

Orchard Academy Trust
(A company limited by guarantee)

Annual Report and Financial Statements

For the Year Ended 31 August 2018



Orchard Academy Trust
(A company limited by guarantee)

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Reference and Administrative Details of the Academy trust, its trustees and advisers
For the Year Ended 31 August 2018

| | | | |
|----------------------------------|--|---|---|
| Members | Dr N Smetham Miss J Dolton Mrs J Hayes | | |
| Trustees | Dr N Smetham, Chair of Trustees ¹ Mrs J Young, Executive Head Teacher and Accounting Officer ¹ Mrs H Crittall ¹ Mrs A Malling, Deputy Chair Mrs M Smith, Business Manager (resigned 26 March 2018) Mr P Robertson (resigned 27 April 2018) ¹ Mrs H Crampton (resigned 23 September 2018) Mr K Gilby (appointed 6 April 2018, resigned 9 November 2018) Miss M Roberts (appointed 9 February 2018) Rev W North (appointed 18 June 2018) ¹ Mr A Collings (appointed 6 April 2018, resigned 21 April 2018) | | |
| | ¹ Members of the Finance and Premises Committee | | |
| Company registered number | 08249884 | | |
| Company secretary | Schofield Sweeney LLP 76 Wellington Street West Yorkshire Leeds. LS1 2AY | | |
| Registered office | Allington Primary School Hildenborough Crescent London Road Maidstone Kent. ME16 0PG | | |
| Senior leadership team | Mrs J Young | - | Executive Head Teacher and Accounting Officer |
| | Miss H Rootes | - | Director of School Improvement |
| | Mrs M Smith | - | Trust Business Manager |
| Allington Primary School | Mrs C Howson | - | Head of School |
| | Mrs S Monks | - | Inclusion Manager |
| | Mrs L Abbasi | - | Key Stage 2 Lead |
| | Miss N Flisher | - | EYFS and Key Stage 1 Lead |
| Barming Primary School | Mr C Laker | - | Head of School |
| | Mrs B Rathbone | - | Key Stage 2 Lead |
| | Mrs V Ingram | - | EYFS & Key Stage 1 Lead |
| | Mrs S Appleby | - | EYFS & Key Stage 1 Lead |
| | Mrs M Stere | - | Inclusion Manager |
| Bankers | Lloyds Bank plc 25 Monument Street London. EC3R 8BR | | |
| Auditors | UHY Kent LLP trading as UHY Hacker Young Thames House Roman Square Sittingbourne Kent. ME10 4BJ | | |

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

The trustees present their annual report and auditors' report of the academy trust for the year ended 31 August 2018.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The academy trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Academy Trust. The charitable company, Orchard Academy Trust, was established on 11 October 2012.

The Trustees of Orchard Academy Trust are also the directors of the charitable company for the purposes of company law.

Principal activities

The Academy Trust's principal objective and activity has been to manage the schools' provision of education to pupils between the ages of 4 and 11 in two primary academies in Maidstone, Kent. The Academies have a combined pupil capacity of 840 and had a roll of 835 in the school census in May 2018.

Members' liability

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

Trustees' indemnities

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

Details of the insurance cover are provided in note 12 to the financial statements.

Method of recruitment and appointment or election of trustees

- a. The signatories to the Memorandum; and
- b. Any members appointed by special resolution by the existing members.

The term of office for Trustees is four years, unless resignation of office is given by notice to the Trust; provided that at any time the remaining number of members shall not be less than three.

Under the terms of its Articles, the academy trust shall have the following trustees:

- a. A Board of Members
- b. A Trust Board, comprising:
 - One Trustee who is appointed by the Members and is also a Member.
 - Seven Trustees who are appointed by the Members, including the Executive Head who is *ex officio*.
 - Up to three co-opted Trustees, this will include the Chairs of the Local Governing Bodies.
 - The Secretary of State may give a warning notice to the Trust Board and appoint Trustees under circumstances laid out in the Articles of Association.
- c. Local Governing Bodies for each School, comprising:
 - Six co-opted Governors appointed by the Trust Board
 - One staff elected Governor
 - Two Parent elected Governors
 - The Head of School for the Academy

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Trustees' Report
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Parent Local Governors are elected to the Local Governing Bodies by parents of registered pupils at the School. A Parent Local Governor must be a parent of a pupil at the School at the time of them being elected.

Any election of Parent Governors which is contested will be held by secret ballot. If the number of parents standing for election is less than the number of vacancies then the Governing Body will appoint a Parent Governor to make the number up to the required level. In appointing a Parent Governor the Governing Body will appoint a person who is the parent of a registered pupil at the School but where this is not reasonably practicable, a person who is the parent of a child of compulsory school age will be appointed.

The Governing Body may appoint up to three co-opted Governors. Co-opted Local Governors are appointed by Governors who are not themselves co-opted. Employees of the School are not eligible to be a co-opted Local Governor if the number of Governors who are employees would exceed one third of the total number of Local Governors. When seeking new co-opted Local Governor, the Chair of the Local Governing Body assesses the skill-set of the current Local Governors and considers, in consultation with the Local Governing Body, what qualities and experience would enhance the team for the benefit of the School. One co-opted Local Governor was appointed to Allington Local Governing Body during the year.

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

Policies and procedures adopted for the induction and training of trustees

The training and induction provided for new Trustees and Local Governors will depend on their existing experience. Where necessary, induction will provide training on charity and educational legal and financial matters. All new Trustees and Local Governors are given a tour of the School and the chance to meet with staff and pupils. All Trustees and Local Governors are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Trustees and Local Governors.

All Trustees and Local Governors are encouraged to attend training provided by Kent County Council Governor Services.

Organisation structure

The organisational structure exists at three levels: the Board of Members, the Trust Board and Local Governing Bodies, and the Senior Leadership Team. The Members will maintain a strategic overview of Orchard Academy Trust's performance and adherence to the terms within the Funding Agreement. The Trust Board, supported by the Local Governing Bodies, is responsible for setting general policy, adopting an annual plan and budget, monitoring the Trust and each School by the use of budgets and making major decisions about the direction of the Trust and Schools, capital expenditure and senior staff appointments. The Senior Leadership Team is responsible for the day-to-day running of the Schools.

A Trust Finance and Premises Committee is established, which considers budget and premises matters in detail and makes decisions, according to an agreed Scheme of Delegation and Terms of Reference. The Trust Finance and Premises Committee also undertakes the role of Audit Committee to provide scrutiny over the financial systems and control. A Trust Pay and Personnel Committee is established, which considers pay and personnel matters in detail and makes decisions according to an agreed Scheme of Delegation and Terms of Reference.

A Staff Discipline Committee and an Appeals Committee are formed by the Governing Bodies from the pool of Local Governors as the need arises. The Trust and Local Governing Bodies will also establish ad-hoc working groups to address specific matters and report back to Trust Board and Local Governing Body as relevant.

The Local Governing Bodies operate under the "Circle" Model. All matters, including teaching and learning, curriculum, personnel, pupils and pupil welfare, finance, premises, resources, ICT, and new developments and projects, are considered and discussed at meetings of the Local Governing Body.

The Head of School and Senior Leaders at each School control their School at an executive level implementing the policies laid down by the Trustees and Local Governors and reporting back to them. As a group the Head of School and Senior Leaders are responsible for the authorisation of spending within agreed budgets and the appointment of staff. They are responsible for the day to day operation of the School, in particular organising the teaching staff, facilities and pupils. The Executive Headteacher is the Principal and the Accounting Officer for the Multi Academy Trust. The Trust agreed delegated financial authority to the Heads of School up to £8k; spending in excess of £8k and up to £25k is delegated to the Executive Headteacher; spending in excess of £25k and up to £50k is delegated to the Executive Headteacher and the Trust Finance and Premises Committee. All higher spending must be referred to the Trust Board.

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Trustees' Report
For the Year Ended 31 August 2018

Arrangements for setting pay and remuneration of key management personnel

The trust has retained responsibility for setting the pay and remuneration of the Accounting Officer. The trust has delegated the responsibility of setting the pay and remuneration of the other members of the senior leadership team to the Accounting Officer.

Disclosures in relation to remuneration paid to key management personnel during the year are provided in note 9.

Risk management

The Trustees have 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 Trustees are of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks and the business continuity plans for each academy are in place and reviewed regularly.

Connected organisations, including related parties

There are no related parties that either control or significantly influence the decisions and operations of the Orchard Academy Trust.

OBJECTIVES AND ACTIVITIES

Objects and aims

The principal object of the Academy Trust is 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.

Our aim is for our schools to be in the top 10% of schools nationally and we continue to strive to meet the aims and objectives of the schools by providing a safe, caring, fun and exciting environment for learning. We believe that we have a very talented and committed staff who are dedicated to making this happen.

Objective, strategies and activities

Our objectives, strategies and activities are outlined in each school's development plan, which lays out our aspirations for the future development of each school. Our aims are to:

- Ensure all teaching is at least good and all teachers deliver outstanding lessons on a regular basis, conducting rigorous and robust monitoring of standards.
- Address all areas of concern identified through rigorous analysis of performance data, target setting.
- Design a curriculum that builds upon local and national research and utilises the best possible resources, both human and physical.
- Make best use of those resources available beyond each school's grounds through community links and school-to-school support.
- For Allington Primary School to carry out its work as a Teaching School, raising standards in the sponsored schools, whilst continuing to deliver the best possible education for its children.
- Carry out accurate and honest self-evaluation

Each school is at the heart of their local communities and enjoy strong links with local groups including Football Clubs, Scout Groups, and Brownie/Guide groups who use the facilities on a regular basis. The schools also maintain links with their local churches and playgroups.

Public benefit

The Trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on Public Benefit when reviewing the charity's aims and objectives and in planning future activities. In particular, the Trustees consider how planned activities will contribute to the aims and objectives they have set. The criteria used to admit pupils to the school:

- Looked after children
- Siblings
- Staff children
- Proximity to the school

In September 2017 the furthest offer made at Allington Primary School was 1.344 miles from the school. The furthest offer made at Barming Primary School was 2.594 miles from the school.

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STRATEGIC REPORT

Achievements and performance

Children across the Trust have performed well against their key targets in statutory and non-statutory tests. Data indicates that the children continue to make good and outstanding progress from Key Stage 1 to Key Stage 2 in both English and Mathematics. Data for each school can be found on the Orchard Academy Trust website, www.orchardacademytrust.co.uk. Performance tables for each school are also available on the schools' website which can be found through the links on the Trust website.

Key priorities for the year are contained in the School Improvement Plans which are available from the School Offices and are in line with the Trust's Improvement plan.

Key financial performance indicators

The trustees consider that the following are key performance indicators for the academy:

- Pupil numbers – The Trust endeavours to maintain the schools at full capacity through positive marketing and promoting the schools in a positive light, promoting and maintaining high standards;
- Continued financial stability – The Trust produces three year rolling budgets; makes the most of any opportunity to generate income and makes savings where applicable without detriment to our stakeholders;
- Staff costs – The Trusts target is to maintain staff costs within 80% of total income, this ensures financial stability. Allington currently 82% and Barming 79%. Allington has a higher number of experienced staff to ensure the Academy has capacity to support as a Lead school. Where possible replacements are made at a lower cost.

Financial review and position

Most of the academy trust's recurrent income is obtained from the ESFA in the form of grants, the use of which is restricted to particular purposes. The grants received from the ESFA during the year ended 31 August 2018 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities ("SoFA"). Core grant income has been supplemented by capital funding, and some other income such as income from the hire of facilities and other self-generated sources. Total income for the year was £3.72m which compares to £3.25m in 2017. The increase in income is mainly due to higher capital grant funding in 2017/18 with £459k compared to £17k in the prior year. This year the trust has received Condition Improvement Funding grants to fund urgent fire safety works and to make improvements to flat roofing (both at Allington Primary School). Core grant funding was similar to the previous year, although down slightly.

Expended resources for the year amounted to £3.6m and so the SoFA reports net income for the year of £119k, which is increased further by an actuarial gain on the Local Government Pension Scheme (LGPS) which brings the overall increase in funds for the year to £460k.

This figure has little bearing on the operating income and costs of running the trust's academies. The more meaningful revenue outturn result for the year does not appear on the face of the SoFA. This year there was a small deficit on these funds of £11k, or an overall reducing on revenue funds of £21k after some revenue funding was used to acquire capital items accounting for as fixed assets on the Balance Sheet. The trust is therefore left with revenue funds of £160k which it carries into 2018/19 split between unrestricted funds of £143k and restricted reserves of £17k.

The actuarial movement referred to above on the LGPS is only part of the movement in the LGPS deficit during the year. As explained in the accounting policies section of the financial statements, the LGPS is a funded defined benefit pension scheme and a provision for estimated pension liabilities is included in the academy trust's Balance Sheet. Pension charges of £164k are included with expended resources (within restricted funds) on the SoFA and when set against the actuarial gain the carried LGPS deficit has fallen by £177k to the £1.12m deficit shown on the Balance Sheet. The pension reserve is the only fund in deficit; it is important to note that this accounting deficit does not mean that an immediate liability crystallises and it has no direct effect on the employer contribution rate paid by the trust, which is determined using longer-term funding assumptions.

The final fund reflected in the trust's Balance Sheet is the fixed asset fund. Most of this balance related to the net book value of fixed assets on the Balance Sheet (£7.34m), largely the value of the trust's two academies' buildings. The remaining element of the fixed asset fund, £40k, relates to unspent capital money.

During the year the trust's assets were used almost exclusively for providing education and the associated support services to the pupils of the academy, the only exceptions to this being limited letting of the facilities to third parties such as local community groups.

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Going concern

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

Reserves policy

The Trustees review the reserve levels of the Academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The Trustees have determined that the appropriate level of free reserves should be approximately four weeks of working capital (approximately £250k).

The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

The academy trust's level of free reserves is the balance held as unrestricted funds £143k (2017: £130k).

PRINCIPAL RISK AND UNCERTAINTIES

The main risks that the academy is exposed to are summarised below. For each of these risks the probability, impact and seriousness have been considered together with appropriate action and avoidance plans:

- *Strategic and Reputational* - This covers unfavourable Ofsted reports, risk of uncontrollable events and insufficient demand for academy service, competition from other schools with similar objects and little scope for differentiation. The Trustees hold the Executive Head to account for the performance of the schools and ensure high standards are achieved and that the schools are popular choices within the community. Allington Primary School is oversubscribed and the Number on Roll at Barning has increased by 28 pupils in a 12 month period with only 12 places now available.
- *Finance risk* - The risk of the academy not operating within its budget and running a deficit. Risks linked to income not increasing at the same rate of inflation over the coming years. There are also risks in connection with the deficit on the Local Government Pension Scheme, although the trustees are comfortable with the current level of employer contributions the academy is required to pay. The Trustees are exploring possible ways of generating income and this includes opening a Pre-School at each school and increasing numbers on roll. Cash flow is monitored alongside monthly management accounts and shared with the trustees.
- *Safeguarding and child protection* – The Trustees continue to ensure that the highest standards are maintained in areas of selection and monitoring of staff, the operation of child protection policies and procedures, health and safety, and discipline.
- *Failures in governance and/or management* – The risk in this area arises from the potential failure to effectively manage the trust's finances, internal controls, compliance with regulations and legislation, statutory returns etc. The Trustees have had an external review in July 18 and ensure that appropriate measures are in place to mitigate these risks.
- *Staff* – The success of the academy is reliant on the quality of its staff and staff retention and so the Trustees monitor and review policies and procedures to ensure continued development and training of staff as well as ensuring there is clear succession planning.

Financial and risk management objectives and policies

The academy trust does not use complex financial instruments; it manages its activities using cash and various items such as trade debtors and trade creditors that arise directly from its operations.

The main risk to which the trust is exposed from is making a deficit from unforeseen but necessary expenditure. The trust manages its cash resources so that all its operating needs are met without the need for short-term borrowing, and Trustees review the amount of surplus cash and invest as appropriate so as to maximise interest income.

The trust is also exposed to the following financial risks:

- *Interest rate risk* - the trust earns interest on cash deposits and with interest rates currently low, the trustees will take appropriate action to ensure they maximise the income from these deposits.
- *Credit risk* is managed through regular contact with funders. Liquidity and cash flow risks are managed through the appropriate and carefully managed use of financial instruments with our principal bankers.

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Trustees' Report
For the Year Ended 31 August 2018

Fundraising

Each school within Orchard Academy Trust benefits from a separate self-administered PTFA, who fundraise for specific school-based requirements. These organisations are members of the Parent Kind national charity and run fund raising events with the approval and oversight of the Heads of School. Their accounts are audited annually and reported at the AGMs.

PLANS FOR FUTURE PERIODS

The trustees' main plans for future periods are:

- To raise attainment and progress for all groups of children;
- To establish a Pre-School at each school;
- To increase Numbers on Roll;
- To develop good practice to outstanding practice at Barming;
- To raise attainment and progress in writing and SPAG;
- To retain teaching staff across the MAT and ensure succession planning.

DISCLOSURE OF INFORMATION TO AUDITORS

In so far as the trustees are aware:

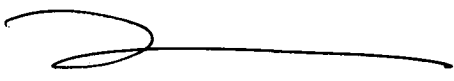
- there is no relevant audit information of which the company's auditor is unaware; and
- the trustees have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

The auditors, UHY Hacker Young, have indicated their willingness to remain in office, and the audit process will be reviewed in detail and re-appointment of the auditors will be considered following the forthcoming Annual General Meeting.

This report, incorporating the Strategic report, was approved by order of the Board of Trustees on 11 December 2018 and signed on the Board of Trustees' behalf by:


Dr N Smetham
Chair of Trustees


Mrs J Young
Executive Head Teacher and Accounting Officer

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Governance Statement for the Year Ended 31 August 2018

Scope of Responsibility

As trustees, we acknowledge we have overall responsibility for ensuring that Orchard 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 Executive Head Teacher, 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 Orchard Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' report and in the Statement of Trustees' responsibilities. The board of trustees has formally met 6 times during the year. Attendance during the year at meetings of the board of trustees was as follows.

| Trustee | Meetings attended | Out of a possible |
|--|--------------------------|--------------------------|
| Dr N Smetham, Chair of Trustees | 6 | 6 |
| Mrs J Young, Executive Head Teacher and Accounting Officer | 6 | 6 |
| Mrs H Crittall | 5 | 6 |
| Mrs A Malling, Deputy Chair | 6 | 6 |
| Mrs M Smith, Business Manager | 3 | 3 |
| Mr P Robertson | 3 | 4 |
| Mrs H Crampton | 4 | 6 |
| Mr K Gilby | 2 | 3 |
| Miss M Roberts | 3 | 3 |
| Rev W North | 2 | 2 |

To ensure compliance with the latest ESFA recommendations the Trust Business Manager has resigned from the Trust board. Mr Robertson resigned from the Trust due to a conflict of interest, Mrs Crampton resigned from the board for personal reasons. Mr Collings – deceased and Mr Gilby has resigned for health reasons. Two new trustees have been appointed through Academy Ambassadors and the Trust is actively seeking a further Trustee.

The Finance and Premises Committee is a sub-committee of the main board of trustees. Its purpose is to:

- Agree and monitor the Trust budgets to ensure up-to-date balanced three year budget plan is maintained and resources are allocated in line with strategic priorities with clear links to the Schools' Development Plans and Staffing plans;
- Agree the proportion of academies funding to be allocated for central services;
- To receive and review monitoring reports from each academy, including cash flow, and approve any significant variances;
- Approve virements of funds between budget allocations in accord with the Trust Finance Policy;
- Monitor the implementation of financial procedures within the Trust and each academy, including segregation of duties;
- Review health and safety arrangements at each academy and receive reports on H&S monitoring from Local Governing Body;
- Agree and maintain a five year premises maintenance programme including capital funding through the Capital Improvement Fund (the Trust Asset Management Plan);
- Receive monitoring reports from each academy on buildings and maintenance, including an annual site report;
- Monitor use of assets and efficient use of financial resources through benchmarking and value for money reviews;
- Monitor the Trust Risk Register to ensure all significant risks are mitigated;
- Review insurance arrangements to ensure adequate levels of premises insurance and personal liability;
- Scrutinize draft Annual Report and Financial Statements and recommend approval to the Trust Board.

The Finance and Premises Committee's remit also includes the functions of an audit committee.

This year the Committee has focused on two major issues:

- Reviewing the strategic financial plan and budgets according to our growth plan;
- Appointment of new auditors.

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Governance Statement for the Year Ended 31 August 2018

Attendance at Finance and Premises Resources Committee meetings in the year was as follows:

| Trustee | Meetings attended | Out of a possible |
|--|-------------------|-------------------|
| Dr N Smetham, Chair of Trustees | 4 | 5 |
| Mrs J Young, Executive Head Teacher and Accounting Officer | 5 | 5 |
| Mrs H Crittall | 2 | 5 |
| Mr P Robertson, Chair of Finance | 4 | 4 |
| Rev W North | 3 | 5 |

Also in attendance:

| | | |
|---------------------------------------|---|---|
| Mrs C Howson (Local Governor) | 3 | 5 |
| Mr C Laker (Local Governor) | 3 | 5 |
| Mr D Jumnoodoo (Local Governor) | 0 | 5 |
| Mrs M Smith (Chief Financial Officer) | 4 | 4 |

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of academy 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 Orchard Academy Trust for the year 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

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

The Risk and Control Framework

The academy'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 & Premises Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties; and
- identification and management of risks.

Wilkins Kennedy carried out internal audits for the financial year 2017 – 2018. Following each visit the board of trustees received a detailed report setting out any findings and recommendations. This year specific checks have been carried out on:

- Whistle Blowing Policy
- Financial Procedures
- Related Party Transactions
- Risk Register
- Gifts and Hospitality
- Data Security
- Compliance

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Governance Statement for the Year Ended 31 August 2018

This internal audit role has been fully delivered in line with ESFA requirements and there have been no material control issues requiring urgent attention. All other matters brought to the board's attention during the year have been followed up appropriately in a timely manner.

Review of Value for money

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

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

- Generating income from Lettings;
- Increasing wrap-around care to include holiday provision;
- Sub-contracting the Director of School Improvement to support another Trust;
- Ensuring resources and specialist staff are deployed effectively across the Trust;
- Ensuring effective deployment of staff and resources to achieve maximum progress and achievement of all pupils;
- Ensuring the schools actively secure sponsorships from local business;
- Ensuring the schools secure bids from the Condition Improvement Fund (CIF); and
- Ensuring the schools continue to work collaboratively with the Maidstone West Consortium to share good practice and drive up standards for least cost.

Review of Effectiveness

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

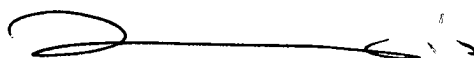
- the work of the independent reviewer;
- work of the external auditors;
- the financial management and governance self-assessment process;
- the work of the executive managers within the academy who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the board of trustees on 11 December 2018 and signed on their behalf, by:



Dr N Smetham
Chair of Trustees



Mrs J Young
Executive Head Teacher and Accounting Officer

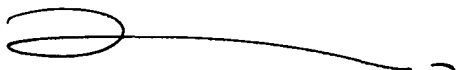
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Statement on Regularity, Propriety and Compliance

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

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

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



Mrs. J. Young
Executive Headteacher and Accounting Officer

Date: 11 December 2018

Orchard Academy Trust
(A company limited by guarantee)

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

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

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless 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 of the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 ESFA/DfE have been applied for the purposes intended.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the 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 11 December 2018 and signed on its behalf by:



Dr. N. Smetham
Chair of Trustees

Orchard Academy Trust
(A company limited by guarantee)

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

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Orchard Academy Trust
(A company limited by guarantee)

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the academy trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report including the Strategic Report.

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

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

Responsibilities of trustees

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

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



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

UHY Kent LLP
Chartered Accountants
Statutory Auditors
Thames House
Roman Square
Sittingbourne
Kent
ME10 4BJ

Date: 13 December 2018

Orchard Academy Trust
(A company limited by guarantee)

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

In accordance with the terms of our engagement letter dated 7 June 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Orchard Academy Trust during the year 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

The Accounting Officer is responsible, under the requirements of Orchard Academy Trust's funding agreement with the Secretary of State for Education dated 31 August 2012, and the Academies Financial Handbook extant from 1 September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

Approach

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

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

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

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

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

The work undertaken to draw to our conclusion included:

- an assessment of the risk of material irregularity and impropriety across all of the academy trust's activities;
- further testing and review of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Orchard Academy Trust
(A company limited by guarantee)

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

Conclusion

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



UHY Kent LLP
Chartered Accountants
Statutory Auditors
Thames House
Roman Square
Sittingbourne
Kent
ME10 4BJ

Date: 13 December 2018

Orchard Academy Trust
(A company limited by guarantee)

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

| | | Unrestricted funds 2018 £000 | Restricted funds 2018 £000 | Restricted fixed asset funds 2018 £000 | Total funds 2018 £000 | Total funds 2017 £000 |
|--|-------------|---|---|---|--|--|
| | Note | | | | | |
| Income from: | | | | | | |
| Donations and capital grants | 2 | 30 | - | 459 | 489 | 47 |
| Charitable activities | 3 | 172 | 3,014 | - | 3,186 | 3,170 |
| Other trading activities | 4 | 46 | - | - | 46 | 28 |
| Investments | 5 | 1 | - | - | 1 | 1 |
| Total income | | 249 | 3,014 | 459 | 3,722 | 3,246 |
| Expenditure on: | | | | | | |
| Raising funds | 4 | - | - | - | - | 3 |
| Charitable activities | | 158 | 3,280 | 165 | 3,603 | 3,620 |
| Total expenditure | 6 | 158 | 3,280 | 165 | 3,603 | 3,623 |
| Net income / (expenditure) before transfers | | 91 | (266) | 294 | 119 | (377) |
| Transfers between Funds | 16 | (78) | 68 | 10 | - | - |
| Net income / (expenditure) before other recognised gains and losses | | 13 | (198) | 304 | 119 | (377) |
| Actuarial gains/(losses) on defined benefit pension schemes | 21 | - | 341 | - | 341 | (59) |
| Net movement in funds | | 13 | 143 | 304 | 460 | (436) |
| Reconciliation of funds: | | | | | | |
| Total funds brought forward | | 130 | (1,245) | 7,075 | 5,960 | 6,396 |
| Total funds carried forward | | 143 | (1,102) | 7,379 | 6,420 | 5,960 |

The notes on pages 20 to 38 form part of these financial statements.

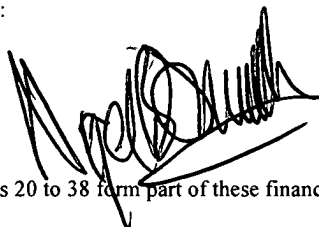
Orchard Academy Trust
(A company limited by guarantee)
Registered number: 08249884

Balance Sheet
As at 31 August 2018

| | Note | £000 | 2018 £000 | 2017 £000 |
|--|------|----------------|---------------------|---------------------|
| Fixed assets | | | | |
| Tangible assets | 13 | | 7,339 | 7,061 |
| Current assets | | | | |
| Debtors | 14 | 87 | | 57 |
| Cash at bank and in hand | | 298 | | 291 |
| | | <u>385</u> | | <u>348</u> |
| Creditors: amounts falling due within one year | 15 | <u>(185)</u> | | <u>(153)</u> |
| Net current assets | | | 200 | 195 |
| Total assets less current liabilities | | | <u>7,539</u> | <u>7,256</u> |
| Defined benefit pension scheme liability | 21 | | <u>(1,119)</u> | <u>(1,296)</u> |
| Net assets including pension scheme liabilities | | | <u><u>6,420</u></u> | <u><u>5,960</u></u> |
| Funds of the academy | | | | |
| Restricted funds : | | | | |
| Restricted income funds | 16 | 17 | | 51 |
| Restricted fixed asset funds | 16 | 7,379 | | 7,075 |
| | | <u>7,396</u> | | <u>7,126</u> |
| Restricted income funds excluding pension liability | | | | |
| Pension reserve | | <u>(1,119)</u> | | <u>(1,296)</u> |
| Total restricted funds | | | 6,277 | 5,830 |
| Unrestricted income funds | 16 | | <u>143</u> | <u>130</u> |
| Total funds | | | <u><u>6,420</u></u> | <u><u>5,960</u></u> |

The financial statements on pages 17 to 38 were approved by the Trustees, and authorised for issue, on 11 December 2018 and are signed on their behalf, by:

Dr. N. Smetham
Chair of Trustees



The notes on pages 20 to 38 form part of these financial statements.

Orchard Academy Trust
(A company limited by guarantee)

Statement of Cash Flows
For the Year Ended 31 August 2018

| | Note | 2018 £000 | 2017 £000 |
|--|-------------|----------------------|----------------------|
| Cash flows from operating activities | | | |
| Net cash used in operating activities | 18 | (16) | (56) |
| Cash flows from investing activities: | | | |
| Dividends, interest and rents from investments | | 1 | 1 |
| Purchase of tangible fixed assets | | (437) | (17) |
| Capital grants from DfE Group | | 459 | 17 |
| Net cash provided by investing activities | | 23 | 1 |
| Cash flows from financing activities: | | | |
| Repayments of borrowings | | - | (33) |
| Net cash used in financing activities | | - | (33) |
| Change in cash and cash equivalents in the year | | 7 | (88) |
| Cash and cash equivalents brought forward | | 291 | 379 |
| Cash and cash equivalents carried forward | 19 | 298 | 291 |

The notes on pages 20 to 38 form part of these financial statements.

Orchard Academy Trust
(A company limited by guarantee)

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

1. Accounting Policies

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

1.1 Basis of preparation of financial statements

The 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 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

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

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 academy trust to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Income

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

Grants are included in the Statement of financial activities incorporating income and expenditure account on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the Balance sheet. Where income is received in advance of entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of financial activities incorporating income and expenditure account in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

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

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the Statement of financial activities incorporating income and expenditure account in the period in which it is receivable, where receipt is probable and it is measurable.

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

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

Orchard Academy Trust
(A company limited by guarantee)

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

1. Accounting Policies (continued)

1.4 Expenditure

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

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

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

All expenditure is inclusive of irrecoverable VAT.

1.5 Tangible fixed assets and depreciation

All assets costing more than £1,000 are capitalised and are carried at cost, net of depreciation and any provision for impairment.

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

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

| | | |
|------------------------|---|----------------------|
| Freehold property | - | 2% straight line |
| Leasehold property | - | 2% straight line |
| Furniture and fixtures | - | 20% straight line |
| Motor vehicles | - | 20% straight line |
| Computer equipment | - | 33.33% straight line |

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

1.6 Operating leases

Rentals under operating leases are charged to the Statement of financial activities incorporating income and expenditure account on a straight line basis over the lease term.

1.7 Debtors

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

Orchard Academy Trust
(A company limited by guarantee)

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

1. Accounting Policies (continued)

1.8 Cash at Bank and in hand

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

1.9 Liabilities and provisions

Liabilities and provisions are recognised when there is an obligation at the Balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.10 Financial instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 14. Prepayments are not financial instruments. Amounts due to the academy trust's wholly owned subsidiary are held at face value less any impairment. Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised costs as detailed in note 15. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument. Amounts due to the academy trust's wholly owned subsidiary are held at face value less any impairment.

1.11 Taxation

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

Orchard Academy Trust
(A company limited by guarantee)

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

1. Accounting Policies (continued)

1.12 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 21, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

1.13 Fund accounting

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

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

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

1.14 Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Orchard Academy Trust
(A company limited by guarantee)

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

2. Income from donations and capital grants

| | Unrestricted funds 2018 £000 | Restricted funds 2018 £000 | Restricted fixed asset funds 2018 £000 | Total funds 2018 £000 | Total funds 2017 £000 |
|---------------------------------------|---------------------------------------|-------------------------------------|--|--------------------------------|--------------------------------|
| Donations | 30 | - | - | 30 | 30 |
| Grants | - | - | 459 | 459 | 17 |
| | <u>30</u> | <u>-</u> | <u>459</u> | <u>489</u> | <u>47</u> |
| <i>Analysis of 2017 total by fund</i> | <u>30</u> | <u>-</u> | <u>17</u> | <u>47</u> | |

3. Funding for Academy's educational operations

| | Unrestricted funds 2018 £000 | Restricted funds 2018 £000 | Total funds 2018 £000 | Total funds 2017 £000 |
|---|---------------------------------------|-------------------------------------|--------------------------------|--------------------------------|
| DfE/ESFA grants | | | | |
| General Annual Grant (GAG) | - | 2,675 | 2,675 | 2,694 |
| Other DfE/ESFA grants | - | 276 | 276 | 240 |
| | <u>-</u> | <u>2,951</u> | <u>2,951</u> | <u>2,934</u> |
| Other government grants | | | | |
| Local authority grants | - | 63 | 63 | 94 |
| | <u>-</u> | <u>63</u> | <u>63</u> | <u>94</u> |
| Other income from the academy trust's educational operations | | | | |
| Educational visits income | 46 | - | 46 | 51 |
| Educational facility income | 111 | - | 111 | 88 |
| Other income | 16 | - | 16 | 5 |
| | <u>173</u> | <u>-</u> | <u>173</u> | <u>144</u> |
| | <u>173</u> | <u>3,014</u> | <u>3,187</u> | <u>3,172</u> |
| <i>Analysis of 2017 total by fund</i> | <u>144</u> | <u>3,026</u> | <u>3,170</u> | |

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4. Trading activities

| | Unrestricted funds 2018 £000 | Restricted funds 2018 £000 | Total funds 2018 £000 | Total funds 2017 £000 |
|-------------------------------------|---------------------------------------|-------------------------------------|--------------------------------|--------------------------------|
| Charity trading income | | | | |
| Hire of facilities | 9 | - | 9 | 10 |
| Staff consultancy income | 27 | - | 27 | - |
| Supply teacher insurance claims | 10 | - | 10 | 17 |
| Sale of goods | - | - | - | 1 |
| | <u>46</u> | <u>-</u> | <u>46</u> | <u>28</u> |
| Fundraising trading expenses | | | | |
| Purchase of uniform | - | - | - | 3 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net income from trading activities | <u>46</u> | <u>-</u> | <u>46</u> | <u>25</u> |

5. Investment income

| | Unrestricted funds 2018 £000 | Restricted funds 2018 £000 | Total funds 2018 £000 | Total funds 2017 £000 |
|---------------------------------------|---------------------------------------|-------------------------------------|--------------------------------|--------------------------------|
| Investment income | 1 | - | 1 | 1 |
| | <u>1</u> | <u>-</u> | <u>1</u> | <u>-</u> |
| <i>Analysis of 2017 total by fund</i> | <u>1</u> | <u>-</u> | <u>1</u> | <u>-</u> |

6. Expenditure

| | Staff costs 2018 £000 | Premises 2018 £000 | Other costs 2018 £000 | Total 2018 £000 | Total 2017 £000 |
|---|-----------------------------|--------------------------|-----------------------------|-----------------------|-----------------------|
| Funding for the academy trust's educational operations: | | | | | |
| Direct costs | 2,325 | 144 | 228 | 2,697 | 2,755 |
| Support costs | 445 | 177 | 284 | 906 | 865 |
| | <u>2,770</u> | <u>321</u> | <u>512</u> | <u>3,603</u> | <u>3,620</u> |
| <i>Analysis of 2017 total by fund</i> | <u>2,817</u> | <u>318</u> | <u>485</u> | <u>3,620</u> | <u>-</u> |

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7. Analysis of expenditure by activities

| | Direct costs | Support costs | Total | Total |
|--|---------------------|----------------------|--------------|--------------|
| | 2018 | 2018 | 2018 | 2017 |
| | £000 | £000 | £000 | £000 |
| Funding for the academy trust's educational operations | 2,697 | 906 | 3,603 | 3,620 |
| <i>Analysis of 2017 total by fund</i> | <i>2,755</i> | <i>865</i> | <i>3,620</i> | |

Analysis of support costs

| | Total | Total |
|--------------------------|--------------|--------------|
| | 2018 | 2017 |
| | £000 | £000 |
| Staff costs | 445 | 404 |
| Technology costs | 59 | 63 |
| Premises costs | 156 | 164 |
| Governance costs | 41 | 28 |
| Other support costs | 205 | 206 |
| | 906 | 865 |
| <i>At 31 August 2017</i> | <i>865</i> | |

8. Net income/(expenditure)

This is stated after charging:

| | 2018 | 2017 |
|---|-------------|-------------|
| | £000 | £000 |
| Depreciation of tangible fixed assets: | | |
| - owned by the academy trust | 159 | 154 |
| Auditors' remuneration - audit | 8 | 7 |
| Auditors' remuneration - other services | 2 | 3 |
| Operating lease rentals | 13 | 14 |

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9. Staff

a. Staff costs

Staff costs were as follows:

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Wages and salaries | 1,996 | 2,048 |
| Social security costs | 172 | 170 |
| Operating costs of defined benefit pension schemes | 497 | 485 |
| | <u>2,665</u> | <u>2,703</u> |
| Agency staff costs | 105 | 46 |
| Staff restructuring costs | - | 68 |
| | <u>2,770</u> | <u>2,817</u> |

Staff restructuring costs comprise:

| | 2018 £000 | 2017 £000 |
|---------------------------|--------------|--------------|
| Redundancy payments | - | 8 |
| Severance payments | - | 42 |
| Other restructuring costs | - | 18 |
| | <u>-</u> | <u>68</u> |

b. Staff numbers

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

| | 2018 No. | 2017 No. |
|----------------------------|-------------|-------------|
| Management | 7 | 7 |
| Teachers | 38 | 41 |
| Administration and support | 63 | 66 |
| | <u>108</u> | <u>114</u> |

c. Higher paid staff

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

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

The above employees participated in the teachers' pension scheme. During the year ended 31 August 2018, pension contributions for the employee concerned amounted to £12,602.

d. Key management personnel

The key management personnel of the academy trust comprise of the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £332,956 (2017: £695,746).

The 2017 key management personnel total includes key stage leads and SENCOs . We have taken the view this year to only

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Notes to the Financial Statements
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9. Staff costs (continued)

include Trust senior leadership team and Heads of School therefore showing a significant decrease in cost.

10. Central services

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

- School improvement
- Finance
- Insurance
- Audit and accountancy fees
- Solicitor fees
- Payroll
- Caretakers

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

All of the above services are split on a 50:50 basis.

The actual amounts charged during the year were as follows:

| | 2018 | 2017 |
|--------------------------|-------------|-------------|
| | £000 | £000 |
| Allington Primary School | 139 | 73 |
| Barming Primary School | 139 | 72 |
| | <hr/> | <hr/> |
| Total | 278 | 145 |
| | <hr/> | <hr/> |

11. Trustees' remuneration and expenses

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

| | | 2018 | 2017 |
|--|----------------------------|-------------|-------------|
| | | £000 | £000 |
| Mrs. J. Young, Executive Headteacher and | Remuneration | 75-80 | 70-75 |
| Accounting Officer | Pension contributions paid | 10-15 | 10-15 |
| Mrs. M. Smith, Business Manager | Remuneration | 15-20 | 25-30 |
| | Pension contributions paid | 0-5 | 0-5 |

During the year ended 31 August 2018, no Trustees received any reimbursement of expenses (2017 - £Nil).

12. Trustees' and Officers' Insurance

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

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Notes to the Financial Statements
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13. Tangible fixed assets

| | Freehold property £000 | Leasehold property £000 | Furniture and fixtures £000 | Plant and equipment £000 | Assets under construction £000 | Total £000 |
|-----------------------|---------------------------------------|--|--|---|---|-----------------------|
| Cost | | | | | | |
| At 1 September 2017 | 4,505 | 3,007 | 31 | 42 | - | 7,585 |
| Additions | 378 | - | - | 23 | 36 | 437 |
| At 31 August 2018 | 4,883 | 3,007 | 31 | 65 | 36 | 8,022 |
| Depreciation | | | | | | |
| At 1 September 2017 | 409 | 60 | 28 | 27 | - | 524 |
| Charge for the year | 93 | 51 | 2 | 13 | - | 159 |
| At 31 August 2018 | 502 | 111 | 30 | 40 | - | 683 |
| Net book value | | | | | | |
| At 31 August 2018 | 4,381 | 2,896 | 1 | 25 | 36 | 7,339 |
| At 31 August 2017 | 4,096 | 2,947 | 3 | 15 | - | 7,061 |

14. Debtors

| | 2018 £000 | 2017 £000 |
|--------------------------------|----------------------|----------------------|
| Trade debtors | 14 | 4 |
| VAT recoverable | 23 | 14 |
| Prepayments and accrued income | 50 | 39 |
| | 87 | 57 |

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Notes to the Financial Statements
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15. Creditors: Amounts falling due within one year

| | 2018 | 2017 |
|--------------------------------------|-------------|-------------|
| | £000 | £000 |
| Trade creditors | 61 | 63 |
| Other creditors | 2 | - |
| Accruals and deferred income | 122 | 90 |
| | <u>185</u> | <u>153</u> |
| | 2018 | 2017 |
| | £000 | £000 |
| Deferred income | | |
| Deferred income at 1 September 2017 | 75 | 77 |
| Resources deferred during the year | 79 | 75 |
| Amounts released from previous years | (75) | (77) |
| Deferred income at 31 August 2018 | <u>79</u> | <u>75</u> |

At the balance sheet date the academy trust was holding funds received in advance for rates, trips, wrap around care and Universal Infant Free School Meals.

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

16. Statement of funds

| | Balance at 1 September 2017 £000 | Income £000 | Expenditure £000 | Transfers in/out £000 | Gains/ (Losses) £000 | Balance at 31 August 2018 £000 |
|-------------------------------------|---|----------------|---------------------|-----------------------------|----------------------------|--------------------------------------|
| Unrestricted funds | | | | | | |
| Unrestricted funds | 130 | 249 | (158) | (78) | - | 143 |
| Restricted funds | | | | | | |
| General Annual Grant (GAG) | 24 | 2,675 | (2,718) | 19 | - | - |
| Other DfE/ESFA grants | 27 | 276 | (286) | - | - | 17 |
| Other government grants | - | 63 | (112) | 49 | - | - |
| Pension reserve | (1,296) | - | (164) | - | 341 | (1,119) |
| | (1,245) | 3,014 | (3,280) | 68 | 341 | (1,102) |
| Restricted fixed asset funds | | | | | | |
| DfE/ESFA capital grants | 15 | 459 | - | (434) | - | 40 |
| Fixed asset fund | 7,060 | - | (165) | 444 | - | 7,339 |
| | 7,075 | 459 | (165) | 10 | - | 7,379 |
| Total restricted funds | 5,830 | 3,473 | (3,445) | 78 | 341 | 6,277 |
| Total of funds | 5,960 | 3,722 | (3,603) | - | 341 | 6,420 |

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

General Annual Grant "GAG" must be used for the normal running costs of the academy.

The other DfE/ESFA grants fund is used to track non-GAG grants provided by the DfE and related bodies and this year comprises mainly Pupil Premium.

The other government grants fund is used to track grants provided by government departments.

The pensions reserve is a restricted fund to account for the liability arising under the Local Government Pension Scheme.

The restricted fixed asset funds are carried forward to meet the specific costs of fixed asset projects and to cover the depreciation charges that will be required on these projects going forward and the current fixed assets held. The transfers into this fund represent capital items purchased during the year from revenue funds.

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2018.

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

16. Statement of funds (continued)

Analysis of academies by fund balance

Fund balances at 31 August 2018 were allocated as follows:

| | Total 2018 £000 | Total 2017 £000 |
|---|--------------------------------|--------------------------------|
| Allington Primary School | 113 | 164 |
| Barming Primary School | 44 | 17 |
| Orchard Academy Trust | 3 | - |
| Total before fixed asset fund and pension reserve | 160 | 181 |
| Restricted fixed asset fund | 7,379 | 7,075 |
| Pension reserve | (1,119) | (1,296) |
| Total | 6,420 | 5,960 |

Analysis of academies by cost

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

| | Teaching and educational support staff costs £000 | Other support staff costs £000 | Educational supplies £000 | Other costs excluding depreciation £000 | Total 2018 £000 | Total 2017 £000 |
|--------------------------|--|---|--|--|--------------------------------|--------------------------------|
| Allington Primary School | 1,190 | 115 | 71 | 259 | 1,635 | 1,573 |
| Barming Primary School | 1,135 | 128 | 60 | 289 | 1,612 | 1,752 |
| | 2,325 | 243 | 131 | 548 | 3,247 | 3,325 |

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Notes to the Financial Statements
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16. Statement of funds (continued)

Statement of funds - prior year

| | Balance at 1 September 2016 £000 | Income £000 | Expenditure £000 | Transfers in/out £000 | Gains/ (Losses) £000 | Balance at 31 August 2017 £000 |
|-------------------------------------|---|----------------|---------------------|-----------------------------|-------------------------|--------------------------------------|
| General funds | | | | | | |
| Unrestricted funds | 197 | 202 | (118) | (151) | - | 130 |
| Restricted funds | | | | | | |
| General Annual Grant (GAG) | 48 | 2,694 | (2,841) | 123 | - | 24 |
| Other DfE/ESFA grants | 63 | 240 | (276) | - | - | 27 |
| Other government grants | - | 93 | (93) | - | - | - |
| Other restricted funds | 8 | - | - | (8) | - | - |
| Pension reserve | (1,095) | - | (142) | - | (59) | (1,296) |
| | (976) | 3,027 | (3,352) | 115 | (59) | (1,245) |
| Restricted fixed asset funds | | | | | | |
| DfE/ESFA capital grants | 11 | 17 | - | (14) | - | 14 |
| Fixed asset fund | 7,197 | - | (153) | 17 | - | 7,061 |
| Liability on conversion | (33) | - | - | 33 | - | - |
| | 7,175 | 17 | (153) | 36 | - | 7,075 |
| Total restricted funds | 6,199 | 3,044 | (3,505) | 151 | (59) | 5,830 |
| Total of funds | 6,396 | 3,246 | (3,623) | - | (59) | 5,960 |

17. Analysis of net assets between funds

| | Unrestricted funds 2018 £000 | Restricted funds 2018 £000 | Restricted fixed asset funds 2018 £000 | Total funds 2018 £000 |
|--|---------------------------------------|-------------------------------------|--|--------------------------------|
| Tangible fixed assets | - | - | 7,339 | 7,339 |
| Current assets | 143 | 202 | 40 | 385 |
| Creditors due within one year | - | (185) | - | (185) |
| Provisions for liabilities and charges | - | (1,119) | - | (1,119) |
| | 143 | (1,102) | 7,379 | 6,420 |

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17. Analysis of net assets between funds (continued)

Analysis of net assets between funds - prior year

| | <i>Unrestricted funds</i> | <i>Restricted funds</i> | <i>Restricted fixed asset funds</i> | <i>Total funds</i> |
|--|---------------------------|-------------------------|-------------------------------------|--------------------|
| | <i>2017</i> | <i>2017</i> | <i>2017</i> | <i>2017</i> |
| | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| Tangible fixed assets | - | - | 7,060 | 7,060 |
| Current assets | 130 | 204 | 15 | 349 |
| Creditors due within one year | - | (153) | - | (153) |
| Provisions for liabilities and charges | - | (1,296) | - | (1,296) |
| | <u>130</u> | <u>(1,245)</u> | <u>7,075</u> | <u>5,960</u> |

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

| | 2018 | 2017 |
|--|-------------|-------------|
| | £000 | £000 |
| Net income/(expenditure) for the year (as per Statement of Financial Activities) | 119 | (377) |
| Adjustment for: | | |
| Depreciation charges | 159 | 153 |
| Dividends, interest and rents from investments | (1) | (1) |
| Decrease in stocks | - | 3 |
| (Increase)/decrease in debtors | (30) | 96 |
| Increase/(decrease) in creditors | 32 | (55) |
| Capital grants from DfE and other capital income | (459) | (17) |
| Defined benefit pension scheme cost less contributions payable | 132 | 128 |
| Defined benefit pension scheme finance cost | 32 | 14 |
| Net cash used in operating activities | <u>(16)</u> | <u>(56)</u> |

19. Analysis of cash and cash equivalents

| | 2018 | 2017 |
|--------------|-------------|-------------|
| | £000 | £000 |
| Cash in hand | 298 | 291 |
| Total | <u>298</u> | <u>291</u> |

20. Capital commitments

At 31 August 2018 the academy trust had capital commitments as follows:

| | 2018 | 2017 |
|---|-------------|-------------|
| | £000 | £000 |
| Contracted for but not provided in these financial statements | 27 | - |

The capital commitment at the year end related to the Fire Alarm works at Allington Primary School.

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21. Pension commitments

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

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

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

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

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

Valuation of the Teachers' Pension Scheme

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

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

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

The employer's pension costs paid to TPS in the period amounted to £228,000 (2017 - £225,000).

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £146,000 (2017 - £158,000), of which employer's contributions totalled £114,000 (2017 - £125,000) and employees' contributions totalled £32,000 (2017 - £33,000). The agreed contribution rates for future years are 20% for employers and 5.5% - 12.5% for employees.

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21. Pension commitments (continued)

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

Principal actuarial assumptions:

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

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

| | 2018 | 2017 |
|----------------------|------|------|
| Retiring today | | |
| Males | 23.1 | 23.0 |
| Females | 25.2 | 25.1 |
| Retiring in 20 years | | |
| Males | 25.3 | 25.2 |
| Females | 27.5 | 27.4 |

| | At 31 August 2018 £000 | At 31 August 2017 £000 |
|--|------------------------------|------------------------------|
| Sensitivity analysis | | |
| Discount rate +0.1% | 66 | 66 |
| Discount rate -0.1% | (68) | (67) |
| Mortality assumption - 1 year increase | (85) | (55) |
| Mortality assumption - 1 year decrease | 82 | 53 |
| CPI rate +0.1% | (59) | (55) |
| CPI rate -0.1% | 57 | 53 |

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

| | Fair value at 31 August 2018 £000 | Fair value at 31 August 2017 £000 |
|-------------------------------------|--|--|
| Equities | 1,028 | 923 |
| Gilts | 12 | 9 |
| Corporate bonds | 134 | 126 |
| Property | 187 | 161 |
| Cash and other liquid assets | 46 | 42 |
| Other assets | 102 | 50 |
| Total market value of assets | 1,509 | 1,311 |

The actual return on scheme assets was £61,000 (2017 - £190,000).

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

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

| | 2018 | 2017 |
|----------------------|--------------|--------------|
| | £000 | £000 |
| Current service cost | (245) | (253) |
| Interest income | 36 | 14 |
| Interest cost | (68) | (28) |
| Admin expenses | (1) | - |
| Total | (278) | (267) |

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

| | 2018 | 2017 |
|---|--------------|--------------|
| | £000 | £000 |
| Opening defined benefit obligation | 2,607 | 1,659 |
| Current service cost | 245 | 253 |
| Interest cost | 68 | 28 |
| Employee contributions | 32 | 33 |
| Actuarial (gains)/losses | (316) | 643 |
| Benefits paid | (8) | (9) |
| Closing defined benefit obligation | 2,628 | 2,607 |

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

| | 2018 | 2017 |
|--|--------------|--------------|
| | £000 | £000 |
| Opening fair value of scheme assets | 1,311 | 564 |
| Interest income | 36 | 14 |
| Actuarial losses | 25 | 584 |
| Employer contributions | 114 | 125 |
| Employee contributions | 32 | 33 |
| Benefits paid | (8) | (9) |
| Administrative expenses | (1) | - |
| Closing fair value of scheme assets | 1,509 | 1,311 |

22. Operating lease commitments

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

| | 2018 | 2017 |
|-------------------------|-------------|-------------|
| | £000 | £000 |
| Amounts payable: | | |
| Within 1 year | 8 | 9 |
| Between 1 and 5 years | 10 | 11 |
| Total | 18 | 20 |

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23. Members' liability

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

24. Related party transactions

Owing to the nature of the academy trust and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which Trustees have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the AFH and with the trust's financial regulations and normal procurement procedures relating to connected and related party transactions. The following related party transactions took place in the financial period.

Expenditure related party transaction

During the year the following close family members of key management personnel were employed by the trust and paid a salary under an employment contract for their individual roles:

Siobhan Young - daughter of Executive Headteacher
Maria Robertson - spouse of Trustee

In each case the member of key management had no involvement in the appointment of their close family members, and the Board of Directors are comfortable that both employees' salaries provide value for money and are not at a preferential rate.

Income related party transaction

During the year ended 31 August 2018, donations of £5k were received from Allington PTA (2017: £6k) and £14k from Barming PTA (2017: £9k).

25. Ultimate controlling party

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