

Ashwell Academy

(A company limited by guarantee)

Annual Report and Financial Statements

for the Year Ended 31 August 2017



Contents

Reference and Administrative Details	1 to 2
Trustees' Report	3 to 9
Governance Statement	10 to 13
Statement on Regularity, Propriety and Compliance	14
Statement of Trustees' Responsibilities	15
Independent Auditor's Report on the Financial Statements	16 to 18
Independent Reporting Accountant's Report on Regularity	19 to 20
Statement of Financial Activities incorporating Income and Expenditure Account	21 to 22
Balance Sheet	23
Statement of Cash Flows	24
Notes to the Financial Statements	25 to 43



Reference and Administrative Details

Members

E Evans
I Ravenscroft
C Ideson-Bowen

**Governors and
Trustees (Directors)**

E Evans, (i) (ii) Chair
C Ideson-Bowden, (i) Vice Chair (resigned 29 November 2017)
J Downing, (i) (ii) Staff Governor (resigned 1 April 2017)
C Birkenshaw, (i) (resigned 30 June 2017)
D Wrapson, (i) (resigned 28 February 2017) (appointed 15 June 2017)
M Wrightson (resigned 1 February 2017)
B Smurthwaite, (i) (ii) (resigned 28 September 2017)
S Wilson, (i) (ii) (resigned 9 December 2016)
D Broadbent, (i) (ii) (appointed 9 November 2016)
L Cottrell, (i) (ii) (appointed 9 November 2016 and resigned 20 November 2017)
J Harris, (ii) (appointed 7 June 2017)
S Marshall, (i) (ii) (appointed 28 March 2017)
J Thompson (appointed 1 December 2017)
A Young (resigned 31 December 2017)

(i) members of the Business, Finance and Resources Committee

(ii) members of the Standards and Progress Committee



Reference and Administrative Details (continued)

Senior Management Team	C Birkenshaw, Principal (Accounting Officer until 7 December 2017) J Thompson, Principal (Accounting Officer from 1 December 2017) C Clarke, Vice Principal N Jones, Assistant Principal A Young, Assistant Principal (appointed interim Accounting Officer with effect from 7 December 2016 to 1 December 2017) J Downing, School Business Manager
Principal and Registered Office	Snowdon Way Bransholme Hull HU7 5DS
Bankers	Lloyds Banking Group 1st Floor Lisbon House 116 Wellington Street Leeds LS2 3AG
Solicitors	Wrigley Solicitors LLP 19 Cookridge Street Leeds LS2 3AG
Company Registration Number	08418435
Auditors	Forrester Boyd Robson Limited Kingfisher Court Plaxton Bridge Road Woodmansey Beverley HU17 0RT



Trustees' Report for the Year Ended 31 August 2017

The Trustees present their annual report together with the financial statements and auditors' report of the charitable company for the year ended 31 August 2017. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

Structure, governance and management

Constitution

The Academy Trust is a company limited by guarantee and is an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Academy Trust. The company registration number is 08418435.

The governors act as the trustees for the charitable activities of Ashwell Academy and are also the directors of the charitable company for the purposes of company law.

Details of the trustees who served throughout the year except as noted are included in the Reference and Administrative Details on page 1.

Members' liability

Each member of the charitable company undertakes to contribute to the assets of the 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.

Trustees' indemnities

The Academy through its Articles has indemnified its Trustees to the fullest extent permissible by law. During the period the Academy also purchased and maintained liability insurance for its Trustees. The insurance provides cover up to £2,000,000 on any one claim.

Method of recruitment and appointment or election of Trustees

The company's Memorandum and Articles of Association are the primary governing documents of the Academy. The number of Governors shall be not less than three but (unless otherwise determined by ordinary resolution) shall not be subject to any maximum.

The members may appoint up to 16 Governors and must have a minimum of 2 Parent Governors.

The members may appoint Staff Governors through such process as they may determine, provided that the total number of Governors (including the Headteacher) who are employees of the Academy does not exceed one third of the total number of Governors.

The Principal shall be treated for all purposes as being an ex officio Governor.

The parent Governors shall be elected by parents of registered pupils at the Academy. A Parent Governor must be a parent of pupils at the Academy at the time when he/she is elected.

The Secretary of State may also appoint additional Governors if he feels it appropriate and ultimately has the power to in effect take over the Governance of the Academy. The Secretary of State has not appointed any additional Governors.

Policies and procedures adopted for the induction and training of Trustees

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

As there are normally only one or two new Trustees a year, induction tends to be done informally and is tailored specifically to the individual.



Trustees' Report for the Year Ended 31 August 2017 (continued)

Organisational structure

The Academy structure now consists of two levels: the Trustees and the Senior Leadership Team. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

The Trustees are responsible for setting general policy, adopting an annual plan and budget, monitoring the Academy by the use of budgets and making major decisions about the direction of the Academy, and senior staff appointments.

The Senior Leadership Team members are, the Principal or Consultant Principal, Vice Principal, 2 Assistant Principals and the School Business Manager. These managers lead the Academy at an executive level implementing the policies laid down by the Trustees and reporting back to them. As a group, the Senior Leadership Team are responsible for the authorisation of spending within agreed budgets and the appointment of staff. The Principal, Vice Principal and School Business Manager sign all purchase orders within the Academy.

With effect from 7 December 2016, A Young (Assistant Principal) was appointed Interim Accounting Officer, and resigned 31 December 2017.

Arrangements for setting pay and remuneration of key management personnel

The Principal is set targets each year by the Principal's appraisal committee, this is usually supported by a school improvement partner who works with governors to set realistic and meaningful targets which will promote and drive the Academy forward. The Academy set a range in which the Principal's pay is managed. The range for Ashwell is 25 -31 on the Head Teachers' pay scale. The Vice Principal is monitored for pay by the same method as the Principal along with targets which will be used to make decisions around pay progression. Ashwell's range for Vice Principal is 12 – 16. The Academy has 2 Assistant Principals who are subject to performance management where yearly targets are set and monitored at set times throughout the academic year. The School business manager is subject to Performance Management, the same process as the Assistant Principals.

Connected organisations, including related party relationships

Governors are drawn from the local community and from time to time it is possible that the Academy will enter into transactions with organisations in which a Trustee or Governor has an interest. All such transactions are reflected in the Trusts' Register of Business Interests. These are duly considered by the Governing Body on a regular basis to ensure all such transactions are in line with the Academies Handbook requirements.

Objectives and activities

Objects and aims

The principal object and activity of the charitable company is the operation of Ashwell Academy, Hull, and to provide education for students of different abilities between the ages of 11-16.

We endeavor to provide an enjoyable, enriched educational experience, relevant and meaningful for every child:

- To create a caring environment in which each child feels happy, secure and motivated to learn.
- To identify value and positively foster his/her individual talents.
- To offer pupils a curriculum which is coordinated, differentiated and challenging.
- To encourage independence of mind and a questioning spirit.
- To promote an awareness of moral values, service, friendship and the communal responsibility of all.

In accordance with the articles of association the charitable company has adopted a "Scheme of Government" approved by the Secretary of State for Education. The Scheme of Government specifies, amongst other things, the basis for admitting students to the Academy, the catchment area from which the students are drawn, and that the curriculum should comply with the substance of the National Curriculum.



Trustees' Report for the Year Ended 31 August 2017 (continued)

Objectives, strategies and activities

The main objectives of the Academy during the period ended 31 August 2017 are summarised below:

Key Priorities:

- To continue to raise standards of attainment and progress throughout the school and increase level of teaching from good to outstanding, within the New Curriculum.
- To raise standards in English throughout the school – (including the new curriculum).
- To raise standards in Maths throughout the school – (including the new curriculum).
- To ensure high quality provision throughout the new Foundation Stage Unit.
- To continue to develop inclusion throughout the school specifically with reference to the SEN code of practice.

Secondary Priorities:

- To ensure coverage of the new curriculum in all areas.
- Ensuring that pay is performance related and staff have opportunities to develop and meet CPD targets.
- Ensuring that all staff develop as leaders and therefore a middle tier of leaders is developed - succession planning.
- Ensuring the curriculum is relevant to the childrens' experiences; linked to their interests; promotes thinking and independence and develops key basic skills.

Public benefit

The Academy provides educational services to all children in the local area. The Trustees confirm that they have complied with the duty in Section 4 of the Charities Act 2006 to have due regard to the public benefit guidance provided by the Charity Commission.

The primary purpose of Ashwell Academy, Hull is the advancement of education within Hull. To this end, it now runs as an Academy aspiring towards the highest possible standards for approximately 40 students aged 11-16. The Academy continues to be full in the majority of classes.

Inextricably linked with this purpose is the aim of contributing to the public good. Through the provision of educational activities and extracurricular activities, the Academy aims to contribute considerable benefit to the local community.

The Academy involves the community in the following activities:

Community Partnership projects:

- 5th November fire work event
- Christmas lunch for the elderly
- Football clubs use the site (at no cost)

Family learning opportunities:

The Academy has given a high priority to providing public benefit to a cross section of the community, but perhaps the greatest benefit that the Academy can offer is the provision of an education that maximises each student's potential to develop principled, informed, open minded and confident citizens who respect the beliefs of others and who are determined to make a positive contribution to society.

The aforementioned objectives, activities, achievements and performance further serve to emphasise the benefit the Academy brings to the public.

The Trustees have considered the impact of the public benefit requirement including the guidance issued by the Charity Commission.



Trustees' Report for the Year Ended 31 August 2017 (continued)

Strategic Report

Achievements and Performance

The Academy has recently had an Ofsted inspection with the overall rating of the school being judged to be Requires Improvement.

Key performance indicators

Progress Rates of Students across the Key Subject Areas

- Progress in English: 96% of pupils are making overall progress of which 52% are closing the gap. In reading 31% are rapidly closing the gap against their chronological age.
- Progress in Maths: 92% are making overall progress of which 62% are rapidly closing the gap.
- Progress in Science: 98% are making overall progress of which 45% are rapidly closing the gap.
- Progress in Humanities: 92% are making overall progress of which 38% are rapidly closing the gap.

Going concern

The Trustees recognise that there is a concern over the ability of the Academy to continue as a going concern due to the following;

- the net expenditure incurred during the year of £189,882 and in the previous year of £136,965.
- the net current liabilities as at 31 August 2017 of £284,294 suggesting the Trust does not have sufficient working capital to repay its debts.
- the significant amount owed to the Local Authority with the Trust failing to meet the agreed payment plan in place.
- the negative combined restricted and un-restricted general fund balances as at 31 August 2017 of £332,249.
- the use of capital funding for revenue purposes which is prohibited.

After making enquiries, the Trustees have a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. During the financial year to 31 August 2017, the Academy incurred unexpected costs which had not been budgeted for. The Academy paid staff restructuring costs of £53,000 during the year which was mainly for settlement agreements.

Since September 2017, Trustees have been in discussions with the Regional Schools Commissioner (RSC)'s office, the Education and Skills Funding Agency (ESFA) and the local authority. These discussions have resulted in the following actions to be put in place from January 2018:

- The agreement with the RSC to significantly strengthen the Trust's governance arrangements by establishing an academy management committee with an external chair and members to work alongside the trust board to bring about rapid improvement including financial stability.
- The agreement of ESFA to provide a cash loan to cover immediate priority creditors.
- The commitment to work with the ESFA to produce a revised repayment plan by 31 March 2018 to repay the historic debt to the local authority.
- The appointment of an expert interim business manager.
- The agreement of ESFA to allocate a financial management adviser to work with the Trust.
- The commitment to work with the ESFA to produce a revised financial recovery plan that will, realistically, enable the Trust to continue as a going concern.

The Trustees are confident that the measures will improve the Academy Trust's performance. Accordingly, the Trustees continue to adopt the going concern basis in preparing the Financial Statements.



Trustees' Report for the Year Ended 31 August 2017 (continued)

Strategic Report

Financial review

Most of the Academy's income is obtained from the DfE and the Local Authority in the form of recurrent grants and commissioned placements, the use of which is restricted to particular purposes. The grants and placement funding received from the DfE during the period ended 31 August 2017 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

During the period ended 31 August 2017, total expenditure of £1,524,578 was incurred which was not covered by the recurrent grant funding from the DfE together with other incoming resources of £1,334,696. The excess of expenditure over income for the period was £189,882. If depreciation and FRS 102 pension adjustments were excluded the deficit would be £96,737, on all funds, (£76,357 2015/16).

The in-year deficit on the combined restricted and un-restricted general funds, excluding FRS 102 pension adjustments and before the transfer of funds was £195,385 (deficit £81,133 2015/16). The cumulative revenue deficit as at 31 August 2017 is £332,249 (£136,864 in 2015/16) and this excludes the restricted fixed asset fund and FRS 102 pension adjustments. During the year the Academy incurred staff restructuring costs of £53,000.

At 31 August 2017 the net book value of fixed assets was £3,099,126 and movements in tangible fixed assets are shown in note 11 to the financial statements.

The Academy's staff are entitled to membership of the Local Government Pension Scheme. The Academy's share of the scheme's assets is currently assessed to be less than its liabilities in the Scheme, and consequently the Academy balance sheet shows a net liability of £625,000.

Potential Fraud

During 2016/17 the Trustees became aware of a potential fraud involving the potential overpayment of staff mileage expenses and the overpayment of an employee's salary. An external investigation was carried out into the potential fraud after the year end to assess the financial loss and background to the potentially fraudulent activities. The potential value of the total financial loss is between £5,000 and £10,000 in the financial year ended 31 August 2017 and between £0 and £5,000 in the financial year ended 31 August 2016. The matter of overpayment of mileage claims was referred to the police who have not taken any further action. As a result of the investigations financial procedures for employee expenses have been reviewed and strengthened to prevent recurrence.

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 consider that the value of three months' worth of the schools monthly salary costs will be sufficient to cover the day to day working capital of the School and timing of expenses payable.

A breakdown of the funds at 31 August 2017 is as follows:-

	£
Unrestricted general fund	(18,591)
Restricted general fund	(313,658)
Restricted fixed asset fund	3,147,081
Restricted pension fund	(625,000)
Total funds	<u>2,189,832</u>

Investment policy

The Trustees agree all investments made by the Academy. The Academy does not currently hold any investments outside its current account. Future investments are likely to be restricted to deposit and money market accounts in all UK banks. The Academy will seek to hold adequate cash reserves for the day to day running of the School in line with the reserves policy.



Trustees' Report for the Year Ended 31 August 2017 (continued)

Strategic Report

Financial and risk management objectives and policies

The Academy is subject to a number of risks and uncertainties in common with other academies. The Academy has in place procedures to identify and mitigate financial risks. These are discussed further in the Risk Management section of this report and in the Governance Statement.

Principal risks and uncertainties

The principal risk and uncertainties are centered around changes in the level of funding from the DfE/ESFA and the Local Authority. This is compounded by the potential variability of commissioned places both from the Local Authority and Private Commissions. In addition, the Academy is a member of the Local Government Pension (LGPS), which may result in significant movements each year.

Risk management

The Trustees have assessed and implemented a number of systems to assess and mitigate risks that the school faces, especially in the operational areas e.g. in relation to teaching, health and safety, bullying and school trips and in relation to the control of finance. They have introduced systems, including operational procedures (e.g. vetting of new staff and visitors, supervision of school grounds) and internal financial controls in order to minimise risk. Where significant financial risk still remains they have ensured they have adequate insurance cover. The Academy has an effective system of internal financial controls and this is explained in more detail in the Governance Statement. Key risks have been identified below:

Key Risks Identified:

- **Funding:** This is the biggest risk for the Academy, as income from commissioned places is dependent on the number of places that the LA purchases, with an agreement for 40 funded places in 16/17. The survival of the Academy depends on commissioned numbers exceeding 40 places which generates additional income from both the LA and from other external bodies purchasing places. During the year the operation of NCVP (North Carr Vocational Provision) ceased with a loss of funding which has contributed to the in year deficit.
- **Falling student numbers:** the Academy's student numbers have been rising over the past 3 years with 2016/2017 reaching a maximum of 56 students in 16/17, including funded and commissioned places. Looking at the trend the Academy sees there are no reasons why the numbers of commissioned places should fall, although vocational training places have currently ceased.
- **Cash flows:** The Academy encountered cash flow problems in 2016-17 as the in-year operational deficit impacted on the net cash flow available to the Academy and this impacted on the ability to make prompt payments to the Academies creditors. However the financial position of the Academy is improving and the ESFA have agreed to provide a cash loan which will enable outstanding creditors to be paid, other than the historic debt to the local authority which will be covered by a repayment plan. Cash flow is being closely monitored and the Cash Flow statement for the next financial year 17/18 shows that the Academy's planned income will cover its expenditure with an operational surplus.

Plans for future periods

The Academy will continue striving to improve the levels of performance of its students at all levels by ensuring that the main objectives are achieved.



Trustees' Report for the Year Ended 31 August 2017 (continued)

Auditor

In so far as the Trustees are aware:

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

Trustees' Report, incorporating a Strategic Report, was approved by order of the members of the Governing Body on 21 February 2018 and signed on its behalf by:

.....


E Evans
Governor and trustee

.....


J Thompson
Governor and trustee



Ashwell Academy

Governance Statement

Scope of responsibility

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

The Governing Body has delegated the day-to-day responsibility to J Thompson, 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 Ashwell Academy and the Secretary of State for Education. They are also responsible for reporting to the Governing Body 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 Governing Body has formally met 6 times during the year. Attendance during the year at meetings of the Governing Body was as follows:

Trustee	Meetings attended	Out of a possible
E Evans	6	6
C Ideson-Bowen	6	6
J Downing	3	4
C Birkenshaw	0	5
D Wrapson	4	4
M Wrightson	0	2
B Smurthwaite	5	6
S Wilson	0	1
D Broadbent	6	6
L Cottrell	6	6
J Harris	1	1
S Marshall	2	2
	3	6



Governance Statement (continued)

Governance reviews

The Business, Finance and Resources Committee is a sub-committee of the main Governing Body. Its purpose is to monitor closely the financial performance of the Academy and to review all policies and practices relating to these areas.

This committee also assesses internal review and external audit reports and reports to the board of Trustees.

Attendance at meetings during the year was as follows:

Trustee	Meetings attended	Out of a possible
E Evans	3	3
C Ideson-Bowden	2	3
J Downing	3	3
C Birkenshaw	0	3
D Wrapson	1	1
B Smurthwaite	1	2
S Wilson	1	1
D Broadbent	2	2
L Cottrell	1	2
S Marshall	1	1

Review of value for money

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

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

The purpose of the system of internal control

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

Capacity to handle risk

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



Governance Statement (continued)

The risk and control framework

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

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

The Governing Body has considered the need for a specific internal audit function and has decided:

- not to appoint an internal auditor. However the Trustees have appointed Forrester Boyd Robson Limited, the external auditor, to perform additional checks

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

- testing of purchase systems
- testing of income controls
- testing of banking controls
- testing of payroll systems

On a regular basis, the auditor reports to the Governing Body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities.

There were no material control or other issues reported by the peer reviewer to date.



Ashwell Academy

Governance Statement (continued)

Review of effectiveness

As Accounting Officer, J Thompson 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 peer reviewer;
- the financial management and governance self assessment process;
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the Governing Body on 21 February 2018 and signed on its behalf by:

.....
E Evans
Governor and trustee

.....
J Thompson
Accounting officer
Governor and trustee



Statement on Regularity, Propriety and Compliance

As Accounting Officer of Ashwell Academy I have considered my responsibility to notify the Academy Trust Governing Body and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2016.

I confirm that I and the Academy Trust Governing Body are able to identify any material irregular or improper use of funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's funding agreement and the Academies Financial Handbook 2016.

I confirm that the following instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Governing Body and the ESFA. If any instances are identified after the date of this statement, these will be notified to the Governing Body and ESFA:

Financial issues

- During the year CIF funding was received which, due to serious cash flow issues, a significant amount of this money had been used for revenue purposes such as paying wages and suppliers. This is a breach of the CIF Funding terms and conditions. At the year end the bank account with this funding in had a balance of £9,068 and there is a further £78,253 of spend still to make leaving a shortfall in these funds of around £69,185.
- During 2016/17 the Trustees became aware of a potential fraud involving the potential overpayment of staff mileage expenses and the overpayment of an employee's salary. An external investigation was carried out into the potential fraud after the year end to assess the financial loss and background to the potentially fraudulent activities. The potential value of the total financial loss is between £5,000 and £10,000 in the financial year ended 31 August 2017 and between £0 and £5,000 in the financial year ended 31 August 2016. The matter of overpayment of mileage claims was referred to the police who have not taken any further action. As a result of the investigations financial procedures for employee expenses have been reviewed and strengthened to prevent recurrence.

A handwritten signature in black ink, appearing to read 'J Thompson', written over a dotted line.

J Thompson
Accounting officer

21 February 2018



Statement of Trustees' Responsibilities

The Trustees (who are the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Academies Accounts Direction published by the Education and 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 apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 the 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 on 21 February 2018 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'J. Thompson', written over a dotted line.

J. Thompson
Governor and trustee



Independent Auditor's Report on the Financial Statements to the Members of Ashwell Academy

Opinion

We have audited the financial statements of Ashwell Academy (the 'Academy') for the year ended 31 August 2017, which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, Balance Sheet, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

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

In our opinion the financial statements:

- give a true and fair view of the state of the Academy's affairs as at 31 August 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

Basis for opinion

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

Material Uncertainty Related to Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the Trustees' Report and in note 1 to the financial statements concerning the academy trust's ability to continue as a going concern. The reasons for this modification are the following;

- the net expenditure incurred during the year of £189,882 and in the previous year of £136,965.
- the net current liabilities as at 31 August 2017 of £284,294 suggesting the Trust does not have sufficient working capital to repay its debts.
- the significant amount owed to the Local Authority with the Trust failing to meet the agreed payment plan in place.
- the negative combined restricted and un-restricted general fund balances as at 31 August 2017 of £332,249.
- the use of capital funding for revenue purposes which is prohibited.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the academy trust's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the academy trust was unable to continue as a going concern.

Emphasis of matter

We draw attention to the Strategic Report and note 26 of the financial statements, which describes the potential fraud involving the potential overpayment of staff mileage expenses and the overpayment of an employee's salary. The potential value of the total financial loss is between £5,000 and £10,000 in the financial year ended 31 August 2017 and between £0 and £5,000 in the financial year ended 31 August 2016. Our opinion is not modified in this respect.



Independent Auditor's Report on the Financial Statements to the Members of Ashwell Academy (continued)

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's 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 (incorporating the Strategic Report and Trustees' Report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Trustees' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- 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 [set out on page 15], the Trustees (who are also the directors of the academy trust for 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'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 or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:



Ashwell Academy

**Independent Auditor's Report on the Financial Statements to the Members of Ashwell Academy
(continued)**

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Academy's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Academy to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Forrester Boyd Robson Ltd

Michael Beckett BA FCA (Senior Statutory Auditor)
For and on behalf of Forrester Boyd Robson Limited, Statutory Auditor

Kingfisher Court
Plaxton Bridge Road
Woodmansey
Beverley
HU17 0RT

Date: 23/2/2018



Independent Reporting Accountant's Report on Regularity to Ashwell Academy and the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 7 September 2017 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Ashwell Academy during the period 1 September 2016 to 31 August 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of the Governing Body's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of the Governing Body's funding agreement with the Secretary of State for Education dated 1 April 2013 and the Academies Financial Handbook extant from 1 September 2016, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2016 to 2017. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year from 1 September 2016 to 31 August 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw to our conclusion includes:

- Evaluating the systems and control environment;
- Assessing the risk of irregularity, impropriety and non-compliance;
- Confirming that the activities of the Academy trust are in keeping with the Academy's framework and the charitable objectives;
- Obtaining representations from the Accounting Officer and Key Management personnel.



Independent Reporting Accountant's Report on Regularity to Ashwell Academy and the Education and Skills Funding Agency (continued)

Conclusion

In the course of our work, except for the matter listed below, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year from 1 September 2016 to 31 August 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

- During the year CIF funding was received which, due to serious cash flow issues, a significant amount of this money had been used for revenue purposes such as paying wages and suppliers. This is a breach of the CIF Funding terms and conditions. At the year end the bank account with this funding in had a balance of £9,068 and there is a further £78,253 of spend still to make leaving a shortfall in these funds of around £69,185.

- During 2016/17 the Trustees became aware of a potential fraud involving the potential overpayment of staff mileage expenses and the overpayment of an employee's salary. An external investigation was carried out into the potential fraud after the year end to assess the financial loss and background to the potentially fraudulent activities. The potential value of the total financial loss is between £5,000 and £10,000 in the financial year ended 31 August 2017 and between £0 and £5,000 in the financial year ended 31 August 2016. The matter of overpayment of mileage claims was referred to the police who have not taken any further action. As a result of the investigations financial procedures for employee expenses have been reviewed and strengthened to prevent recurrence.

Forrester Boyd Robson Ltd

Michael Beckett BA FCA

For and on behalf of Forrester Boyd Robson Limited, Chartered Accountants

Kingfisher Court
Plaxton Bridge Road
Woodmansey
Beverley
HU17 0RT

Date: *23/2/2018*



Ashwell Academy

Statement of Financial Activities for the Year Ended 31 August 2017 (including Income and Expenditure Account)

	Note	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total 2017 £
Income and endowments from:					
Donations and capital grants	2	-	-	98,648	98,648
<i>Charitable activities:</i>					
Funding for the Academy trust's educational operations	3	-	1,222,385	-	1,222,385
Other trading activities	4	13,602	-	-	13,602
Investments	5	61	-	-	61
Total		<u>13,663</u>	<u>1,222,385</u>	<u>98,648</u>	<u>1,334,696</u>
Expenditure on:					
<i>Charitable activities:</i>					
Academy trust educational operations	7	-	1,458,433	66,145	<u>1,524,578</u>
Net income/(expenditure)		13,663	(236,048)	32,503	(189,882)
Other recognised gains and losses					
Actuarial gains on defined benefit pension schemes	24	-	534,000	-	<u>534,000</u>
Net movement in funds		13,663	297,952	32,503	344,118
Reconciliation of funds					
Total (deficit)/funds brought forward at 1 September 2016		<u>(32,254)</u>	<u>(1,236,610)</u>	<u>3,114,578</u>	<u>1,845,714</u>
Total (deficit)/funds carried forward at 31 August 2017		<u>(18,591)</u>	<u>(938,658)</u>	<u>3,147,081</u>	<u>2,189,832</u>



Ashwell Academy

Statement of Financial Activities for the Year Ended 31 August 2016
(including Income and Expenditure Account)

	Note	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total 2016 £
Income and endowments from:					
Donations and capital grants	2	9,250	-	4,776	14,026
<i>Charitable activities:</i>					
Funding for the Academy trust's educational operations	3	-	1,419,953	-	1,419,953
Other trading activities	4	5,613	-	-	5,613
Investments	5	112	-	-	112
Total		14,975	1,419,953	4,776	1,439,704
Expenditure on:					
<i>Charitable activities:</i>					
Academy trust educational operations	7	-	1,539,061	37,608	1,576,669
Net income/(expenditure)		14,975	(119,108)	(32,832)	(136,965)
Transfers between funds		(47,229)	-	47,229	-
Other recognised gains and losses					
Actuarial gains on defined benefit pension schemes	24	-	(205,000)	-	(205,000)
Net movement in (deficit)/funds		(32,254)	(324,108)	14,397	(341,965)
Reconciliation of funds					
Total (deficit)/funds brought forward at 1 September 2015		-	(912,502)	3,100,181	2,187,679
Total (deficit)/funds carried forward at 31 August 2016		(32,254)	(1,236,610)	3,114,578	1,845,714



Ashwell Academy

(Registration number: 08418435)
Balance Sheet as at 31 August 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	11	3,099,126	3,114,578
Current assets			
Debtors	12	65,209	164,496
Cash at bank and in hand		<u>44,725</u>	<u>80,602</u>
		109,934	245,098
Creditors: Amounts falling due within one year	13	<u>(394,228)</u>	<u>(381,962)</u>
Net current liabilities		<u>(284,294)</u>	<u>(136,864)</u>
Total assets less current liabilities		<u>2,814,832</u>	<u>2,977,714</u>
Net assets excluding pension liability		2,814,832	2,977,714
Pension scheme liability	24	<u>(625,000)</u>	<u>(1,132,000)</u>
Net assets including pension liability		<u>2,189,832</u>	<u>1,845,714</u>
Funds of the Academy:			
Restricted funds			
Restricted general fund		(313,658)	(104,610)
Restricted fixed asset fund		3,147,081	3,114,578
Restricted pension fund		<u>(625,000)</u>	<u>(1,132,000)</u>
		2,208,423	1,877,968
Unrestricted funds			
Unrestricted general fund		<u>(18,591)</u>	<u>(32,254)</u>
Total funds		<u>2,189,832</u>	<u>1,845,714</u>

The financial statements on pages 21 to 43 were approved by the Trustees, and authorised for issue on 21 February 2018 and signed on their behalf by:

E Evans
Governor and trustee

J Thompson
Governor and trustee

**Statement of Cash Flows for the Year Ended 31 August 2017**

	Note	2017 £	2016 £
Net cash outflow from operating activities	18	(83,894)	(7,439)
Returns on investments and servicing of finance	19	61	112
Capital expenditure and financial investment	20	<u>47,956</u>	<u>(21,012)</u>
Decrease in cash in the year	21	<u>(35,877)</u>	<u>(28,339)</u>



Notes to the Financial Statements for the Year Ended 31 August 2017

1 Accounting policies

General information

The academy trust is a private company limited by guarantee and incorporated in the United Kingdom.

The address of its registered office is:

Ashwell Academy
Snowdon Way
Bransholme
Hull
HU7 5DS

Statement of accounting policies

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

Basis of preparation

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

The financial statements are prepared in sterling which is the functional currency of the company and have been rounded to the nearest pound.

Ashwell Academy meets the definition of a public benefit entity under FRS 102.



Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

1 Accounting policies (continued)

Going concern

There are various factors that give rise to a significant concern over the Academy's ability to continue to operate as a going concern. These include the following;

- the net expenditure incurred during the year of £189,882 and in the previous year of £136,965.
- the net current liabilities as at 31 August 2017 of £284,294 suggesting the Trust does not have sufficient working capital to repay its debts.
- the significant amount owed to the Local Authority with the Trust failing to meet the agreed payment plan in place.
- the negative combined restricted and un-restricted general fund balances as at 31 August 2017 of £332,249.
- the use of capital funding for revenue purposes which is prohibited.

Since September 2017, Trustees have been in discussions with the Regional Schools Commissioner (RSC)'s office, the Education and Skills Funding Agency (ESFA) and the local authority. These discussions have resulted in the following actions to be put in place from January 2018:

- The agreement with the RSC to significantly strengthen the Trust's governance arrangements by establishing an academy management committee with an external chair and members to work alongside the trust board to bring about rapid improvement including financial stability.
- The agreement of ESFA to provide a cash loan to cover immediate priority creditors.
- The commitment to work with the ESFA to produce a revised repayment plan by March 31st 2018 to repay the historic debt to the local authority.
- The appointment of an expert interim business manager.
- The agreement of ESFA to allocate a financial management adviser to work with the Trust.
- The commitment to work with the ESFA to produce a revised financial recovery plan that that will, realistically enable the trust to continue as a going concern.

The Trustees are confident that the measures will improve the Academy Trust's performance and enable a planned and realistic return to a balanced budget. Accordingly, the Trustees continue to adopt the going concern basis in preparing the Financial Statements.

Income

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

Grants and placement funding

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

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

Placement funding is recognised in full in the Statement of Financial Activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

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



Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

1 Accounting policies (continued)

Sponsorship income

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

Donations

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

Other income

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

Donated goods, facilities and services

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

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

Donated fixed assets

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

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.

All resources expended are inclusive of irrecoverable VAT.

Expenditure on raising funds

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

Charitable activities

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



Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

1 Accounting policies (continued)

Tangible fixed assets

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment. Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Academy Trust's depreciation policy.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset over its expected useful lives, per the table below.

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

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

Asset class	Depreciation method and rate
Leasehold Land	Straight Line over 125 years
Leasehold Buildings	Straight Line over 10 years and 50 years
ICT Equipment	Straight Line over 3 years
Furniture & Fittings	Straight Line over 5 years
Motor Vehicles	Straight Line over 4 years

Liabilities

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

Provisions

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

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

Leased assets

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

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 12. Prepayments are not financial instruments. Amounts due to the charity'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.



Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

1 Accounting policies (continued)

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in note 13. 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 charity's wholly owned subsidiary are held at face value less any impairment.

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.

Pension benefits

Retirement benefits to employees of the Academy Trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes. 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 the notes to the financial statements, 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 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.

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 the Education and Skills Funding Agency/Department for Education/sponsor/other 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 Education and Skills Funding Agency/Department for Education.

Critical accounting estimates and areas of judgement

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



Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

1 Accounting policies (continued)

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 23, 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 31/08/2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Donations and capital grants

	Restricted fixed asset funds £	Total 2017 £	Total 2016 £
Capital grants	98,648	98,648	4,776
Other donations	-	-	9,250
	98,648	98,648	14,026

3 Funding for the Academy Trust's educational operations

	Restricted funds £	Total 2017 £	Total 2016 £
DfE/ESFA revenue grants			
General Annual Grant	412,513	412,513	417,590
Rates Relief	773	773	5,115
Pupil Premium	11,615	11,615	17,376
	424,901	424,901	440,081
Other government grants			
Local Authority Commissioned Placements	505,508	505,508	429,135
Pupil Premium - LAC	1,200	1,200	55,080
SEN Funding	71,101	71,101	124,650
	577,809	577,809	608,865
Non-government grants and other income			
Placements	205,752	205,752	371,007
Big Fund Lottery Grant	9,700	9,700	-
Other Grants	4,223	4,223	-
	219,675	219,675	371,007



Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

3 Funding for the Academy Trust's educational operations (continued)

	Restricted funds £	Total 2017 £	Total 2016 £
Total grants	<u>1,222,385</u>	<u>1,222,385</u>	<u>1,419,953</u>

4 Other trading activities

	Unrestricted funds £	Total 2017 £	Total 2016 £
Catering income	245	245	870
School shop sales	73	73	172
Recharges and reimbursements	12,374	12,374	-
Other income	<u>910</u>	<u>910</u>	<u>4,571</u>
	<u>13,602</u>	<u>13,602</u>	<u>5,613</u>

5 Investment income

	Unrestricted funds £	Total 2017 £	Total 2016 £
Interest Received	<u>61</u>	<u>61</u>	<u>112</u>

6 Expenditure

Non Pay Expenditure

	Staff costs £	Premises £	Other costs £	Total 2017 £	Total 2016 £
Academy's educational operations					
Direct costs	919,289	62,477	64,694	1,046,460	1,188,098
Allocated support costs	<u>159,833</u>	<u>117,149</u>	<u>201,136</u>	<u>478,118</u>	<u>388,571</u>
	<u>1,079,122</u>	<u>179,626</u>	<u>265,830</u>	<u>1,524,578</u>	<u>1,576,669</u>

Net income/(expenditure) for the year includes:

	2017 £	2016 £
Operating leases - other leases	4,995	1,850
Fees payable to auditor - audit	3,900	3,740
- other audit services	3,038	3,403
Depreciation	<u>66,144</u>	<u>37,608</u>



Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

7 Charitable activities

		Total 2017 £	Total 2016 £
Direct costs - educational operations		1,046,460	1,188,098
Support costs - educational operations		<u>478,118</u>	<u>388,571</u>
		<u>1,524,578</u>	<u>1,576,669</u>
	Educational operations £	Total 2017 £	Total 2016 £
Analysis of support costs			
Support staff costs	159,833	159,833	88,789
Technology costs	13,921	13,921	9,565
Premises costs	117,149	117,149	108,270
Other support costs	<u>187,215</u>	<u>187,215</u>	<u>181,947</u>
Total support costs	<u>478,118</u>	<u>478,118</u>	<u>388,571</u>

8 Staff

Staff costs

	2017 £	2016 £
Staff costs during the year were:		
Wages and salaries	752,870	798,916
Social security costs	69,171	66,781
Pension costs	<u>157,114</u>	<u>175,113</u>
	979,155	1,040,810
Supply teacher costs	46,967	45,140
Staff restructuring costs	<u>53,000</u>	<u>58,455</u>
	<u>1,079,122</u>	<u>1,144,405</u>
	2017 £	2016 £
Staff restructuring costs comprise:		
Redundancy payments	-	44,955
Severance payments	<u>53,000</u>	<u>13,500</u>
	<u>53,000</u>	<u>58,455</u>

Non statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance/redundancy payments totalling £53,000 (2016: £14,518). Individually, the payments were: £40,000 and £13,000.



Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

8 Staff (continued)

Staff numbers

The average number of persons (including senior management team) employed by the Academy during the year was as follows:

	2017 No	2016 No
Charitable Activities		
Teachers	10	4
Administration & support	20	26
Management	4	5
	<u>34</u>	<u>35</u>

The number of employees whose emoluments fell within the following bands was:

	2017 No	2016 No
£70,001 - £80,000	-	1
£90,001 - £100,000	<u>1</u>	<u>-</u>

Key management personnel

The key management personnel of the Academy Trust comprise the trustees and the senior management team as listed on page 2. The total amount of employee benefits (including employer national insurance contributions and employer pension contributions) received by key management personnel for their services to the Academy Trust was £272,709 (2016: £337,235).

9 Related party transactions - 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 principal and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment, and not in respect of their role as trustees. The value of trustees' remuneration and other benefits was as follows:

J Downing (School Business Manager):

Remuneration: £25,000 - £30,000 (2016 - £40,000 - £45,000)

Employer's pension contributions: £5,000 - £10,000 (2016 - £15,000 - £20,000)

C Birkenshaw (Principal):

Remuneration: £90,000 - £95,000 (2016 - £75,000 - £80,000)

Employer's pension contributions: £5,000 - £10,000 (2016 - £10,000 - £15,000)

S Marshall (Assistant Vice Principal from 1 July 2017):

Remuneration: £15,000 - £20,000 (2016 - £Nil)

Employer's pension contributions: £0 - £5,000 (2016 - £Nil)

The above remuneration for J Downing is for a 7 month (2016: 12 month period).

The above remuneration for C Birkenshaw is for a 10 month (2016: 12 month period).

The above remuneration for S Marshall is for a 5 month (2016: 0 month period).

During the year ended 31 August 2017, travel and subsistence expenses totalling £Nil (2016 - £Nil) were reimbursed or paid directly to 0 trustees (2016 - 0).



Ashwell Academy

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

9 Related party transactions - trustees' remuneration and expenses (continued)

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

10 Trustees' and officers' insurance

In accordance with normal commercial practice the Academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the period ended 31 August 2017 was £645 (2016: £603)

The cost of this insurance is included in the total insurance cost.

11 Tangible fixed assets

	Leasehold land and buildings £	Furniture and equipment £	Motor vehicles £	Computer equipment £	Improvements to leasehold land & buildings £	Total £
Cost						
At 1 September 2016	3,159,438	30,426	13,167	3,907	-	3,206,938
Additions	-	21,389	1,500	2,278	25,525	50,692
At 31 August 2017	<u>3,159,438</u>	<u>51,815</u>	<u>14,667</u>	<u>6,185</u>	<u>25,525</u>	<u>3,257,630</u>
Depreciation						
At 1 September 2016	80,523	5,339	3,292	3,206	-	92,360
Charge for the year	53,768	7,705	3,667	1,004	-	66,144
At 31 August 2017	<u>134,291</u>	<u>13,044</u>	<u>6,959</u>	<u>4,210</u>	<u>-</u>	<u>158,504</u>
Net book value						
At 31 August 2017	<u>3,025,147</u>	<u>38,771</u>	<u>7,708</u>	<u>1,975</u>	<u>25,525</u>	<u>3,099,126</u>
At 31 August 2016	<u>3,078,915</u>	<u>25,087</u>	<u>9,875</u>	<u>701</u>	<u>-</u>	<u>3,114,578</u>

Included within leasehold land and buildings is £3,004,056 (2016: £3,054,880) relating to long leasehold land and buildings.

The leasehold land and buildings at Snowdon Way was donated to the trust at a value of £3,130,000 in the period ended 31 August 2014 per a valuation in October 2013 by Eddisons Chartered Surveyors. There is a formal lease in place with the local authority for 125 years for the land and buildings at £nil rental. As the academy holds the risks and rewards of the building, the asset has been included on the basis of substance over legal form.



Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

12 Debtors

	2017	2016
	£	£
Trade debtors	26,925	137,741
Prepayments	7,981	13,946
Accrued grant and other income	13,158	6,236
VAT recoverable	17,145	6,573
	<u>65,209</u>	<u>164,496</u>

13 Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	313,183	220,530
Other taxation and social security	13,939	18,560
Other creditors	1,433	1,138
Pension scheme creditor	17,609	19,656
Accruals	44,906	8,978
Deferred income	3,158	113,100
	<u>394,228</u>	<u>381,962</u>

	2017
	£
Deferred income	
Deferred income at 1 September 2016	113,100
Resources deferred in the period	3,158
Amounts released from previous periods	<u>(113,100)</u>
Deferred income at 31 August 2017	<u>3,158</u>

Deferred income relates to rates relief for the period September 2017 to March 2018



Ashwell Academy

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

14 Funds

	Balance at 1 September 2016 £	Incoming resources £	Resources expended £	Gains, losses and transfers £	Balance at 31 August 2017 £
Restricted general funds					
General Annual Grant	(104,610)	412,513	(621,561)	-	(313,658)
LA Placements	-	505,508	(505,508)	-	-
Pupil Premium - LAC	-	1,200	(1,200)	-	-
Other Grants	-	14,696	(14,696)	-	-
Other Placements	-	205,752	(205,752)	-	-
Pupil Premium - ESFA	-	11,615	(11,615)	-	-
SEN and other LA funding	-	71,101	(71,101)	-	-
	<u>(104,610)</u>	<u>1,222,385</u>	<u>(1,431,433)</u>	<u>-</u>	<u>(313,658)</u>
Restricted fixed asset funds					
Donated Assets from Local Authority	3,054,880	-	(50,824)	-	3,004,056
Capital grants and expenditure from GAG	59,698	98,648	(15,321)	-	143,025
	<u>3,114,578</u>	<u>98,648</u>	<u>(66,145)</u>	<u>-</u>	<u>3,147,081</u>
Restricted pension funds					
Pension Scheme Liability	<u>(1,132,000)</u>	<u>-</u>	<u>(27,000)</u>	<u>534,000</u>	<u>(625,000)</u>
Total restricted funds	1,877,968	1,321,033	(1,524,578)	534,000	2,208,423
Unrestricted funds					
Unrestricted general funds	<u>(32,254)</u>	<u>13,663</u>	<u>-</u>	<u>-</u>	<u>(18,591)</u>
Total funds	<u>1,845,714</u>	<u>1,334,696</u>	<u>(1,524,578)</u>	<u>534,000</u>	<u>2,189,832</u>



Ashwell Academy

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

14 Funds (continued)

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.

Pupil Premium Grant may be spent for the educational benefit of pupils registered at that school, or for the benefit of pupils registered at other schools; and on community facilities i.e. services whose provision furthers any charitable purpose for the benefit of pupils at the school or their families, or people who live or work in the locality in which the school is situated. The grant does not have to be completely spent by schools in the financial year, this is included within other DfE grants.

Building Capacity Grant must be used for the purpose of funding the position of a business manager within the academy.

Devolved capital either allocated direct by the DfE or transferred on conversion from the local authority must be spent on capital purposes.

Restricted General Funds are made up of various revenue grants which are defrayed throughout the year on specific educational needs. The academy trust was not subject to a limit on GAG carry forward.

Restricted Fixed Asset Funds represent reserves of the charity that are specifically designated for capital. Inherited assets are principally the land and buildings from the former school.

Restricted Pension Funds represent the LGPS pension deficit.

The trust is carrying a net deficit of £332,249 on restricted general funds (excluding pension reserve) plus unrestricted funds because primarily because of the large historic debt to the local authority which the Trust has not been able to repay, combined with unanticipated expenditure during 2016/17 in particular for staffing restructure and settlement agreements. These additional costs were incurred when the income from private commissioned placements at the academy were significantly reduced. The Trust recognises that, during 2016/17, this difficult financial situation was not well managed.

The trust is taking the following action to return these funds to surplus: Since September 2017, Trustees have been in discussions with the Regional Schools Commissioner (RSC)'s office, the Education and Skills Funding Agency (ESFA) and the local authority. These discussions have resulted in the following actions to be put in place from January 2018:

- The agreement with the RSC to significantly strengthen the Trust's governance arrangements by establishing an academy management committee with an external chair and members to work alongside the trust board to bring about rapid improvement including financial stability.
- The agreement of ESFA to provide a cash loan to cover immediate priority creditors.
- The commitment to work with the ESFA to produce a revised repayment plan by March 31st 2018 to repay the historic debt to the local authority.
- The appointment of an expert interim business manager.
- The agreement of ESFA to allocate a financial management adviser to work with the Trust.
- The commitment to work with the ESFA to produce a revised financial recovery plan that that will, realistically enable the Trust to continue as a going concern



Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

15 Analysis of net assets between funds

	Unrestricted funds £	Restricted general funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets	-	-	3,099,126	3,099,126
Current assets	-	61,979	47,955	109,934
Current liabilities	(18,591)	(375,637)	-	(394,228)
Pension scheme liability	-	(625,000)	-	(625,000)
Total net assets	<u>(18,591)</u>	<u>(938,658)</u>	<u>3,147,081</u>	<u>2,189,832</u>

16 Capital commitments

	2017 £
Contracted for, but not provided in the financial statements	<u>78,253</u>

17 Commitments under operating leases

Operating leases

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

	2017 £	2016 £
Amounts due within one year	4,440	4,440
Amounts due between one and five years	-	4,440
	<u>4,440</u>	<u>8,880</u>

18 Reconciliation of net expenditure to net cash inflow/(outflow) from operating activities

	2017 £	2016 £
Net expenditure	(189,882)	(136,965)
Depreciation	66,144	37,608
Donated capital and capital grants	(98,648)	(4,776)
Interest receivable	(61)	(112)
FRS 102 net interest on defined benefit pension scheme	23,000	33,000
FRS 102 cost less contributions payable on defined benefit pension scheme	4,000	(10,000)
Decrease/(increase) in debtors	99,287	(86,418)
Increase in creditors	12,266	160,225
Net cash outflow from operating activities	<u>(83,894)</u>	<u>(7,438)</u>



Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

19 Cash flows from financing activities

	2017 £	2016 £
Investments	61	112
Net cash provided by financing activities	<u>61</u>	<u>112</u>

20 Cash flows from investing activities

	2017 £	2016 £
Purchase of tangible fixed assets	(50,692)	(25,788)
Capital grants from DfE	98,648	4,776
Net cash inflow/(outflow) from capital expenditure and financial investment	<u>47,956</u>	<u>(21,012)</u>

21 Analysis of cash and cash equivalents

	At 31 August 2017 £	At 31 August 2016 £
Cash at bank and in hand	<u>44,725</u>	<u>80,602</u>
Total cash and cash equivalents	<u>44,725</u>	<u>80,602</u>

22 Contingent liabilities

During the period of the funding agreement, in the event of the sale or disposal by other means of any asset for which a Government capital grant was received, the Academy is required either to re-invest the proceeds or to repay to the Secretary of State for Education and Skills the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State.

Upon termination of the funding agreement, whether as a result of the Secretary of State or the Academy serving notice, the Academy shall repay to the Secretary of State sums determined by the reference to:

- a) the value at that time of the Academy's site and premises and other assets held for the purpose of the Academy, and
- b) the extent to which expenditure incurred in providing those assets was met by payments from the Secretary of State under the funding agreement.

23 Members' liability

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



Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

24 Pension and similar obligations

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

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

Contributions amounting to £17,609 (2016 - £19,656) were payable to the schemes at 31 August and are included within creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' 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 (currently 14.1%))
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

The pension costs paid to TPS in the period amounted to £65,812 (2016: £53,215).

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

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



Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

24 Pension and similar obligations (continued)

Local government pension scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2017 was £99,000 (2016 - £129,000), of which employer's contributions totalled £84,000 (2016 - £114,000) and employees' contributions totalled £15,000 (2016 - £15,000). The agreed contribution rates for future years are 33.6 per cent for employers and 5.5 - 12.5 per cent for employees.

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

Principal actuarial assumptions

	At 31 August 2017 %	At 31 August 2016 %
Rate of increase in salaries	2.60	2.30
Rate of increase for pensions in payment/inflation	2.40	2.10
Discount rate for scheme liabilities	<u>2.40</u>	<u>2.00</u>

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

	At 31 August 2017	At 31 August 2016
Retiring today		
Males retiring today	21.70	21.90
Females retiring today	24.20	24.10
Retiring in 20 years		
Males retiring in 20 years	23.70	24.20
Females retiring in 20 years	<u>26.40</u>	<u>26.70</u>

Sensitivity analysis

	At 31 August 2017 £	At 31 August 2016 £
Discount rate -0.5%	162,000	205,000
Salary rate +0.5%	19,000	49,000
Pension rate +0.5%	141,000	151,000
Mortality assumption - 1 year increase	<u>50,000</u>	<u>63,000</u>

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

	At 31 August 2017 £	At 31 August 2016 £
Equities	738,000	726,000
Other bonds	135,000	106,000
Property	114,000	106,000
Cash and other liquid assets	<u>53,000</u>	<u>29,000</u>
Total market value of assets	<u>1,040,000</u>	<u>967,000</u>



Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

24 Pension and similar obligations (continued)

The actual return on scheme assets was £15,000 (2016 - £139,000).

Amounts recognised in the statement of financial activities

	2017 £	2016 £
Current service cost (net of employer contributions)	4,000	(10,000)
Net interest cost	23,000	33,000
Total operating charge	<u>27,000</u>	<u>23,000</u>

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

	2017 £	2016 £
At start of period	2,099,000	1,603,000
Current service cost	88,000	71,000
Interest cost	43,000	61,000
Employee contributions	15,000	15,000
Actuarial (gain)/loss	(539,000)	316,000
Benefits paid	(41,000)	-
At 31 August	<u>1,665,000</u>	<u>2,066,000</u>

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

	2017 £	2016 £
At 1 September	967,000	699,000
Interest income	20,000	28,000
Actuarial (losses)/gains	(5,000)	111,000
Employer contributions	84,000	114,000
Employee contributions	15,000	15,000
Benefits paid	(41,000)	-
At 31 August	<u>1,040,000</u>	<u>967,000</u>



Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

25 Related party transactions

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

During the year the academy made the following related party transactions:

C Ideson-Bowen

(Governor of Ashwell Academy)

Mrs C Ideson-Bowen provided services for preparing funding applications for students during the year. The total of the services provided was £nil (2016: £2,000). At the balance sheet date the amount due to C Ideson-Bowen was £Nil (2016 - £Nil).

Mr J Downing

(Husband of Mrs J Downing (Trustee and member of the SLT))

Mr J Downing received £25,981 (2016: £25,981) during the year as an employee of the trust. At the balance sheet date the amount due to Mr J Downing was £Nil (2016 - £Nil).

Miss R Downing

(Daughter of Mrs J Downing (Trustee and member of the SLT))

Miss R Downing received £27,295 (2016: £24,728) during the year as an employee of the trust. At the balance sheet date the amount due to Miss R Downing was £Nil (2016 - £Nil).

26 Events after the end of the reporting period

Potential Fraud

During 2016/17 the Trustees became aware of a potential fraud involving the potential overpayment of staff mileage expenses and the overpayment of an employee's salary. An external investigation was carried out into the potential fraud after the year end to assess the financial loss and background to the potentially fraudulent activities. The potential value of the total financial loss is between £5,000 and £10,000 in the financial year ended 31 August 2017 and between £0 and £5,000 in the financial year ended 31 August 2016. The matter of overpayment of mileage claims was referred to the police who have not taken any further action. As a result of the investigations financial procedures for employee expenses have been reviewed and strengthened to prevent recurrence. .