWARD ACADEMY TRUST (continued)

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**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

- the Academy Trust has not kept adequate accounting records
- the financial statements are not in agreement with the accounting records and returns
- certain disclosures of trustees' remuneration specified by law are not made
- we have not received all the information and explanations we required for our audit

*Ann Mathias*

Ann Mathias (Senior Statutory Auditor)  
for and on behalf of  
**Moore Stephens LLP, Statutory Auditor**  
Chartered Accountants and Registered Auditors  
150 Aldersgate Street  
London  
EC1A 4AB

Date: *15 December 2016*

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## THE HOWARD ACADEMY TRUST

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### INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE HOWARD ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY

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In accordance with the terms of our engagement letter dated 29 September 2016 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Howard Academy Trust during the period 1 September 2015 to 31 August 2016 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

#### RESPECTIVE RESPONSIBILITIES OF THE HOWARD ACADEMY TRUST'S ACCOUNTING OFFICER AND THE REPORTING ACCOUNTANT

The accounting officer is responsible, under the requirements of The Howard Academy Trust's funding agreement with the Secretary of State for Education dated 30 September 2014 and updated on 27 November 2015, and the Academies Financial Handbook extant from 1 September 2015, 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 2015 to 2016. 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 2015 to 31 August 2016 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 2015 to 2016 issued by EFA. 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.



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THE HOWARD ACADEMY TRUST

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INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE  
HOWARD ACADEMY TRUST AND THE EDUCATION FUNDING AGENCY (continued)

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Our procedures included, but were not limited to the following:

- Reviewing minutes of meetings, management accounts and making enquiries of management;
- Performing sample testing of expenditure ensuring items are for the Academy Trust's purposes and are appropriately authorised;
- Sample testing on expenditure, review for any indication of purchase for personal use by staff, Principal or Trustees;
- Reviewing the procedures for identifying and declaring related parties and other business interests;
- Obtaining formal representation from the governing body and accounting officer acknowledging their responsibilities;
- Scrutinising journals, and other adjustments posted during the period for evidence of unusual entries and making further enquiries into any such items where relevant;
- Checking a selection of nominal ledger accounts for evidence of unusual entries and making further enquiries into any such items where relevant;
- Performing an evaluation of the general control environment of the Academy Trust.

**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 2015 to 31 August 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*Moore Stephens LLP*

**Moore Stephens LLP**

Chartered Accountants

150 Aldersgate Street  
London  
EC1A 4AB

Date: *15 December 2016*

**THE HOWARD ACADEMY TRUST**

**STATEMENT OF FINANCIAL ACTIVITIES**  
(incorporating income and expenditure account)  
**FOR THE YEAR ENDED 31 AUGUST 2016**

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2016 £000	Total 2015 £000
<b>Income from:</b>						
Donations and capital grants	2	8	-	70	<b>78</b>	91
Transfer from local authority on conversion	3	-	(11)	4,869	<b>4,858</b>	22,297
Charitable activities:						
Funding for the academy trust's educational operations	6		8,916	-	<b>8,916</b>	7,476
Other trading activities	4	43	166	-	<b>209</b>	210
Investments	5	-	-	-	-	-
<b>Total</b>		<b>51</b>	<b>9,071</b>	<b>4,939</b>	<b>14,061</b>	<b>30,074</b>
<b>Expenditure on:</b>						
Raising funds	7	-	86	-	<b>86</b>	88
Charitable activities:						
Academy trust educational operations	7	-	9,869	837	<b>10,706</b>	8,560
Other						
<b>Total</b>	7	<b>-</b>	<b>9,955</b>	<b>837</b>	<b>10,792</b>	<b>8,648</b>
<b>Net income / (expenditure)</b>		<b>51</b>	<b>(884)</b>	<b>4,102</b>	<b>3,269</b>	<b>21,246</b>
<b>Transfers between funds</b>	15	-	(267)	267	-	-
<b>Other recognised gains / (losses):</b>						
Actuarial gains/(losses) on defined benefit pension schemes	24	-	(1,587)	-	<b>(1,587)</b>	56
<b>Net movement in funds</b>		<b>51</b>	<b>(2,738)</b>	<b>4,369</b>	<b>1,682</b>	<b>21,482</b>
<b>Reconciliation of funds</b>						
Total funds brought forward		36	(1,102)	22,548	<b>21,482</b>	-
<b>Total funds carried forward</b>		<b>87</b>	<b>(3,840)</b>	<b>26,917</b>	<b>23,164</b>	<b>21,482</b>

All of the Academy Trust's activities derive from continuing operations during the above financial period.

The Statement of Financial Activities includes all gains and losses recognised in the period.

The notes on pages 28 to 51 form part of these financial statements.

**THE HOWARD ACADEMY TRUST**

**STATEMENT OF FINANCIAL ACTIVITIES  
(incorporating income and expenditure account)  
FOR THE YEAR ENDED 31 AUGUST 2015**

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total 2015 £000
<b>Income from:</b>				
Donations and Capital grants	6		85	91
Transfer from local authority on conversion		(561)	22,858	22,297
Charitable activities:				
Funding for the academy trust's educational operations	-	7,476	-	7,476
Other trading activities	30	180	-	210
<b>Total</b>	<u>36</u>	<u>7,095</u>	<u>22,943</u>	<u>30,074</u>
<b>Expenditure on:</b>				
Raising funds	-	88	-	88
Charitable activities:				
Academy trust educational operations		7,889	671	8,560
Other	-	-	-	-
<b>Total</b>	<u>-</u>	<u>7,977</u>	<u>671</u>	<u>8,648</u>
<b>Net (expenditure)/ income</b>	36	(882)	22,272	21,426
<b>Transfers between funds</b>	-	(276)	276	-
<b>Other recognised gains / (losses):</b>				
Actuarial gains/(losses) on defined benefit pension schemes	-	56	-	56
<b>Net movement in funds</b>	<u>36</u>	<u>(1,102)</u>	<u>22,548</u>	<u>21,482</u>
<b>Reconciliation of funds</b>				
Total funds brought forward	-	-	-	-
<b>Total funds carried forward</b>	<u>36</u>	<u>(1,102)</u>	<u>22,548</u>	<u>21,482</u>

All of the Academy Trust's activities derive from continuing operations during the above financial period.

The Statement of Financial Activities includes all gains and losses recognised in the period.

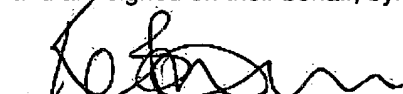
The notes on pages 28 to 51 form part of these financial statements.

**THE HOWARD ACADEMY TRUST**

**BALANCE SHEET  
AS AT 31 AUGUST 2016  
Company Number: 09175427**

	Notes	2016 £000	2016 £000	2015 £000	2015 £000
<b>Fixed assets</b>					
Tangible assets	12		26,917		22,548
<b>Current assets</b>					
Debtors	13	183		124	
Cash at bank and in hand		511		708	
		694		832	
<b>Liabilities</b>					
Creditors: Amounts falling due within one year	14	(732)		(292)	
<b>Net current (liabilities) / assets</b>			(38)		540
<b>Total assets less current liabilities</b>			26,879		23,088
Creditors: Amounts falling due more than one year	14		(223)		(315)
<b>Net assets excluding pension liability</b>			26,656		22,773
Defined benefit pension scheme liability	24		(3,492)		(1,291)
<b>Total net assets</b>			23,164		21,482
<b>Funds of the academy trust:</b>					
<b>Restricted funds</b>					
Fixed asset fund	15	26,917		22,548	
Restricted income fund	15	(348)		189	
Pension reserve	15	(3,492)		(1,291)	
<b>Total restricted funds</b>			23,077		21,446
<b>Unrestricted income funds</b>	15		87		36
<b>Total funds</b>			23,164		21,482

The financial statements were approved by the Trustees, and authorised for issue, on *5 December 2016* and are signed on their behalf, by:

  
K Brown  
Chair of Trustees

The notes on pages 28 to 51 form part of these financial statements.

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THE HOWARD ACADEMY TRUST

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STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED 31 AUGUST 2016

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	Notes	2016 £000	2015 £000
<b>Cash flows from operating activities</b>			
Net cash provided by/(used in) operating activities	19	108	(10)
<b>Cash flows from investing activities</b>	21	(202)	814
<b>Cash flows from financing activities</b>	20	(103)	(96)
<b>Change in cash and cash equivalents in the reporting period</b>		<u>(197)</u>	<u>708</u>
<b>Cash and cash equivalents at 1 September 2015</b>		708	-
<b>Cash and cash equivalents at 31 August 2016</b>	22	<u>511</u>	<u>708</u>

The notes on pages 28 to 51 form part of these financial statements.

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## THE HOWARD ACADEMY TRUST

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

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#### 1. STATEMENT OF ACCOUNTING POLICIES

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

##### 1.1 Basis of preparation of financial statements

###### **Basis of Preparation**

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

###### **a. First time adoption of FRS 102**

These financial statements are the first financial statements of The Howard Academy Trust prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' (FRS 102) and Charities SORP (FRS 102). The financial statements of The Howard Academy Trust for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the trustees have amended certain accounting policies to comply with FRS 102 and SORP 2015.

Reconciliation to previous UK GAAP for the comparative figures is included in note b.

###### **b. Explanation of transition to FRS 102**

It is the first year that the Academy Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

Comparative figures have been restated to reflect the adjustments made.

Reconciliations and descriptions of the effect of the transition to FRS 102 and SORP 2015 on total funds and net income/(expenditure) for the comparative period reported under previous UK GAAP and SORP 2005 are given below:

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## THE HOWARD ACADEMY TRUST

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### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 AUGUST 2016

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#### 1. ACCOUNTING POLICIES (continued)

##### Reconciliation of net income/(expenditure)

	Notes	1 September 2015 £000
Net income/(expenditure) previously reported under UK GAAP		21,500
Change in recognition of LGPS interest cost	c	(74)
Total movement in funds reported under FRS 102		<u>21,426</u>

##### c. Changes in recognition of LGPS interest cost

Under previous UK GAAP the trust recognised an expected return on defined benefit plan assets in income/expense. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in income/expense. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to reduce the credit to expense by £74,000 and increase the credit in other recognised gains and losses in the SoFA by an equivalent amount.

#### 1.2 Going concern

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

The Board of Trustees believe that the Trust is a going concern as there are consistent student numbers across all our academies which secures future income for the academies operation. The Trust currently prepare five-year budget forecasts which enables management to ensure that a secure budget is in place.

The trust is carrying a net deficit of £261,000 on restricted general funds (excluding pension reserve) plus unrestricted funds because of increased curriculum costs and surplus staffing at The Howard School. The trust is taking the following action to return these funds to surplus:

- Restructure of Senior Management at The Howard School which concluded on August 2016;
- Implementation of Curriculum Led Financial Planning to ensure that the timetable is constructed using available staff.

In 2017 a further two academies will join the trust which will enable the trust to continue operating into the foreseeable future.

#### 1.3 Conversion to an academy trust

The conversion from a state maintained school to an academy trust involved the transfer of identifiable assets and liabilities and the operation of the school for £Nil consideration. The substance of the transfer is that of a gift and it has been accounted for on that basis as set out below.

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## THE HOWARD ACADEMY TRUST

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### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 AUGUST 2016

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#### 1. ACCOUNTING POLICIES (continued)

The assets and liabilities transferred on conversion from Temple Mill Primary School to the academy trust have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate Balance Sheet categories, with a corresponding amount recognised in 'Voluntary income – transfer from local authority on conversion' in the Statement of Financial Activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds. Further details of the transaction are set out in Note 26.

#### 1.4 Income

All income is recognised when the Academy Trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

##### 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 year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

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

##### 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.

##### School trips and activities

These transactions are included in restricted funds. Income is recognised when received and expenditure is recognised when paid, any surpluses being carried forward as deferred within restricted funds until the trip or activity is completed.

##### 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'.



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## THE HOWARD ACADEMY TRUST

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### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 AUGUST 2016

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#### 1. ACCOUNTING POLICIES (continued)

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be 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.

##### **Interest receivable**

Interest receivable is included within the Statement of financial activities on accrual basis.

#### 1.5 Expenditure

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

- **Expenditure on 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.

All resources expended are inclusive of irrecoverable VAT.

#### 1.6 Tangible fixed assets

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

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. 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 fixed assets on a straight-line basis over their expected useful lives as follows:

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## THE HOWARD ACADEMY TRUST

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### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 AUGUST 2016

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#### 1. ACCOUNTING POLICIES (continued)

Freehold property	-	10 – 49 years straight line
Leasehold land and building	-	39 – 125 years straight line
Fixtures, fittings and equipment	-	15% straight line
ICT equipment	-	33% straight line
Motor Vehicles	-	20% straight line

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

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.

#### 1.7 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.

#### 1.8 Leased Assets

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

#### 1.9 Stock

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

#### 1.10 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 part 11, chapter 3 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

#### 1.11 Pension 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.

##### *Teachers' Pension Scheme*

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 24, the TPS is a multi-employer scheme and there is insufficient

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## THE HOWARD ACADEMY TRUST

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### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 AUGUST 2016

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#### 1. ACCOUNTING POLICIES (continued)

information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

##### ***Local Government Pension Scheme***

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

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

#### **1.12 Fund accounting**

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

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

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

#### **1.13 Financial instruments**

The only financial instruments held by the School are debtors and creditors. These are categorised as 'basic' in accordance with Section 11 of FRS 102 and are initially recognised at transaction price. These are subsequently measured at their transaction price less any impairment.

#### **1.14 Critical accounting estimates and areas of judgement**

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

##### ***Critical accounting estimates and assumptions***

The 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.

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**THE HOWARD ACADEMY TRUST**

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**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 AUGUST 2016**

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**1. ACCOUNTING POLICIES (continued)**

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, 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 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. 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.

On conversion to an academy trust, the assets and liabilities of the Schools are measured at fair value. This includes any land and buildings. The valuation of the land and buildings involves a significant degree of estimation. Refer to note 12 for further detail on this estimation.

**THE HOWARD ACADEMY TRUST**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 AUGUST 2016**

**2. DONATIONS AND CAPITAL GRANTS**

	Unrestricted Funds £000	Restricted Funds £000	Total 2016 £000	Total 2015 £000
Capital grants	-	70	70	85
Other donations	8	-	8	6
	<u>8</u>	<u>70</u>	<u>78</u>	<u>91</u>

**3. TRANSFER FROM LOCAL AUTHORITY ON CONVERSION**

	Unrestricted Funds £000	Restricted Funds £000	Total 2016 £000	Total 2015 £000
Transfer from local authority on conversion	-	4,858	4,858	22,297
	<u>-</u>	<u>4,858</u>	<u>4,858</u>	<u>22,297</u>

**4. OTHER TRADING ACTIVITIES**

	Unrestricted Funds £000	Restricted Funds £000	Total 2016 £000	Total 2015 £000
Other income	-	166	166	180
Letting income	43	-	43	30
	<u>43</u>	<u>166</u>	<u>209</u>	<u>210</u>

**5. INVESTMENT INCOME**

	Unrestricted Funds £000	Restricted Funds £000	Total 2016 £000	Total 2015 £000
Interest receivable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**THE HOWARD ACADEMY TRUST**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 AUGUST 2016**

**6. FUNDING FOR THE ACADEMY TRUST'S EDUCATIONAL OPERATIONS**

	Unrestricted Funds £000	Restricted Fund £000	Total 2016 £000	Total 2015 £000
<b>DfE / EFA grants</b>				
. General Annual Grant (GAG)	-	7,974	7,974	6,809
. Start Up Grants	-	-	-	25
. Other DfE/EFA grants	-	576	576	328
	<u>-</u>	<u>8,550</u>	<u>8,550</u>	<u>7,162</u>
<b>Other Government grants</b>				
. Local authority grants	-	54	54	-
. Special educational projects	-	-	-	-
	<u>-</u>	<u>54</u>	<u>54</u>	<u>-</u>
Other income from the academy trust's educational operations	-	312	312	314
	<u>-</u>	<u>8,916</u>	<u>8,916</u>	<u>7,476</u>

**7. EXPENDITURE**

	Staff Costs £000	Non Pay Expenditure		Total 2016 £000	Total 2015 £000
		Premises £000	Other £000		
Expenditure on raising funds	41	-	45	86	88
Academy's educational operations:					
. Direct costs	6,635	837	1,011	8,483	7,083
. Allocated support costs	1,356	-	867	2,223	1,477
	<u>8,032</u>	<u>837</u>	<u>1,923</u>	<u>10,792</u>	<u>8,648</u>

Net income/(expenditure) for the period includes:

	2016 £000	2015 £000
Operating lease rentals	66	15
Depreciation	837	671
Fees payable to auditor for:		
- audit	12	12
- other services	<u>3</u>	<u>3</u>

**THE HOWARD ACADEMY TRUST**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 AUGUST 2016**

**7. EXPENDITURE (continued)**

**Expenditure on raising funds**

	Unrestricted Funds £000	Restricted Funds £000	Total 2016 £000	Total 2015 £000
Sport Partnership Salaries		41	41	41
Sport Partnership other costs	-	45	45	47
	<u>          </u>	<u>86</u>	<u>86</u>	<u>88</u>

**Expenditure on charitable activities**

	Total 2016 £000	Total 2015 £000
<b>Academy's educational operations - Direct costs</b>		
Teaching and educational support staff costs	6,635	5,364
Depreciation	837	671
Examination fees	150	159
Technology costs	58	166
Educational supplies	140	178
Staff development	68	36
Educational consultancy	171	86
Catering	306	308
Trips and activities	110	99
Other direct costs	8	16
	<u>8,483</u>	<u>7,083</u>

**Academy's educational operations - Allocated support costs**

	Total 2016 £000	Total 2015 £000
Support staff costs	1,356	675
Pension finance costs	59	95
Recruitment and support	18	38
Maintenance of Premises & equipment	112	120
Cleaning	18	7
Rent and rates	124	111
Energy costs	140	129
Insurance	52	41
Security and transport	12	10
Governance costs	15	17
Other support costs	317	234
	<u>2,223</u>	<u>1,477</u>

**Total expenditure on charitable activities**

<u>10,706</u>	<u>8,560</u>
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**THE HOWARD ACADEMY TRUST**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 AUGUST 2016**

**8. STAFF COSTS**

**a. Staff costs**

Staff costs during the period were:

	<b>Total 2016 £000</b>	<b>Total 2015 £000</b>
Wages and salaries	5,895	4,833
Social security costs	494	371
Operating costs of defined benefit pension schemes	1,459	787
	<u>7,848</u>	<u>5,991</u>
Supply staff costs	52	36
Staff restructuring costs	132	12
	<u>8,032</u>	<u>6,039</u>
Staff restructuring costs comprise:		
Redundancy payments	57	-
Severance payments	75	12
Other restructuring costs	-	-
	<u>132</u>	<u>12</u>

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

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £75,367. Individually, the payments were £8,800, £17,245, £11,000, £23,628 and £14,694.

**c. Staff numbers**

The average number of persons employed by the academy during the period was as follows:

	<b>2016 No.</b>	<b>2015 No.</b>
Teachers	117	107
Administration and support	99	81
Management	13	13
	<u>229</u>	<u>201</u>



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**THE HOWARD ACADEMY TRUST**

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**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 AUGUST 2016**

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**8. STAFF (continued)**

**d. Higher paid staff**

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

	2016 No.	2015 No.
£60,001 - £70,000	4	1
£70,001 - £80,000	1	-
£90,001 - £100,000	-	1
	<u>5</u>	<u>2</u>

The above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2016, the pension contributions amounted to £48,281 (2015: £23,021).

**e. Key management personnel**

The key management personnel of the academy trust comprise the trustees and the senior leadership 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 £383,678 (2015: £803,947).

**9. RELATED PARTY TRANSACTIONS-TRUSTEES' REMUNERATION AND EXPENSES**

No trustees have been paid remuneration or have received other benefits from an employment with the academy trust other than the principal and three staff trustees who received 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 role as trustees. The value of trustees' remuneration and other benefits was as follows:

**P Morris (Chief Executive and trustee):**

Remuneration £65,000 – £70,000 (2015: £95,000 - £100,000)

Employer's pension contributions £5,000 - £10,000 (2015: £10,000 - £15,000)

**O McColgan (Chief Financial Officer and trustee):**

Remuneration £45,000 – £50,000 (2015: £nil)

Employer's pension contributions £5,000 – £10,000 (2015: £nil)

**B Harman (staff trustee):**

Remuneration £5,000 - £10,000 (2015: £30,000 - £35,000)

Employer's pension contributions £0 - £5,000 (2015: £5,000 - £10,000)

**K Moore (staff trustee):**

Remuneration £10,000 - £15,000 (2015: £55,000 - £60,000)

Employer's pension contributions £0 - £5,000 (2015: £5,000 - £10,000)

**R Greening (staff trustee):**

Remuneration £5,000 - £10,000 (2015: £25,000 - £30,000)

Employer's pension contributions £0 - £5,000 (2015: £5,000 - £10,000)

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## THE HOWARD ACADEMY TRUST

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### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 AUGUST 2016

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#### 9. RELATED PARTY TRANSACTIONS-TRUSTEES' REMUNERATION AND EXPENSES (CONTINUED)

The above amounts have been pro-rated to the time the staff members were Trustees.

During the year ended 31 August 2016, no expenses were reimbursed to the Trustees.

Other related party transactions involving the trustees are set out in note 25.

#### 10. TRUSTEES' AND OFFICERS' INSURANCE

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

#### 11. DISCLOSURE OF CENTRAL SERVICES

The academy trust provides central services to its academies during the year as follows:

- Chief Executive Leadership time and support
- Finance & HR Director Leadership time and support
- Human Resources advice and guidance
- Payroll processing
- Audit fees (internal and external)
- Legal advice and support
- Governance and Risk Management
- External quality assurance from consultants
- Finance system licence
- School Management Information system licence

The trust currently charges each academy for these services on the following basis:

Each academy pays a "top slice of their General Annual Grant income to the Trust's Central Services fund. This payment is set on a percentage basis dependent on the Ofsted rating of each academy. A school deemed to be good or outstanding will pay 3%, requires improvement 4% and sponsored academies 5%.

To support academies in the first year of operation within the MAT the Trustees agreed to a 2% contribution from The Howard School and a reduced contribution of £10,000 from Temple Mill Primary School.

Any unused surplus is rolled forward into the next year.

The actual amounts paid during the year were as follows:

	2016 £
The Howard School	£148,000
Temple Mill Primary School	£10,000
	<u>£158,000</u>

**THE HOWARD ACADEMY TRUST**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 AUGUST 2016**

**12. TANGIBLE FIXED ASSETS**

	<b>Freehold Land and Buildings £000</b>	<b>Leasehold Land and Buildings £000</b>	<b>Furniture and Fittings £000</b>	<b>Computer Equipment £000</b>	<b>Total £000</b>
<b>Cost</b>					
At 1 September 2015	22,746	-	149	324	<b>23,219</b>
Transfer on conversion	-	4,818	20	31	<b>4,869</b>
Additions	-	-	189	148	<b>337</b>
Disposals	-	-	-	-	<b>-</b>
At 31 August 2016	<u>22,746</u>	<u>4,818</u>	<u>358</u>	<u>503</u>	<u><b>28,425</b></u>
<b>Depreciation</b>					
At 1 September 2015	551	-	13	107	<b>671</b>
Charged in year	602	71	33	131	<b>837</b>
Disposals	-	-	-	-	<b>-</b>
At 31 August 2016	<u>1,153</u>	<u>71</u>	<u>46</u>	<u>238</u>	<u><b>1,508</b></u>
<b>Net book values</b>					
At 31 August 2015	22,195	-	136	217	<b>22,548</b>
At 31 August 2016	<u><b>21,593</b></u>	<u><b>4,747</b></u>	<u><b>312</b></u>	<u><b>265</b></u>	<u><b>26,917</b></u>

The cost of the leasehold land and property donated relates to the value on transfer of the land and buildings when Temple Mill primary School became an Academy on 1 December 2015. The property valuation was carried out by Kura Chakadini MRICS, RICS Registered Valuer from DVS Property Specialists as at 1 December 2015. The valuation has been made in accordance with Practice Statements in the RICS Valuation Standards. The freehold is held by Medway Council.

The cost of the freehold land and property relates to the value on transfer of the land and buildings when the The Howard School became an Academy on 1 October 2014. The property valuation was carried out by Alistair Stewart MRICS, RICS Registered Valuer from DVS Property Specialists as at 10 March 2015. The valuation has been made in accordance with Practice Statements in the RICS Valuation Standards. Included within freehold property is non-depreciated land of £6,459,713.

**13. DEBTORS**

	<b>2016 £000</b>	<b>2015 £000</b>
Trade debtors	13	7
VAT recoverable	25	45
Prepayments and accrued income	<u>145</u>	<u>72</u>
	<u><b>183</b></u>	<u><b>124</b></u>

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THE HOWARD ACADEMY TRUST

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 AUGUST 2016

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14. CREDITORS

Amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	214	106
Other taxation and social security	269	-
Other creditors	105	100
Accruals and deferred income	144	86
	<u>732</u>	<u>292</u>

Amounts falling due after more than one year

	2016 £000	2015 £000
Other creditors	223	315
	<u>223</u>	<u>315</u>

Included within creditors is a loan of £258,561 (2015: £334,221) from Medway Council and a Salix loan totalling £65,957 (2015: £80,614).

The Salix loan is repayable over 7 years, which commenced on 1 March 2014 and ends on 1 September 2020. The loan is interest free. The amount repayable after five years is nil (2015: £7,329).

The loan from Medway Council is repayable over 6 years which commenced during October 2013 and ends during March 2019. Interest is charged at a rate of 1% per annum on this loan.

Both loans were transferred to the Academy Trust upon conversion.

**THE HOWARD ACADEMY TRUST**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 AUGUST 2016**

**15. FUNDS**

	Balance at 1 September 2015 £000	Income £000	Expenses £000	Gains, losses and transfer £000	Balance at 31 August 2016 £000
<b>Restricted general funds</b>					
General Annual Grant (GAG)(i)	(97)	7,974	(8,105)	(425)	(653)
Start-up Grant	25	-	(25)	-	-
Other DfE/EFA grants	45	576	(590)	-	31
Local authority grants	-	54	(54)	-	-
Trips and Activities	77	83	(110)	-	50
Catering	(81)	229	(306)	158	-
Sports Partnership	220	90	(86)	-	224
Other income (ii)	-	76	(76)	-	-
Donated (iii)	-	65	(65)	-	-
Pension reserve	(1,291)	(76)	(538)	(1,587)	(3,492)
	<u>(1,102)</u>	<u>9,071</u>	<u>(9,955)</u>	<u>(1,854)</u>	<u>(3,840)</u>
<b>Restricted fixed asset funds (iv)</b>					
Transfer on conversion (iv)	22,187	4,869	(837)	-	26,219
DfE/EFA capital grants	85	29	-	-	114
Capital expenditure from GAG	276	-	-	267	543
Private sector capital sponsorship	-	41	-	-	41
	<u>22,548</u>	<u>4,939</u>	<u>(837)</u>	<u>267</u>	<u>26,917</u>
<b>Total restricted funds</b>	<b>21,446</b>	<b>14,010</b>	<b>(10,792)</b>	<b>(1,587)</b>	<b>23,077</b>
Unrestricted funds (v)	36	51	-	-	87
	<u>36</u>	<u>51</u>	<u>-</u>	<u>-</u>	<u>87</u>
<b>Total funds</b>	<b>21,482</b>	<b>14,061</b>	<b>(10,792)</b>	<b>(1,587)</b>	<b>23,164</b>

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

- (i) General Annual Grant must be used for the normal running costs of the Trust. Under the funding agreement with the Secretary of State, the Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016.
- (ii) Consists of income the trust has generated.
- (iii) Funds inherited on conversion of school to the trust.
- (iv) Represents the donation of land and buildings on conversion from the schools to the trust.
- (v) Funds include income generated from sponsorship and donations and hire of facilities.

**THE HOWARD ACADEMY TRUST**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 AUGUST 2016**

**15. FUNDS (CONTINUED)**

**Total funds analysis by academy**

Fund balance at 31 August 2016 were allocated as follows:

	2016 £000	2015 £000
The Howard Academy Trust	3	-
The Howard School	(272)	225
Temple Mill Primary School	8	-
Total before fixed assets and pension reserve	(261)	225
Restricted fixed assets fund	26,917	22,548
Pension reserve	(3,492)	(1,291)
Total	<u>23,164</u>	<u>21,482</u>

The trust is carrying a net deficit of £261,000 on restricted general funds (excluding pension reserve) plus unrestricted funds because of increased curriculum costs and surplus staffing at The Howard School. The trust is taking the following action to return these funds to surplus:

- Restructure of Senior Management at The Howard School which concluded on August 2016;
- Implementation of Curriculum Led Financial Planning to ensure that the timetable is constructed using available staff.

**Total cost analysis by academy**

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

	Teaching & educational support staff costs £000	Other support staff costs £000	Educational supplies £000	Other costs (exc. Depreciation) £000	Total 2016 £000	Total 2015 £000
The Howard Academy Trust	104	19	-	83	206	-
The Howard School	6,003	1,275	128	1,593	8,999	8,574
Temple Mill Primary School	570	61	12	107	750	-
<b>Total</b>	<u>6,677</u>	<u>1,355</u>	<u>140</u>	<u>1,783</u>	<u>9,955</u>	<u>8,574</u>

**THE HOWARD ACADEMY TRUST**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 AUGUST 2016**

**16. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

Fund balances at 31 August 2016 are represented by:

	Unrestricted funds	Restricted general funds	Restricted fixed asset funds	Total funds	Total funds
	2016	2016	2016	2016	2015
	£000	£000	£000	£000	£000
Tangible fixed assets	-	-	26,917	26,917	22,548
Current assets	87	607	-	694	832
Creditors due within one year	-	(732)	-	(732)	(292)
Creditors due after more than one year	-	(223)	-	(223)	(315)
Pension scheme liability	-	(3,492)	-	(3,492)	(1,291)
	<u>87</u>	<u>(3,840)</u>	<u>26,917</u>	<u>23,164</u>	<u>21,482</u>

**17. CAPITAL COMMITMENTS**

	2016 £000	2015 £000
Contracted for, but not provided in the financial statements	-	-

**18. COMMITMENTS UNDER OPERATING LEASES**

At 31 August 2016 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	2016 £000	2015 £000
Amounts due within one year	52	63
Amounts due between one and five years	134	185
Amounts due after five years	-	2
	<u>186</u>	<u>250</u>

**THE HOWARD ACADEMY TRUST**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 AUGUST 2016**

**19. RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	2016 £000	2015 £000
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	3,269	21,426
Adjusted for:		
Donation of land and buildings	(4,869)	(22,858)
Transfer of cash on conversion	(65)	(1,090)
Transfer of pension liability on conversion	76	1,179
Transfer loan on conversion	-	472
Depreciation [note 12]	837	671
Capital grants from DfE and other capital income	(70)	(85)
Repayments of borrowing	103	96
Defined benefit pension scheme cost less contributions payable [note 24]	479	73
Defined benefit pension scheme finance cost [note 24]	59	95
(Increase)/decrease in debtors	(59)	(124)
Increase/(decrease) in creditors	348	135
<b>Net cash provided by / (used in) Operating Activities</b>	<b>108</b>	<b>(10)</b>

**20. CASH FLOWS FROM FINANCING ACTIVITIES**

	2016 £000	2015 £000
Repayments of borrowing	(103)	(96)
Cash inflows from new borrowing	-	-
<b>Net cash provided by / (used in) financing activities</b>	<b>(103)</b>	<b>(96)</b>

**21. CASH FLOWS FROM INVESTING ACTIVITIES**

	2016 £000	2015 £000
Purchase of tangible fixed assets	(337)	(361)
Capital grants from DfE/EFA	29	85
Capital funding received from sponsors and others	41	-
Transfer of cash on conversion	65	1,090
<b>Net cash provided by / (used in) investing activities</b>	<b>(202)</b>	<b>814</b>

**22. ANALYSIS OF CASH AND CASH EQUIVALENTS**

	At 31 August 2016 £000	At 31 August 2015 £000
Cash in hand and at bank	511	708
Notice deposits (less than 3 months)	-	-
<b>Total cash and cash equivalents</b>	<b>511</b>	<b>708</b>



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## THE HOWARD ACADEMY TRUST

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### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 AUGUST 2016

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#### 23. MEMBERS' LIABILITY

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

#### 24. PENSION AND SIMILAR OBLIGATIONS

The Academy Trust's employees belong to two principal pension schemes: Teacher's 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 Medway Council. 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 year ended 31 March 2012 and of the LGPS, 31 March 2016.

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

##### Teacher's Pension Scheme

###### Introduction

The Teacher's Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teacher's Pensions Regulations (2010) and, from 1 April 2014, 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

Not less than every four years 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 2012. The valuation report was published by the Department of 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) (currently 14.1%)
- Total scheme liabilities (pension 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 employee 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%

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## THE HOWARD ACADEMY TRUST

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### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 AUGUST 2016

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#### 24. PENSION AND SIMILAR OBLIGATIONS (continued)

During the period the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4% from September 2015, which will be payable during implementation period until the next valuation as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The pension costs paid to TPS in the period amount to £715,000 (2015: £520,000).

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

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

#### **Local Government Pension Scheme**

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 2016 was £341,000 (2015: £252,000), of which employer's contributions totalled £262,000 (2015: £194,000) and employees' contributions totalled £79,000 (2015: £58,000). The agreed contribution rates for future years are 16.6% for employers and between 5.5% and 12.5% for employees.

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

The LGPS obligation relates to the employees of the academy trust, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the Scheme in the period. The obligation in respect employees who transferred on conversion represents their cumulative service at both the predecessor school and the Academy Trust at the balance sheet date.

**THE HOWARD ACADEMY TRUST**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 AUGUST 2016**

**24. PENSION AND SIMILAR OBLIGATIONS (continued)**

**Principal actuarial assumptions**

	At 31 August 2016	At 31 August 2015
Rate of increase in salaries	4.1%	4.5%
Rate of increase for pensions in payment/inflation	2.3%	2.7%
Discount rate	2.2%	4.0%
Inflation-CPI	2.3%	2.7%
Inflation-RPI	2.3%	2.7%

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

	31 Aug 2016	31 Aug 2015
Retiring today		
Males	22.9	22.8
Females	25.3	25.2
Retiring in 20 years		
Males	25.2	25.1
Females	27.7	27.6

The academy trust's share of the assets in the scheme and the expected rates of return were:

	Fair value at 31 August 2016 £000	Fair value at 31 August 2015 £000
Equities instruments	1,692	1,018
Debt instruments	458	283
Property	351	201
Total market value of assets	<u>2,501</u>	<u>1,502</u>
Present value of scheme liabilities	-	-
Present value of obligations	<u>(5,993)</u>	<u>(2,793)</u>
<b>(Surplus)/Deficit in the scheme</b>	<u><u>(3,492)</u></u>	<u><u>(1,291)</u></u>

The actual return on the scheme assets was £279,000 (2015: £57,000).

**THE HOWARD ACADEMY TRUST**

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 AUGUST 2016**

**24. PENSION AND SIMILAR OBLIGATIONS (continued)**

The amount recognised in the Statement of Financial Activities is as follows:

	31 August 2016 £000	31 August 2015 £000
Current service cost	(555)	(73)
Net interest cost	(59)	(95)
Total operating charge	<u>(614)</u>	<u>(168)</u>

The actuarial gains and losses for the current period are recognised in the Statement of Financial Activities. The cumulative amount of actuarial gains and losses recognised in the Statement of Financial Activities since the adoption of FRS 102 is £1,587,000 - loss (2015: £18,000 - gain).

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

	2016 £000	2015 £000
<b>At 1 September</b>	<b>2,793</b>	-
Upon conversion	-	2,387
Current service cost	371	267
Interest cost	138	95
Employee contributions	79	58
Change in financial assumptions	1,787	-
Benefits paid	(14)	(14)
Liabilities assumed/(extinguished) on settlements	839	-
<b>At 31 August</b>	<b><u>5,993</u></b>	<b><u>2,793</u></b>

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

	2016 £000	2015 £000
<b>At 1 September</b>	<b>1,502</b>	-
Upon conversion	-	1,208
Settlement prices received/(paid)	394	-
Interest income	79	74
Return on plan assets (excluding net interest on the net defined pension liability)	200	-
Actuarial gain/(loss)	-	(18)
Employer contributions	262	194
Employee contributions	79	58
Benefits paid	(14)	(14)
Admin expenses	(1)	-
<b>At 31 August</b>	<b><u>2,501</u></b>	<b><u>1,502</u></b>

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**THE HOWARD ACADEMY TRUST**

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**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 AUGUST 2016**

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**25. RELATED PARTY TRANSACTIONS**

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

No related party transactions took place in the period of account, other than certain trustees' remuneration and expenses already disclosed in note 9.

**26. CONVERSION TO AN ACADEMY TRUST**

On 1<sup>st</sup> December 2015 Temple Mill Primary School converted to academy status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to The Howard Academy Trust from the Medway Local Authority for £Nil consideration.

The transfer has been accounted for using the acquisition method. The assets and liabilities transferred were valued at their fair value and recognised in the Balance Sheet under the appropriate headings with a corresponding net amount recognised as net incoming resources in the Statement of Financial Activities as Transfer from local authority on conversion.

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

	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total 2016 £'000
Tangible fixed assets				
- Freehold land and buildings & other assets	-	-	4,869	4,869
Budget surplus on LA funds	-	65	-	65
LGPS pension deficit	-	(76)	-	(76)
<b>Net assets</b>	<b>-</b>	<b>(11)</b>	<b>4,869</b>	<b>4,858</b>

The above net assets include £62,000 that was transferred as cash.

**27. EVENTS AFTER THE BALANCE SHEET**

On 1<sup>st</sup> October 2016 Deanwood Primary School joined The Howard Academy Trust. The trust has received confirmation from the Regional Schools Commissioner that Thames View Primary School will join the trust in March 2017 and Miers Court Primary School in August 2017.

**28. RECLASSIFICATION OF INCOME AND EXPENDITURE**

In accordance with the Academies Accounts Direction 2015 to 2016 (based on SORP 2015) income for the year ended 31 August 2015 has been reclassified into appropriate categories and governance costs have been reclassified as expenditure on academy trust educational operations. The reclassification of income and expenditure has had no effect on total income, total expenditure, net income/(expenditure) for the year or total funds as previously reported.