

**Hereford Sixth Form College
Academy Trust
(A Company Limited by Guarantee)**

Annual Report and Financial Statements

Year ended 31st August 2018

Company Registration Number: 10499174 (England and Wales)

that the model is not a good fit for the data. The model is a good fit for the data if the χ^2 value is less than the critical value. The critical value is determined by the degrees of freedom and the level of significance.

The degrees of freedom are determined by the number of parameters estimated in the model. The level of significance is typically set at 0.05. If the χ^2 value is less than the critical value, the model is a good fit for the data. If the χ^2 value is greater than the critical value, the model is not a good fit for the data.

The χ^2 value is a measure of the difference between the observed and expected frequencies. The expected frequencies are calculated based on the model. The observed frequencies are the actual frequencies observed in the data. The χ^2 value is calculated as follows:

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

where O is the observed frequency, E is the expected frequency, and \sum is the sum of all the cells in the table.

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Reference and Administrative Details

Members	Appointed	Retired
Dr K Hopkins, Chairman	28 November 2016	
H MacDougall, Vice Chair	28 November 2016	13 July 2018
S Tully *	1 September 2018	
J Miller *	1 September 2018	
M Balcombe *	1 September 2018	

(* Originally appointed on 28 November 2016, retired 31 August 2018, reappointed 1 September 2018)

Trustees

P Cooper, Principal	1 September 2017	
V Amor	28 November 2016	
M Churchward	28 November 2016	25 June 2018
Dr M Hawkins	28 November 2016	
A Parsons	28 November 2016	
A Tahir	28 November 2016	12 October 2017
E Telford	12 October 2017	
P Tranter	28 November 2016	
A Marshall	28 November 2016	
D Thompson	11 October 2018	
C Ward	11 October 2018	
A Allan	11 October 2018	

Company Secretary Blake Morgan LLP

Senior Postholders P Cooper, Principal
J Lake, Deputy Principal
P Tranter, Assistant Principal (promoted 17th May 2018)
R Gorman, Clerk to the Trustees

Company Registered Number 10499174 (England and Wales)

Company Name Hereford Sixth Form College

Principal and Registered Office Hereford Sixth Form College, Folly Lane, Hereford. HR1 1LU

Independent Auditors Thorne Widgery Accountancy Limited, 2 Wyevale Business Park, Wyevale Way, King's Acre, Hereford. HR4 7BS

Internal Auditors TIAA Ltd, 53-55 Gosport Business Centre, Aerodrome Road, Gosport. PO13 0FQ

Bankers Lloyds Bank, 8 High Town, Hereford. HR1 2AE
Yorkshire (Clydesdale) Bank plc, 5 Northgate Street, Gloucester. GL1 2AH
Barclays Bank plc, 1-3 Broad St, Hereford. HR4 9BA
Nationwide Building Society, Northampton. NN3 6NW

Solicitors Lambe Corner, 36-37 Bridge Street, Hereford. HR4 9DJ
Blake Morgan, One Central Square, Cardiff. CF10 1FS

Trustees' Report for the period ended 31 August 2018

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

The Academy Trust operates Hereford Sixth Form College. The College was first opened in 1973 as part of the reorganisation of secondary education, and provides level II and level III general education for students aged 16-19 from schools within Herefordshire and its surrounds. It is located approximately one mile north of the city centre, and shares the campus with Herefordshire and Ludlow College and Hereford College of Arts.

Hereford Sixth Form College dissolved on 1 March 2017 and its activities, assets, liabilities and staff transferred to the Academy Trust. The Governing Body of the former Hereford Sixth Form College ceased to exist on 1 March 2017.

Consideration is currently being given to forming a Multi Academy Trust (MAT). The Governors of Worcester Sixth Form College are considering joining the MAT. Due diligence is underway.

Structure, Governance and Management

Constitution

The Academy Trust is a company limited by guarantee and an exempt charity. The charitable company's Memorandum and Articles of Association are the primary governing documents of the Academy Trust.

The Trustees of Hereford Sixth Form College are also the directors of the charitable company for the purpose of company law. The charitable company operates as Hereford Sixth Form College.

Details of the Trustees who served during the year and up to the date these accounts are approved are included in the Reference and Administrative Details on page 2.

Members' Liability

Each member of the charitable company undertakes to contribute to the assets of the charitable company in the event of it being wound up while they are a member, or within one year after they cease to be a member, such amount as may be required, not exceeding £1, for the debts and liabilities contracted before they ceased to be a member.

Trustees' Indemnities

Trustees benefit from indemnity insurance purchased at the Academy Trust's expense to cover the liability of the Trustees which by virtue of any rule of law would otherwise attach to them in respect of negligence, default or breach of duty of which they may be guilty in relation to the Academy Trust, provided that any such insurance shall not extend to any claim arising from any act or omission which the Trustees knew to be a breach of trust or breach of duty or not, and provided also that any such insurance shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the Trustees in their capacity as Directors of the Academy Trust.

Method of Recruitment and Appointment or Election of Trustees

Eligibility to act as a Trustee of the Academy Trust is within the Constitutional Framework and Clauses 45 – 80 of the Articles of Association.

Trustees are sought via election from the parent body, election from the staff body and co-opted from the local community dependent upon skill requirements.

Trustees' Report for the period ended 31 August 2018

The Search Committee has an on-going policy of attracting Trustees with a range of skills and background to provide the Academy Trust with the best possible advice and support.

Policies and Procedures Adopted for the Induction and Training of Trustees

All new Trustees receive an induction pack and are provided with support from other Trustees and the Clerk to the Trustees. The Academy Trust has adopted an in-house programme of training with specialist staff providing training sessions prior to Trustee meetings. The Clerk to the Trustees meets regularly with other college and academy Clerks and shares best practice. An annual conference is held in March of each year to update Trustees on latest developments within the sector and the possible impact for the Academy Trust. An annual Skills and Training audit is undertaken to identify gaps. The Governance Handbook and Procedures are reviewed on an annual basis by the Audit Committee.

Organisational Structure

The Principal, Deputy Principal, Assistant Principal and Clerk to the Trustees are Senior Postholders. The Senior Management Team consists of:

- Principal
- Deputy Principal
- Assistant Principal
- Two Directors of Study
- Finance Director
- MIS / IT Director
- Estates Manager
- Head of Maths
- PA to the Principal

The Senior Management Team is also the formal Risk Management Group.

The committee structure of the Board of Trustees consists of:

- Audit
- Curriculum
- Finance and Resources
- Remuneration
- Search
- Staff and Students

The Principal is the Accounting Officer.

Arrangements for Setting Pay and Remuneration of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Academy Trust and are represented by the Accounting Officer (Principal) and holders of other senior posts whom the Trustees have selected for the purposes of the Articles of Government of the Academy Trust. Decisions relating to such appointments and remuneration are made by the Trustees based upon the recommendation of the Remuneration Committee.

Trustees' Report for the period ended 31 August 2018

Trade Union Facility Time

Under the provisions of the Trade Union (Facility Time Publication Requirements) Regulations 2017, the Academy Trust is required to provide information required by Schedule 2 of the Regulations:

- **Relevant Union Officials**

Number of employees who were relevant union officials during the period	Full-time equivalent employee numbers
2	1.4

- **Percentage time spent on facility time**

Percentage of time	Number of employees
1% - 50%	2

- **Percentage of pay bill spent on facility time**

Total cost of facility time	£790
Total pay bill	£6.85m
Percentage of pay bill spent on facility time	0.01%

- **Paid trade union activities**

Hours spent on paid facility time	20
Hours spent on paid trade union activities	1
Time spent on paid trade union activities as a % of total paid facility time hours	5%

Connected Organisations, including Related Party Relationships

The Academy Trust works in partnership with local secondary schools and has a consortium agreement with Hereford College of Arts and Herefordshire and Ludlow College to pursue joint purchasing and help secure curriculum collaboration.

In line with other academy trusts, colleges and universities, Hereford Sixth Form College has many stakeholders. These include:

- Students and their families;
- Education and Skills Funding Agency;
- The Regional Schools Commissioner and the Sixth Form Commissioner;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Government Offices / Regional Development Agencies / Local Enterprise Partnerships;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

The Academy Trust recognises the importance of these relationships and engages in regular communication with them through the website and meetings.

Trustees' Report for the period ended 31 August 2018

Objectives and Activities

Aims

The Academy Trust aims to continue to be the principal provider of general education to 16-19 year old students in Herefordshire and the surrounding areas and to maintain its position as one of the top performing Sixth Form Colleges nationally, graded OUTSTANDING by OFSTED in all aspects of its work.

Objectives

Hereford Sixth Form College:

- will provide a high quality education to GCE Advanced level standard or equivalent for full-time students.
- will provide a high level of pastoral care to support and guide individual students.
- will support and promote a programme of recreational and social activities for its students.
- will involve parents in the academic and personal progress of students and in their decisions regarding higher education and / or employment.
- will enhance the education provided through student and staff links with business and the local, national and international communities and local business.

Public Benefit

Hereford Sixth Form College is an exempt charity under part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The Directors, who are Trustees of the charitable company, are disclosed on page 2.

In setting and reviewing the Academy Trust's strategic objectives, the Trustees had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the Academy Trust provides the following identifiable public benefits through the advancement of education:

- High-quality teaching.
- Widening participation and tackling social exclusion.
- Excellent employment record for students.
- Strong student support systems.
- Links with employers, industry and commerce.

Implementation of Strategic Plan

The Strategic Development Plan has regard to Government policy, and is updated annually. The plan includes property and financial plans. The Academy Trust's priorities include:

- meeting the education needs of young people post-16 in a way that responds to their higher education or career aspirations.
- raising participation and achievement.
- contributing to a coherent 14-19 provision in Herefordshire.
- providing support and guidance, both on course and to assist progression.
- ensuring equal opportunities for all.

The Academy Trust monitors the plan on a continuing basis.

Trustees' Report for the period ended 31 August 2018

The Academy Trust's other strategic objectives include:-

- maintaining high levels of academic achievement and provision of student support.
- maintaining and improve the accommodation and facilities available to students and staff.

Performance Indicators

The Academy Trust produces a Strategic Development Plan, which is reviewed each year, and an annual operational plan that incorporates the outcome of the annual self-assessment. This development plan focuses on four headline targets:

- Learner number growth and achievement of funding targets
- Learner achievement – raw and value-added
- Learner retention and attendance
- Financial Health indicators

Additionally, the Academy Trust monitors key performance measures for Colleges (derived from FE choices, formerly "Framework for Excellence"):

- Success Rates
- Learner Destinations
- Satisfaction Survey - Learner Views

The Academy Trust is committed to observing the importance of the sector measures and indicators, and uses the FE Choice website which looks at measures such as success rate.

Financial Objectives

The main purpose of the Academy Trust's Financial Strategy is to ensure that the Academy Trust's objectives as set out in the Strategic Development Plan are achieved whilst at the same time, maintaining the financial viability and sustainability of the Academy Trust.

The key objectives of the strategy are:

- To ensure financial viability and sustainability.
- To ensure the Academy Trust achieves a "Good" financial health grade.
- To generate an operating surplus.
- To attract and retain the best staff by ensuring salaries are attractive.
- To ensure that sufficient funds are available to enable the maintenance and improvement of the accommodation and equipment.
- To maintain positive relationships with our bankers, auditors and the Funding Bodies.

A series of financial performance indicators have been agreed to monitor the financial position:

Financial Performance Indicator	Target	Actual as at 31 st August 2018
Earnings before interest, taxation, depreciation and amortization (EBITDA) as % of income	2.9%	5.5%
Staff costs as % of income	77.1%	70%
Operating cashflow	£196K	£423k

Trustees' Report for the period ended 31 August 2018

Financial Performance Indicator	Target	Actual as at 31 st August 2018
Adjusted current ratio	3.8	6.0
Borrowings as % of income	0	0
Reliance on ESFA income	94.6%	96%
ESFA financial health score	Good	Outstanding

Strategic Report

Student Numbers

Retention rates are calculated from November 2017 when there were **2,096** students (2,129 November 2016). The 2017/18 academic year ended with **2,002** students (2,039 July 2017) giving an overall retention rate of **95.5%** (95.8% July 2017).

Student Achievement

Students continue to prosper at the Academy Trust. Pass rates for the summer 2018 were:

- **99.2%** pass rate at A2 (2016/17 – 99.1%),
- A2 passes at A* - B of 53.4% (2016/17 – 56.1%)
- A2 passes at A* of 7.3% (2016/17 – 7.1%)
- GCSE overall pass rate increasing to **93.6%** (2016/17 – 94.8%)
- GCSE passes at A* - C of **64%** (2016/17 – 69.2%)

The Academy Trust historically has a strong value-added performance with both the ALIS and ALPS measurements and has regularly been placed within the top quartile on a national basis for the past ten years. Student performance is high throughout the ability range reflecting the inclusive nature of the Academy Trust. The average UCAS point score per student at A level puts the Academy Trust in the top 10 colleges nationally. Level two performance was also very strong with success rates in the top quartile for the last ten years. Results in retake GCSE English and Maths courses were outstanding.

Curriculum Developments

The majority of students are expected to commence year one with a programme of 3 / 4 subjects, 'Education for Life' and an enrichment programme. 'Education for Life' is part of the enrichment programme which is aimed at improving students' life skills.

In year two, the majority continue with a course of 3 subjects and careers advice and support. The maximum programme undertaken by the most able students would typically include 4 / 5 subject and an enrichment programme. A number of more able students will also do an extended project as part of their enrichment.

Nationally and within the context of the Herefordshire Post 16 sector, the Academy Trust has a well-established reputation for academic excellence and extracurricular activities. Methods of teaching and learning are subject to continuous review and development in order to ensure that the curriculum meets the needs of local students.

The Academy Trust maintains formal procedures of quality assurance and self-assessment, which are reviewed annually, culminating in the production of a Self-Assessment Report each November.

Trustees' Report for the period ended 31 August 2018

Going Concern

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

Financial Review

The Academy Trust receives the majority of its funding from the Education and Skills Funding Agency (ESFA) in the form of recurrent grants paid on a monthly basis. The grants received during the period are shown as 'restricted funds' in the Statement of Financial Activities.

The Academy Trust also benefits from a Devolved Formula Capital Grant of £58k received in July 2018 which is used for summer maintenance projects and investment in our resources.

During the period, tight control has been exercised over costs and some staff restructuring has taken place. The Academy Trust generated a surplus (before FRS 102 pension adjustments) of £166k (2017 surplus of £77k) against a budgeted deficit of £95k.

At 31st August 2018 the net book value of fixed assets was £10.8m (2017 £11.1m). Movements in tangible fixed assets are shown in note 12 to the financial statements.

The closing level of unrestricted and restricted reserves (excluding fixed asset reserves and the LGPS deficit) stands at £3.0m (2017 £2.5m).

Treasury Management and Investment Policy

Treasury Management is the management of the Academy Trust's cash flows, banking and money market transactions; the effective control of risks associated with these activities; and the pursuit of optimum performance consistent with the associated risks. The Academy Trust has a separate Treasury Management policy in place.

During the period, there was no short term borrowing for temporary revenue purposes and the Academy Trust does not have any outstanding bank loans. All borrowing requires the authorisation of the Trustees who must comply with the requirements of the Funding Agreement agreed with the ESFA.

The Academy Trust has developed an Investment Policy that allows funds, identified as surplus to immediate requirements through cash flow monitoring, to be placed on short-term deposit with banks. The banks offer better return on short-term investments through the money market. Should the reserves increase sufficiently to consider longer-term investment, the Academy Trust would employ an agent to give advice on suitable investment opportunities.

Fundraising

The Academy Trust is predominantly funded by the ESFA based upon the submission of student data returns on a periodic basis to the Department for Education. The Academy Trust does not actively engage in fundraising and does not actively canvas for donations on a local, regional, national or international basis. The Academy Trust does not contract with any external agencies to fundraise on its behalf.

First year students are asked to make a voluntary contribution to College Fund of £75. The fund is used to contribute to scholarships and activities that are not funded centrally and to support students in hardship who do not qualify for help from Learner Support Funds. It is also used to support some student facilities.

Trustees' Report for the period ended 31 August 2018

The executor is the Principal acting on behalf of the Trustees.

Reserves Policy

Academy Trusts are expected to create reserves from their annual funding. This is becoming increasingly difficult with the cuts in funding and increasing cost pressures. The Academy Trust has ended the year with total restricted reserves of £12.3m (2017 £11.4m) (including adjustment for the LGPS pension deficit). Our reserves will be required for future capital projects and to notionally cover the deficit on the Local Government Pension Scheme, currently £1.5m (2017 £2.2m).

The Academy Trust wishes to continue to accumulate reserves and cash balances in order to enable future capital development. The Accommodation Strategy identifies opportunities to enhance existing facilities, such as the Library area, and development of new facilities for PE and Sport. The Trustees consider an ongoing bank balance at a minimum of £1.5m to be a reasonable level of cash for normal purposes, and to cushion the potential effects of any demographic downturn, but will continue where possible to build reserves for future capital works.

Principal Risks and Uncertainties

The system of internal control maintained by the Academy Trust includes financial, operational and risk management which is designed to protect the assets and reputation.

A Risk Register is maintained at the Academy Trust, which is reviewed at each meeting of the Audit Committee, and on a regular basis by the Senior Management Team. The Risk Register identifies the key risks, the likelihood of those risks occurring, their potential impact on the Academy Trust and the actions being undertaken to reduce and mitigate the risk. Risks are prioritised using a consistent scoring system. This is supported by a risk management training programme to raise awareness of risks throughout the Academy Trust. Outlined below is a description of the principal risk factors that may affect the Academy Trust. Not all the factors are within the Academy Trust's control. Other factors besides those listed below may also adversely affect the Academy Trust.

1 Government funding

The Academy Trust has considerable reliance on continued Government funding through the ESFA. In the period, 96% (2017 97.8%) of the Academy Trust's revenue was ultimately publicly funded, and this level of requirement is expected to continue. There can be no assurance that Government policy and practise will remain the same, or that public funding will continue at the same level or on the same terms.

The Academy Trust is aware of the following issues that may impact on future funding;

- Future potential changes in the funding methodology which may result in a further reduction in funding to Sixth Form Colleges.
- The risk of demographic decline.
- Stronger competition from other local providers.
- Changes in emphasis to more vocational education arising from Government policy.

The risk is mitigated in a number of ways:

- The Academy Trust has a robust marketing strategy that seeks to ensure that student numbers are maintained in the face of demographic decline.
- By ensuring the Academy Trust is rigorous in delivering high quality education and training.
- Considerable focus is placed on maintaining and managing key relationships with the

Trustees' Report for the period ended 31 August 2018

Funding Body.

- Ensuring the Academy Trust is focused on those priorities which will continue to benefit from public funding.
- Regular dialogue with the Funding Body and the Local Authority.

2 Bank Risk

The Academy Trust is aware of the risk to its investments arising from the possibility of bank failure due to the recent economic situation, or from catastrophic investment decisions by a bank. The existence of this risk is recognised in the Academy Trust's risk management strategy, and it is mitigated by the requirement to spread investments across a minimum of three financial institutions with long term ratings of A3/A- as assessed by at least two rating agencies, and by limiting the value that can be invested in any one organisation or instrument. For full details, see the Academy Trust's Treasury Management Policy.

3 Pension liabilities

The financial statements report the share of the Local Government Pension Scheme deficit on the Academy Trust's balance sheet in line with the requirements of FRS 102. The risk is mitigated by an agreed deficit recovery plan.

Current and Future Development and Performance

Staffing

The Academy Trust considers good communication with its staff and students to be very important, and publishes bulletins and regular newsletters. Weekly staff briefings and termly staff meetings are held. Staff and student involvement is encouraged through membership of formal committees, and electronically via email and the Virtual Learning Environment (VLE).

Maintenance Programme

The Academy Trust operates a rolling programme of planned maintenance, which is reviewed each year and monitored on an ongoing basis. The costs are charged to the Statement of Financial Activities in the year in which they are incurred. Minor Capital Works that add value to the estate are capitalised at the period end.

Future Prospects

The Academy Trust remains concerned that further austerity plans will continue to impact on the 16-19 sector, which is the only unprotected part of the DFE budgets. The cuts in funding will put academies and colleges under even more pressure to remain viable. Government policy to maintain the goal of full participation in education or training for all 16-18 years olds will also have implications.

The Academy Trust faces a number of challenges:

- Maintaining student numbers in the face of falling rolls and increased competition.
- Developing the curriculum to meet the needs of students as A Levels are reformed as linear courses.
- Meeting the challenge of cuts in funding which are severe.
- Maintaining the quality of outcome and experience for students despite these cuts.
- Maintaining the current high reputation of the Academy Trust.
- Continuing to collaborate with other schools and colleges in the best interests of students.

Trustees' Report for the period ended 31 August 2018

Resources

The Academy Trust has various resources that it can deploy in pursuit of its strategic objectives.

- Its freehold estate, with a net balance sheet value of **£10.8m**
- net current assets of **£3.0m**
- established staff of **157 people** (expressed as full time equivalents), of which **93** are teaching staff
- its reputation, both locally and nationally as an Academy Trust that achieves excellent results, together with high quality pastoral support.

Events after the end of the Reporting Period

There are no significant or material events to report after the period end.

Consideration is currently being given to forming a Multi Academy Trust (MAT). The Governors of Worcester Sixth Form College are considering joining the MAT. Due diligence is underway.

Equal Opportunities

The Academy Trust is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender and gender identity, parental and marital status, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat discrimination. This policy is resourced, implemented and monitored on a planned basis. The Equality, Diversity and Inclusion Policy is published on the website. The Academy Trust publishes an Annual Equality Report and Equality Objectives to ensure compliance with all relevant equality legislation including the Equality Act 2010.

The Academy Trust is a 'Positive about Disabled' employer and has committed to the principles and objectives of the 'Positive about Disabled' standard. The Academy Trust considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the Academy Trust continues. The Academy Trust's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The Academy Trust has also implemented an updated Equality & Diversity training programme which all staff have attended. Refresher training and training for new starters is carried out on an ongoing basis.

Disability Statement

The Academy Trust seeks to achieve the objectives set down in the Equality Act 2010:

a) As part of its accommodation strategy, the Academy Trust updated its access audit and the results of this formed the basis of funding capital projects aimed at improving access.

b) There is a list of specialist equipment, such as radio aids, which the Academy Trust can make available for use by students and a range of assistive technology is available.

Trustees' Report for the period ended 31 August 2018

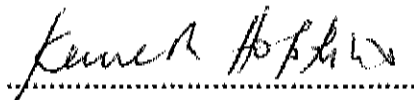
- c) The admissions policy for all students is described in the College charter. Appeals against a decision not to offer a place are dealt with under the Complaints Policy.
- d) The Academy Trust has made a significant investment in the appointment of specialist staff to support students with learning difficulties and / or disabilities who can provide a variety of support for learning.
- e) There is a continuing programme of staff development to ensure the provision of a high level of appropriate support for students who have learning difficulties and / or disabilities.
- f) Specialist programmes are described in Academy Trust prospectuses, and achievements and destinations are recorded and published.
- g) Counselling and welfare services are described in the College Student Guide, which is issued to students together with the Complaints and Disciplinary Procedure leaflets at induction.

Disclosure of information to auditors

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.

This report incorporating the Strategic Report, was approved by order of the Board of Trustees as the company directors, on 13th December 2018 and signed on the board's behalf by:



Dr. K. Hopkins, Chair of Trustees

Governance Statement

Scope of Responsibility

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

The Trustees have delegated the day-to-day responsibility to the Principal, 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 Hereford Sixth Form College Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the Trustees any material weaknesses or breakdowns in internal control.

Governance

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

The Trustees have formally met six times during the period. Attendance during the period at meetings of the Board of Trustees was as follows:

Trustee	Meetings Attended	Out of a Possible
Dr K Hopkins, Chairman	6	6
H MacDougall, Vice Chair	5	6
S Tully	6	6
J Miller	6	6
M Balcombe	6	6
Mr P Cooper, Principal	6	6
V Amor	4	6
M Churchward	4	6
Dr M Hawkins	5	6
A Parsons	6	6
Dr A Tahir	0	1
E Telford	6	6
P Tranter	5	6
A Marshall	6	6

Finance and Resources Committee

The Finance and Resources Committee is a sub-committee of the main Board of Trustees. Its purpose is to review the financial position of the Academy Trust, including revenue, capital and cashflow and investments, on a half termly basis, and receives regular reports on capital schemes and other premises and resource issues. It advises the Board on all financial and resource matters.

Governance Statement

Attendance during the period at meetings was as follows:

Trustee	Meetings Attended	Out of a Possible
S Tully, Chair	4	5
V Amor	4	5
P Cooper	4	5
Dr K Hopkins	5	5
J Miller	5	5
A Marshall	4	5
H MacDougall	3	5

Audit Committee

The Audit Committee comprises at least three Trustees (excluding the Accounting Officer (Principal) and Chair). It operates in accordance with written terms of reference approved by the Trustees. Its purpose is to advise the Trustees on the adequacy and effectiveness of the Academy Trust's systems of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets four times per year, and provides a forum for reporting by the Academy Trust's Internal Auditors, Reporting Accountants and Financial Statements Auditors, who have access to the Committee for independent discussion, without the presence of management. The Committee also receives and considers reports from the Funding Body if they affect the operations.

The Academy Trust's Internal Auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management are responsible for the implementation of agreed audit recommendations and Internal Audit undertake periodic follow-up reviews to ensure that recommendations have been implemented.

The Audit Committee also advises the Trustees on the appointment of Internal Auditors, Reporting Accountants and Financial Statements Auditors, and their remuneration for both audit and non-audit work as well as reporting annually to the Trustees.

Attendance during the period at meetings was as follows:

Trustee	Meetings Attended	Out of a Possible
A Parsons, Chair	4	4
Dr M Hawkins	4	4
M Balcombe	4	4

Governance Reviews

The Board of Trustees

The composition of the Board of Trustees is set out on page 2. It is the Board of Trustee's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

Trustees are provided with regular and timely information on the overall financial performance, together

Governance Statement

with other information such as performance against targets, capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Trustees meet twice each term.

The Trustees conduct their business through a number of committees. Each committee has terms of reference, which have been approved by the Board of Trustees. Full minutes of meetings, except those deemed confidential by the Trustees, are available on the website (www.hereford.ac.uk), or from the Clerk to the Trustees at:

**Hereford Sixth Form College,
Folly Lane,
Hereford.
HR1 1LU.**

The Clerk to the Trustees maintains a register of financial and personal interests of the Trustees, which is available for inspection at the above address.

All Trustees are able to take independent professional advice in furtherance of their duties at the Academy Trust's expense, and have access to the Clerk to the Trustees, who is responsible to the Board of Trustees for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Board of Trustees as a whole.

Formal agendas and reports are supplied to the Trustees in a timely manner, prior to Board meetings, and ad-hoc briefings are also provided.

The Board of Trustees has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board of Trustees considers that each of its non-executive members is independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chairman of the Board of Trustees and the Accounting Officer (Principal) are separate.

Appointments to the Board of Trustees

Any new appointments to the Board of Trustees are a matter for the consideration of the Board of Trustees as a whole. The Board of Trustees has a **Search Committee** comprising the Accounting Officer (Principal), the Chairman and two other members, which is responsible for the selection and nomination of any new potential Trustee for the Board of Trustees' consideration. The Board of Trustees is responsible for ensuring that appropriate training is provided as required. Trustees are appointed for a term not exceeding four years, upon which they may be re-elected.

Corporation Performance

Governance is self-assessed using the appropriate sections of the Ofsted Common Inspection Framework. Against these criteria, governance continues to be 'Outstanding', which was the grade, awarded in the last Ofsted inspection.

Remuneration Committee

Throughout the year ended 31st August 2018, the Remuneration Committee comprised the Chairman and two Trustees. The Committee's responsibilities are to make recommendations to the Board of

Governance Statement

Trustee on the remuneration and benefits of the Accounting Officer (Principal) and other senior postholders. Details of remuneration of these postholders for the year ended 31st August 2018 are set out in note 9 and 10 of the financial statements.

Staff and Students Committee

The Staff and Students Committee's responsibilities are to recommend a framework for pay and conditions of staff, together with other matters pertaining to staffing, together with student services and issues. Details of staffing and remuneration for the period are set out in note 9.

Curriculum Committee

This Committee reviews the Curriculum Policy taking into account latest government policy and data relating to performance, achievement, attendance, retention, destinations and other salient issues.

Review of Value for Money

As Accounting Officer, the Principal 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 Academy Trust's use of its resources has provided good value for money during each academic year, and reports to the Board of Trustees where value for money can be improved, including the use of benchmarking data where appropriate.

With regard to demonstrating value for money, in 2018, the Academy Trust achieved a 99.2% pass rate at A Level with 53.4% achieving A* - B grades, both above the national average. The Academy Trust historically has a strong value-added performance within both the ALIS and ALPS measurements and has regularly been placed within the top quartile on a national basis for the past 10 years. It also has one of the highest LAT (Learner Achievement Tracker) scores of Sixth Form College's nationally over a number of years. Student Performance is high throughout the ability range reflecting the inclusive nature of the Academy Trust. The A/B grade achievement puts the Academy Trust in the top 3 non-selective institutions nationally. Level 2 performance is also very strong with English and Maths results three times as high as the national average rate.

The Academy Trust has strong links with other providers, in particular local schools and the other colleges on the Folly Lane campus. The three co-located Hereford Colleges formed a federation to ensure there is no overlap of courses, shared use of resources and to adopt a collaborative approach to site development.

Despite reductions in funding, the Academy Trust has maintained the quality of outcomes for students and the quality of its resources and accommodation. The Academy Trust has robust and realistic plans for ensuring its financial viability in the face of possible further cuts and falling rolls within the county.

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at Hereford Sixth Form College Academy Trust for the

Governance Statement

period 1st September 2017 to 31st August 2018 and up to the date of approval of the Report and Financial Statements.

Capacity to Handle Risk

The Board of Trustees has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the year 1st September 2017 to 31st August 2018 and up to the date of approval of the Annual Report and Financial Statements. This process is regularly reviewed by the Board of Trustees.

The risk management process is regularly reviewed by the Board of Trustees.

The Risk and Control Framework

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

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

The Board of Trustees has considered the need for a specific Internal Audit function and has decided to appoint TIAA Ltd as Internal Auditor.

Hereford Sixth Form College has an Internal Audit service, which operates in accordance with the requirements of the ESFA's Post-16 Audit Code of Practice. The work of the Internal Audit service is informed by an analysis of the risks to which the Academy Trust is exposed. The annual Internal Audit plan is based on this analysis. The analysis of risks and the Internal Audit plan are endorsed by the Trustees on the recommendation of the Audit Committee. At least annually, the Head of Internal Audit (HIA) provides the Trustees with a report on Internal Audit activity.

Governance Statement

Review of effectiveness

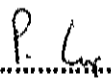
As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. During the period in question, the review has been informed by:

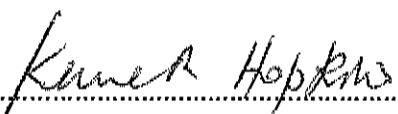
- The work of the Internal Auditors
- The work of the external auditors
- The financial management and governance self-assessment process
- The work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework

The Accounting Officer (Principal) has been advised of the implications of the result of their review of the system of internal control by the Audit Committee, which oversees the work of the Internal Auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the systems in place.

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The Senior Management Team and the Audit Committee also receive regular reports from Internal Audit that include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Board of Trustees' agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Management Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Approved by order of the members of the Board of Trustees on 13th December 2018 and signed on its behalf by:

Signed.......... Mr. P. Cooper
Accounting Officer (Principal)


Signed.......... Dr. K. Hopkins
Chair of Trustees

Statement of Regularity, Propriety and Compliance

As Accounting Officer of Hereford Sixth Form Academy Trust, I have considered my responsibility to notify the Academy Trust Board of Trustees 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 due regard to the requirements of the Academies Financial handbook 2017.

I confirm that I and the Academy Trust Board of Trustees are able to identify any material irregular or improper use of funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's Funding Agreement and the Academies Financial Handbook 2017.

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



Mr. P. Cooper
Accounting Officer (Principal)

13th December 2018

Statement of Trustees' Responsibilities

The Trustees (who act as Governors of Hereford Sixth Form College Academy Trust and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction published by the Education 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 2017 to 2018
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to presume that the charitable company will continue in business

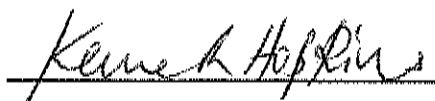
The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements 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 corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the Board of Trustees on 13th December 2018 and signed on its behalf by:

Dr. K. Hopkins
Chair of Trustees



Independent Auditor's Report on the Financial Statements to Members of the Hereford Sixth Form College Academy Trust

Opinion

We have audited the financial statements of Hereford Sixth Form College (the 'Academy Trust') for the period ended 31 August 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement 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, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Accounts Direction 2017 to 2018 issued by the Education Funding Agency (EFA).

This report is made solely to the Academy Trust's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Academy Trust's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy Trust and the Academy Trust's members 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 Trust's affairs as at 31 August 2018 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2017 to 2018.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Report of the Independent Auditors thereon.

Independent Auditor's Report on the Financial Statements to Members of the Hereford Sixth Form College Academy Trust

Our opinion on the financial statements does not cover the other information and 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, 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 Report of the Trustees for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Trustees has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

Matters on which we are required to report by exception

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

- 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; or
- the Trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Trustees.

Responsibilities of Trustees

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

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


Our 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 a Report of the Independent Auditors 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

**Independent Auditor's Report on the Financial Statements to Members of the
Hereford Sixth Form College Academy Trust**

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



Mr Kevin Tong FCCA ACA (Senior Statutory Auditor)
for and on behalf of Thorne Widgery Accountancy Ltd
Chartered Accountants
Statutory Auditors
2 Wyevale Business Park
Kings Acre
Hereford
Herefordshire
HR4 7BS

Date: 19/12/18

Note:

The maintenance and integrity of the Hereford Sixth Form College website is the responsibility of the Trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Independent Reporting Accountant's Assurance Report on Regularity to Hereford Sixth Form College Academy Trust and the Education and Skills Funding Agency

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

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

Respective responsibilities of Hereford Sixth Form College's accounting officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of Hereford Sixth Form College's Funding Agreement with the Secretary of State for Education dated 27th February 2017 and the Academies Financial Handbook, extant from 1st September 2017, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

Approach

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

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

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

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

**Independent Reporting Accountant's Assurance Report on Regularity to
Hereford Sixth Form College Academy Trust and the Education and Skills
Funding Agency**

The work undertaken to draw our conclusions includes:

- detailed testing of a sample of items of income and expenditure to ensure appropriately applied for the purposes intended
- specific testing, on a sample basis, of system controls relevant to the above
- a general review of correspondence with the appropriate authorities regarding Academy governance matters during the period
- a general review and discussion of the Academy's internal procedures for establishing and maintaining systems of control and documentation regarding these matters

This work was integrated with our audit on the financial statements to the extent evidence from the conduct of that audit supports the regularity conclusion.

Conclusion

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

Thorne Widgery Accountancy Ltd
Chartered Accountants
2 Wyevale Business Park
Kings Acre
Hereford
Herefordshire
HR4 7BS

Date:14/12/18.....

Statement of Financial Activities for the period ended 31st August 2018
(including Income and Expenditure Account)

	Notes	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total 2018 £'000	Total 2017 £'000
Income & Endowments from:						
Donations & capital grants	3	0	62	58	120	72
Transfer from the former Hereford Sixth Form College on conversion		0	0	0	0	11,331
Charitable Activities						
Funding for the Academy Trust's educational operations	4	304	9,041	0	9,345	5,028
Other trading activities	5	60	0	0	60	22
Investment income	6	12	0	0	12	4
Total Income		376	9,103	58	9,537	16,457
Expenditure on:						
Raising funds	7	109	0	0	109	40
Charitable Activities						
Academy Trust's educational operations	8	291	8,841	351	9,483	5,009
Total Expenditure		400	8,841	351	9,592	5,049
Net Income / (Expenditure) before Transfers		(24)	262	(293)	(55)	11,408
Transfers between Funds	17	0	25	(25)	0	0
Net Income / (Expenditure) before other recognised gains and losses		(24)	287	(318)	(55)	11,408
Actuarial gain on defined benefit pension schemes	17,26	0	895	0	895	35
NET MOVEMENT IN FUNDS		(24)	1,182	(318)	840	11,443
RECONCILIATION OF FUNDS:						
Total funds brought forward		(5)	290	11,158	11,443	0
TOTAL FUNDS CARRIED FORWARD		(29)	1,472	10,840	12,283	11,443

Balance Sheet as at 31st August 2018

	<u>Notes</u>	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Tangible assets	12		10,840		11,158
Current assets					
Stocks	14	3		3	
Debtors	15	244		239	
Cash at bank and in hand	23	3,363		3,041	
		<u>3,610</u>		<u>3,283</u>	
Liabilities					
Creditors: Amounts falling due within one year	16	(601)		(759)	
Net current assets			<u>3,009</u>		<u>2,524</u>
Net assets excluding pension liability			<u>13,849</u>		<u>13,682</u>
Defined benefit pension scheme liability	26		(1,566)		(2,239)
Total Net Assets			<u>12,283</u>		<u>11,443</u>
Funds of the Academy Trust					
Restricted funds					
• Fixed asset fund	17	10,840		11,158	
• Restricted income fund	17	3,038		2,529	
• Pension reserve	17	(1,566)		(2,239)	
Total Restricted Funds			<u>12,312</u>		<u>11,448</u>
Unrestricted income fund	17		(29)		(5)
Total funds			<u>12,283</u>		<u>11,443</u>

The financial statements on pages 27 to 53 were approved and authorised by the Board of Trustees on 13th December 2018 and were signed on its behalf on that date by:

Dr. K. Hopkins..... *K. Hopkins*
Chair of Trustees

Mr. P. Cooper *P. Cooper*
Accounting Officer (Principal)

Statement of Cash flows for the period ended 31st August 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities:			
Net cash provided by operating activities	20	284	2,980
Cash flows from financing activities	21	0	0
Cash flows from investing activities	22	38	61
Change in cash & cash equivalents in the reporting period		<u>322</u>	<u>3,041</u>
		2018 £'000	2017 £'000
Cash and cash equivalents at 1 st September 2017		3,041	0
Cash and cash equivalents at 31 st August 2018	23	<u>3,363</u>	<u>3,041</u>

Notes to the Financial Statements for the period ended 31st August 2018

1. Statement of Accounting Policies

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

1.1 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 (SORP) applicable to charities preparing their accounts in accordance the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) (Charities SORP (FRS102)), the Academies Accounts Direction 2017 to 2018 issued by the ESFA, the Charities Act 2011 and the Companies Act 2006.

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

1.2 Going Concern

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

1.3 Income

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

- **Grants**

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

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

- **Sponsorship Income**

Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the

Notes to the Financial Statements for the period ended 31st August 2018

1. Statement of accounting policies (continued)

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.

1.4 Expenditure

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

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

Charitable activities 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.

1.5 Tangible Fixed Assets

Assets costing £2,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

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

Notes to the Financial Statements for the period ended 31st August 2018

1. Statement of accounting policies (continued)

- | | |
|-----------------------|-------------------|
| • Freehold buildings | 2% per year |
| • Computers | 25% per year |
| • Motor Vehicles | 14% per year |
| • Other equipment | 10 – 20% per year |
| • Fixtures & fittings | 10% per year |

Although the policy for vehicle depreciation is currently 14% (7 years), second-hand vehicles may be depreciated at 25% (4 years). Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

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

1.6 Interest Receivable

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

1.7 Debtors

Trade and other debtors with no stated interest rate and due within one year are recorded at the amount of cash or other consideration expected to be received. Prepayments are valued at the amount paid.

1.8 Cash at bank and in hand

Cash at bank and in hand includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

It is Academy Trust policy to invest surplus funds in at least three different recognised financial institutions, the maximum fixed investment being £500k capital (excluding accrued interest) in institutions outside the current account holding bank. In the period, funds were spread across five financial institutions in order to spread the risk to reserves following the recent economic crisis.

1.9 Stocks

The only stocks held at the end of the period were stocks for the Learning Resources Centre shop. Stocks are stated at the lower of their cost and net realisable value.

Notes to the Financial Statements for the period ended 31st August 2018

1. Statement of accounting policies (continued)

1.10 Liabilities

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

1.11 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.

A contingent liability arises from a past event that gives the Academy Trust a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Academy Trust. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements. The Academy Trust currently has no provisions except for the obligations with regard to the Local Government Pension Scheme and no contingent liabilities.

1.12 Leased Assets

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

1.13 Foreign Currency Transactions

Foreign currency transactions relate to field courses. They are recorded using the rate of exchange ruling at the date of the transaction. During the period, foreign currency transactions amounting to a total of **£58k** (2017: **£26k**) took place. There were no outstanding foreign currency transactions at the period end.

1.14 Taxation

The Academy Trust is considered to pass the tests set out in paragraph 1 schedule 6 Finance Act 2010, and therefore meets the definition of a charitable company for UK corporation tax purposes.

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

Notes to the Financial Statements for the period ended 31st August 2018

1. Statement of accounting policies (continued)

1.15 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. TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

1.16 Short Term Employment Benefits

Short-term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the period in which the employees render service to the Academy Trust. Any unused benefits are accrued and measured as the additional amount the Academy Trust expects to pay as a result of the unused entitlement.

1.17 Fund Accounting

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

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

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

Notes to the Financial Statements for the period ended 31st August 2018

1. Statement of accounting policies (continued)

1.18 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

The Academy Trust has to determine whether leases entered into either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

The Academy Trust has to determine whether there are indicators of impairment of the tangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

The present value of the LGPS 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 26, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact upon the carrying amount of the pension liability.

Comparative information for 2017 relates to the period from 28th November 2016 – 31st August 2017, noting that the conversion to an academy took place on 1st March 2017 and no transactions took place prior to this date.

2. General Annual Grant (GAG)

The Academy Trust was not subject to a GAG carry forward restriction.

Notes to the Financial Statements for the period ended 31st August 2018

3. Income from Donations and Capital Grants

	Unrestricted Funds 2018 £'000	Restricted Funds 2018 £'000	Restricted Fixed Asset Funds 2018 £'000	Total Funds 2018 £'000	Total Funds 2017 £'000
Capital Grant	0	0	58	58	60
Other Donations	0	62	0	62	12
	0	62	58	120	72
2017	0	12	60	72	

4. Funding for the Academy Trust's Educational Operations

	Unrestricted Funds 2018 £'000	Restricted Funds 2018 £'000	Total Funds 2018 £'000	Total Funds 2017 £'000
DfE / ESFA Grants				
General Annual Grant (GAG)	0	8,735	8,735	4,700
Other DfE / EFA Grants	0	75	75	38
	0	8,810	8,810	4,738
Other Government Grants				
Local Authority Grants	0	7	7	4
	0	7	7	4
Other Funding				
Other income from educational operations	304	224	528	286
	304	224	528	286
	304	9,041	9,345	5,028
2017	220	4,808	5,028	

Notes to the Financial Statements for the period ended 31st August 2018

5. Other Trading Activities

	Unrestricted Funds 2018 £'000	Restricted Funds 2018 £'000	Total Funds 2018 £'000	Total Funds 2017 £'000
Hire of facilities	60	0	60	22
	60	0	60	22
2017	22	0	22	

6. Investment Income

	Unrestricted Funds 2018 £'000	Restricted Funds 2018 £'000	Total Funds 2018 £'000	Total Funds 2017 £'000
Short term deposits	12	0	12	4
	12	0	12	4
2017	4	0	4	

Notes to the Financial Statements for the period ended 31st August 2018

7. Expenditure

	Staff Costs £'000	Non Pay Expenditure		Total 2018 £'000	Total 2017 £'000
		Premises £'000	Other £'000		
Expenditure on raising funds	51	0	58	109	40
Academy's educational operation:					
• Direct Costs	5,622	0	1,578	7,200	3,881
• Allocated Support Costs	1,179	697	407	2,283	1,128
	6,852	697	2,043	9,592	5,049
2017	3,477	436	1,136	5,049	

Net Incoming Resources / (Resources Expended) for the period includes:

	2018 £'000	2017 £'000
Operating lease rental	70	34
Depreciation	351	190
FRS 102 net interest cost	50	29
Auditor's remuneration – Internal Audit	9	4
Auditor's remuneration – Financial statement and regularity	12	10

8. Charitable Activities

	Total 2018 £'000	Total 2017 £'000
Direct costs – educational operations	7,200	3,881
Support costs – educational operations	2,283	1,128
	9,483	5,009
Analysis of support costs:	Total 2018 £'000	Total 2017 £'000
Support staff costs	1,179	440
Depreciation	351	193
Technology costs	218	126
Premises costs	346	243
Other support costs	159	108
Governance costs	30	18
Total Support costs	2,283	1,128

Notes to the Financial Statements for the period ended 31st August 2018

9. Staff Costs

A. Staff Costs

Staff costs during the period were:

	Total 2018 £'000	Total 2017 £'000
Wages & salaries	5,293	2,705
Social security costs	456	250
Operating costs of defined benefit pension schemes	822	415
Additional LGPS deficit lump sum contribution	58	28
Short term employee benefits	0	(12)
Apprenticeship Levy	11	5
FRS 102 Pension charge	172	65
	6,812	3,456
External employees	9	2
	6,821	3,458
Staff restructuring costs	31	19
Total staff costs	6,852	3,477
Staff restructuring costs comprise:		
• Contractual - redundancy payments	31	19

B. Staff Numbers

The average number of persons employed by the Academy Trust during the period, expressed as full-time equivalents (f.t.e) and headcount, were as follows:-

	2018 fte's	2018 Headcount	2017 fte's	2017 Headcount
Teachers	93	133	97	130
Administration and support	61	147	61	155
Management	3	3	2	3
	157	283	160	288

Notes to the Financial Statements for the period ended 31st August 2018

C. Higher Paid Staff

The number of employees whose employee benefits (excluding employer pension costs and employer National Insurance) exceeded £60,000 in a twelve-month period was:

<i>In the band of:</i>	Key management personnel		Other Staff	
	2018	2017	2018	2017
£1 - £10,000	1	1	N/A	N/A
£60,001 - £70,000	1	1	0	0
£70,001 - £80,000	0	1	0	0
£100,001 - £110,000	1	1	0	0

D. Key Management Personnel

The key management personnel of the Academy Trust comprise the Trustees and the Senior Postholders as listed on page 2. The Assistant Principal was promoted to a Senior Postholder role by the Trustees at their meeting in May 2018.

Key management personnel compensation for the period was made up as follows:

	2018 £'000	2017 £'000
Salaries	198	97
Employers National Insurance	24	12
Benefit in kind	0	0
	222	109
Pension contributions	33	16
	255	125

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place

E. Accounting Officer (Principal)

The above compensation includes amounts payable during the period to the Accounting Officer (Principal) (who was also the highest paid officer) of:

	2018 £'000	2017 £'000
Salaries	106	52
Employers National Insurance	13	7
Benefit in kind	0	0
	119	59
Pension contributions	17	8
	136	67

There has been no compensation for loss of office paid to any former key management personnel.

Notes to the Financial Statements for the period ended 31st August 2018

10. Trustees' Remuneration and Expenses

One or more Trustees have 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.

The value of Trustees' remuneration and other benefits for the year to 31st August 2018:

Mr Peter Cooper (Principal and Trustee):

Remuneration £100,001 - £110,000 (2017: £50,001 - £60,000)

Employer's pension contributions paid £10,001 - £20,000 (2017: £1 - £10,000)

Mr Phillip Tranter (Staff Trustee):

Remuneration £50,001 - £60,000 (2017: £20,001 - £30,000)

Employer's pension contributions paid £1 - £10,000 (2017: £1 - £10,000)

Mrs Andrea Marshall (Staff Trustee):

Remuneration £40,001 - £50,000 (2017: £20,001 - £30,000)

Employer's pension contributions paid £1 - £10,000 (2017: £1 - £10,000)

During the year ended 31 August 2018, travel and subsistence expenses totaling £1,454 (2017: £624) were reimbursed or paid directly to 3 staff Trustees. This was in relation to the work undertaken as employees of the Academy Trust, not in relation to their roles as Trustees.

11. Trustees' and Officers' Insurance

In accordance with normal commercial practice, the Academy Trust has purchased insurance to protect Trustees and Officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the year ended 31st August 2018 was £914 (2017: £914). The cost of this insurance is included in the total insurance costs.

Notes to the Financial Statements for the period ended 31st August 2018

12. Tangible Fixed Assets

	Freehold Land	Freehold Buildings	Furniture & Equipment	Computer Hardware	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Costs or valuation						
At 1st September 2017	1,008	10,073	120	135	12	11,348
Additions	0	0	0	33	0	33
Disposals	0	0	0	0	0	0
At 31st August 2018	1,008	10,073	120	168	12	11,381
Depreciation						
At 1st September 2017	0	138	12	38	2	190
Charge	0	277	20	50	4	351
Elimination - disposals	0	0	0	0	0	0
At 31st August 2018	0	415	32	88	6	541
Net Book Value at 31st August 2018	1,008	9,658	88	80	6	10,840
Net Book Value at 31st August 2017	1,008	9,935	108	97	10	11,158

Within buildings additions above, are **£NIL** expenditure relating to assets under construction at 31st August 2018 (2017 **£Nil**).

During the period, an exercise was conducted to identify obsolete equipment assets and write them out of the accounts, together with related depreciation.

13. Investments

Cash was held in four different banks. There were no investments in other institutions during the period.

Notes to the Financial Statements for the period ended 31st August 2018

14. Stocks

	2018 £'000	2017 £'000
Library – resource centre stock	3	3
	<u>3</u>	<u>3</u>

15. Debtors

	2018 £'000	2017 £'000
Trade debtors	1	4
VAT recoverable	12	16
Other debtors	3	0
Prepayments and accrued income	228	219
	<u>244</u>	<u>239</u>

16. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	1	(1)
Other taxation, social security and pensions	219	240
Accruals and other creditors	315	481
Accruals – employee annual leave	16	16
Amounts owed to the ESFA	50	23
	<u>601</u>	<u>759</u>

Deferred Income

	2018 £'000	2017 £'000
Deferred income as at 1 st September 2017	110	0
Resources deferred during the year	128	110
Amounts released from previous years	(110)	0
Deferred income as 31st August 2018	<u>128</u>	<u>110</u>

Income has been deferred based upon the period to which it relates. At the balance sheet date, the Academy Trust was holding the following funds received in advance:

	2018 £'000	2017 £'000
EFSA funding creditor	50	23
Underspend on grant funded projects	12	0
Trips and residential field courses	66	87
	<u>128</u>	<u>110</u>

Notes to the Financial Statements for the period ended 31st August 2018

17. Statement of Funds

	Brought Forward 1/9/2017 £'000	Income £'000	Expenditure £'000	Transfers In/Out £'000	Gains / (Losses) £'000	Carried Forward 31/8/2018 £'000
Total Unrestricted Funds	(5)	376	(400)	0	0	(29)
Restricted Funds						
Transfer on conversion	2,158	0	0	0	0	2,158
Pension Reserve	(2,239)	0	(222)	0	895	(1,566)
General Annual Grant	299	8,735	(8,239)	85	0	880
Local Authority Grant	0	7	(7)	0	0	0
Other DfE / EFSA Grants	0	75	(75)	0	0	0
Other restricted funds	60	224	(224)	(60)	0	0
Donations	12	62	(74)	0	0	0
	290	9,103	(8,841)	25	895	1,472
Restricted fixed asset funds						
Transfer on conversion	11,158	0	(351)	0	0	10,807
DfE / ESFA capital grant	0	58	0	(25)	0	33
Capital expenditure from GAG	0	0	0	0	0	0
	11,158	58	(351)	(25)	0	10,840
Total Restricted Funds	11,448	9,161	(9,192)	0	895	12,312
Total of Funds	11,443	9,537	(9,592)	0	895	12,283

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

The Restricted General Fund includes GAG and other grants received from the ESFA and the Local Authority towards educational activities.

The Restricted Fixed Asset Fund includes amounts received from the ESFA in respect of tangible fixed assets held for academy use. Transfers between the GAG Fund and Restricted Fixed Asset Fund relate to purchases from this fund.

The Pension Reserve relates to the Academy Trust's share of the deficit of the Local Government Pension Scheme overseen by Worcestershire County Council.

Under the Funding Agreement with the Secretary of State, the Academy Trust was not subject to a limit on the amount of GAG that it could carry forward at 31st August 2018.

Notes to the Financial Statements for the period ended 31st August 2018

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

	Brought Forward 28/11/16 £'000	Income £'000	Expenditure £'000	Transfers In/Out £'000	Gains / (Losses) £'000	Carried Forward 31/8/17 £'000
Total Unrestricted Funds	0	251	(256)	0	0	(5)
Restricted Funds						
Transfer on conversion	0	2,158	0	0	0	2,158
Pension Reserve	0	(2,180)	(94)	0	35	(2,239)
General Annual Grant	0	4,700	(4,401)	0	0	299
Local Authority Grant	0	4	(4)	0	0	0
Other DfE / EFSA Grants	0	38	(38)	0	0	0
Other restricted funds	0	66	(66)	60	0	60
Donations	0	12	0	0	0	12
	0	4,798	(4,603)	60	35	290
Restricted fixed asset funds						
Transfer on conversion	0	11,348	(190)	0	0	11,158
DfE / ESFA capital grant	0	60	0	(60)	0	0
Capital expenditure from GAG	0	0	0	0	0	0
	0	11,408	(190)	(60)	0	11,158
Total Restricted Funds	0	16,206	(4,793)	0	35	11,448
Total of Funds	0	16,457	(5,049)	0	35	11,443

18. Analysis of Net Assets between Funds

	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total Funds £'000
Tangible Fixed Assets			10,840	10,840
Currents Assets	53	3,557		3,610
Current Liabilities	(82)	(519)		(601)
Pension Scheme liability		(1,566)		(1,566)
Total Net Assets	(29)	1,472	10,840	12,283

Notes to the Financial Statements for the period ended 31st August 2018

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

	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000	Total Funds £'000
Tangible Fixed Assets			11,158	11,158
Currents Assets	70	3,213		3,283
Current Liabilities	(75)	(684)		(759)
Pension Scheme liability		(2,239)		(2,239)
Total Net Assets	(5)	290	11,158	11,443

19. Commitments under Operating Leases

At 31st August, the Academy Trust had minimum lease payments under non-cancellable operating leases as follows:

	2018 £'000	2017 £'000
Land and building		
- Amounts due within one year	0	0
- Amounts due between one and five years	0	0
- Amounts due after five years	0	0
	0	0
Other		
- Amounts due within one year	33	40
- Amounts due between one and five years	8	43
- Amounts due after five years	0	0
	41	83

The leases are for photocopiers and printers. After the year end, the academy trust paid early settlement charges in order to change supplier of operating leases. The minimum lease payments due under the new agreements are not deemed to be materially different from those that were in existence at the year end.

20. Reconciliation of net income / (expenditure) to net cash flow from operating activities

	2018 £000	2017 £000
Net income / (expenditure) for the reporting period (as per the statement of financial activities)	(55)	11,408
<i>Adjusted for:</i>		
Net assets transferred on conversion	0	(11,331)
Cash received on conversion	0	2,609

Notes to the Financial Statements for the period ended 31st August 2018

Depreciation [note 12]	351	193
Capital grants from DfE and other capital income	(58)	(60)
Interest receivable [note 6]	(13)	(4)
Defined benefit pension scheme cost less contributions payable [note 26]	172	65
Defined benefit pension scheme finance cost [note 26]	50	29
Increase in stocks	0	(1)
(Increase) / Decrease in debtors	(5)	35
(Decrease) / Increase in creditors less than 1 year	(158)	34
Net cash provided by / (used in) Operating Activities	284	2,977

21. Cash flows from financing activities

	2018	2017
	£000	£000
Repayments of borrowing	0	0
Cash inflows from new borrowing	0	0
Net cash provided by / (used in) financing activities	0	0

22. Cash flows from investing activities

	2018	2017
	£000	£000
Dividends, interest and rents from investments	13	4
Purchase of tangible fixed assets	(33)	(3)
Capital grants from DfE/EFA	58	60
Net cash provided by / (used in) investing activities	38	61

23. Analysis of cash and cash equivalents

	2018	2017
	£000	£000
Cash in hand and at bank	3,363	3,041
Total cash and cash equivalents	3,363	3,041

24. Contingent liabilities

The Academy Trust is not aware of any issues that could give rise to a contingent liability.

25. Members liability

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while he / she is a member, or within one year after he/she ceases to be a member, such amount as may be required, not exceeding £1 for the debts and liabilities contracted before he/she ceases to be a member.

Notes to the Financial Statements for the period ended 31st August 2018

26. Pension Obligations

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

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

Contributions amounting to **£99k** were payable to the schemes at 31 August 2018 (2017 £106k) and are included within creditors.

Teachers' Pension Scheme

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 and lecturers 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 Services 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 Services 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%.

Notes to the Financial Statements for the period ended 31st August 2018

26. Pension Obligations (continued)

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 contributions rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to **£584k** (2017 £299k). A copy of the valuation report and supporting documentation is on the Teachers' Pension website.

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

Local Government Pension Scheme

The LGPS is a funded defined-benefit pension scheme, with the assets held in separate Trustee-administered funds. The total contribution made for the period ended were:

	2018	2017
	£'000	£'000
Employer's	230	120
Employer's – lump sum deficit	58	58
Employee's	79	41
	367	219

The agreed contribution rates for future years are **17.9%** for employers and **5.5% to 8.5%** for employees, depending on salary. Due to an overall deficit in the scheme, the Academy Trust has made additional contributions in the period amounting to £58k (2017 £28k). These additional contributions are expected to continue for a further 15 years.

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

The following information is based upon a full actuarial valuation of the fund at 31st March 2016, updated by a qualified independent actuary:

	31 August 2018	31 August 2017
	%	%
Rate of increase in salaries	3.6	3.7
Rate of increase for pensions in payment / inflation	2.2	2.2
Discount rate for Scheme Liabilities	2.8	2.4
Inflation assumption (CPI)	2.1	2.2
Commutation of pensions to lump sums (max)	50	50

Notes to the Financial Statements for the period ended 31st August 2018

26. Pension Obligations (continued)

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

	31 August 2018	31 August 2017
Retiring Today		
Males	22.7	22.6
Females	25.7	25.6
Retiring in 20 Years		
Males	24.9	24.8
Females	28.0	27.9

	31 August 2018 £'000	31 August 2017 £'000
Sensitivity Analysis		
Discount rate +0.1%	(1,422)	(2,092)
Mortality assumption 1 year increase	(1,720)	(2,396)
CPI rate +0.1%	(1,712)	(2,388)
Pay growth +0.1%	(1,590)	(2,269)

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

	Fair Value at 31 August 2018 £'000	Fair Value at 31 August 2017 £'000
Equities	5,103	5,269
Government bonds	530	0
Bonds	305	318
Cash	139	80
Property	311	233
Other	239	220
Total market value of assets	6,627	6,120
Actual return on scheme assets	405	305

Notes to the Financial Statements for the period ended 31st August 2018

26. Pension Obligations (continued)

Amounts included in the balance sheet in respect of the defined benefit pension plan:

	31 August 2018	31 August 2017
	£'000	£'000
Fair value of plan assets	6,627	6,120
Present value of plan obligations	(8,193)	(8,359)
Net pensions (liability) / asset	(1,566)	(2,239)

Amounts recognised in the Statement of Financial Activities (incorporating the income and expenditure account):

	31 August 2018	31 August 2017
	£'000	£'000
Current service cost	(455)	(240)
Net interest costs	(50)	(29)
Remeasurement of assets	895	35
Administration fee	(5)	(3)
Total amount recognised in the SOFA	385	(237)

Movement in net defined benefit (liability) / assets during the period:

	31 August 2018	31 August 2017
	£'000	£'000
Brought forward at 1 September 2017	(2,239)	(2,180)
<i>Movement in period:</i>		
Current service cost	(455)	(240)
Employer contributions	288	178
Net interest on defined liability	(50)	(29)
Administration fee	(5)	(3)
Actuarial gain / (loss)	895	35
Net defined benefit (liability)	(1,566)	(2,239)
/ assets in scheme at 31 August 2018		

Notes to the Financial Statements for the period ended 31st August 2018

26. Pension Obligations (continued)

Asset and Liability Reconciliation:

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

	31 August 2018	31 August 2017
	£'000	£'000
Brought forward at 1 September 2017	8,359	7,622
Current service cost	455	240
Interest costs	198	101
Employee contributions	79	41
Actuarial (gain) / loss	(638)	404
Estimated benefits paid	(260)	(49)
Defined benefit obligations at 31 August 2018	8,193	8,359

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

	31 August 2017	31 August 2017
	£'000	£'000
Brought forward at 1 September 2017	6,120	5,442
Interest income	148	72
Actuarial gain / (loss)	257	439
Employer contributions	288	178
Employee contributions	79	41
Administration fee	(5)	(3)
Estimated benefits paid	(260)	(49)
Fair value of scheme assets at 31 August 2018	6,627	6,120

Notes to the Financial Statements for the period ended 31st August 2018

27. Related Party Transactions

Due to the nature of the Academy Trust's operations, and the composition of the Board of Trustees (being drawn from Public and Private Sector Organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Trustees may have an interest. All such transactions are conducted at arms' length, in accordance with the Academy Trust's Financial Regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Trustees during the period were less than £2k (2017: £1k).

No Trustee has received any remuneration or waived payments from the Academy Trust during the period.

P Hudson and Sons – a company in which Mrs Hudson, the Reprographics Technician, is Company Secretary.

Transactions totalling £16k (2017: £7k), relating to the provision of electrical services took place. The company was owed £4k (2017: £3k) at the period end for work undertaken during the summer holiday.

28. Events after the end of the reporting period

There have been no events since the balance sheet date that would materially affect the results for the period.

29. Learner Support Funds

	2018 £'000	2017 £'000
16-19 Student Bursary Grant	0	71
19-24 Discretionary Learner Support	0	0
Bursary / DLS brought forward	0	2
College Fund subsidy	0	4
	0	77
Disbursements to Students	0	77
Admin / Audit Fees	0	0
Balance clawed back by SFA	0	0
	0	77
Balance Carried Forward	0	0

ESFA learner support funds are available solely for students. Learner support funds have been amalgamated into the overall funding allocation since 2016/17 and as a result, "control" over the funds now resides with the Academy and management decide how funds should be disbursed to individual students. Income and expenditure is therefore now recognised in the Statement of Financial Activities (SOFA).

