

**St Michael's Academy**  
(A Company Limited by Guarantee)

**Annual Report and Financial Statements**

**For the Year Ended 31 August 2018**

**Company Registration Number: 08210739 (England and Wales)**

# St Michael's Academy

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# St Michael's Academy

## Reference and Administrative Details

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<b>Members</b>	J Ayres W Capon C Fletcher E Pyke S Whatmore	(Until 06/02/2018)  (Until 16/07/2018)
<b>Trustees</b>	E Pyke W Capon J Ayres C Fletcher L Mapletoft  J Markham-Wiseman C Pritchard B Randall M Vella	(Chair from 06/02/2018) (Chair)(Resigned 06/02/2018)  (Appointed 18/01/2018 & resigned 15/05/2018) (Appointed 14/05/2018) (Appointed 05/03/2018) (Appointed 14/05/2018)
<b>Senior Leadership Team</b>	Headteacher Deputy Headteacher Assistant Headteacher Deputy Safeguarding lead SEN Co-ordinator Business Manager	M Vella C Compton-Foster D Rowland J Martin E Casey S Whatmore
<b>Company Name</b>	St Michael's Academy	
<b>Principal and Registered Office</b>	St Michael's Academy Grass Royal Yeovil, Somerset BA21 4JW	
<b>Company Registration Number</b>	08210739 (England and Wales)	
<b>Independent Auditor</b>	Albert Goodman LLP Mary Street House Mary Street Taunton Somerset TA1 3NW	
<b>Bankers</b>	Lloyds 9 High Street Yeovil, Somerset BA20 1RN	
<b>Solicitors</b>	Foot Anstey The Quad, Blackbrook Business Park Taunton, Somerset TA1 2PX	

## **St Michael's Academy**

### **Trustees' Report**

For the Year Ended 31 August 2018

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The trustees present their annual report together with the financial statements and auditor's 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.

St Michael's Academy is a junior school in Yeovil and children attend from year 3 to year 6. It has a pupil capacity of 330 and a roll of 276 in the school census on 4<sup>th</sup> October 2018.

## **Structure, Governance and Management**

### **Constitution**

The academy trust is a company limited by guarantee and an exempt charity. The charitable company's Memorandum and Articles of Association are the primary governing documents of the academy trust. The trustees of St Michael's Academy are also the directors of the charitable company for the purposes of company law. The charitable company is known as St Michael's Academy.

Details of the trustees who served throughout the year are included in the Reference and Administrative Details page.

### **Members' Liability**

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

### **Trustees' Indemnities**

During the 2017-18 accounting year the Academy had indemnity insurance for Trustees' and Officers' Liability via RPA. The limit of indemnity was £10,000,000.

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

As set out in its Articles of Association and funding agreement, the Academy Trust shall have a minimum of three trustees; the trustees may comprise:

- up to five trustees appointed by Members,
- any number of trustees employed by the Academy Trust provided that the total number of trustees who are employees of the Academy Trust (including the Principal if he/she is a trustee) does not exceed one third of the total number of trustees,
- a minimum of two parent trustees appointed in accordance with the Articles,
- the Principal, if he/she agrees to be a trustee
- any number of co-opted trustees appointed by the trustees who weren't themselves co-opted.

Trustees will have a term of office of four years, except for any post which is held ex officio. A trustee may be re-appointed or re-elected.

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

All trustees meet existing trustees prior to their appointment. On their appointment, trustees are given an induction pack and invited to visit the school to meet the Senior Leadership Team and observe the school in action. The induction pack includes any policies, improvement plans, minutes and other documents they will need to undertake their role as trustees; all other information that may be required to carry out their duties can be requested. Less experienced trustees may be given a mentor in their first few months. External training may be provided, particularly where required due to specific responsibilities such as safeguarding.

## **Organisational Structure**

From the conversion to an academy, a new management structure was introduced to ensure the effective and efficient running of the Academy Trust. This consists of three levels: the trustees, the Senior Leadership Team ("SLT2) and those with specific leadership responsibilities. The aim of the management structure is to distribute responsibility and encourage involvement in decision-making at all levels.

The SLT is led by the Headteacher and includes the Deputy and Assistant Headteachers, Deputy Safeguarding Lead, School Business Manager and SENCo. Each year group within the school has a head of year; they form the middle managers of the school alongside the core subject leads. Year 3 is led by Miss Dawn Stringer who is also the Head of Numeracy, Year 4 is led by Miss Eleanor Wilson, Year 5 is led by Mrs Keri Conway and Year 6 is led by Mr David Rowland who is also the Assistant Headteacher. Miss Melissa Nichols and Miss Jess Clements share the Head of Literacy.

The SLT is led by the Headteacher and supported by the board of trustees. The SLT manages the Academy Trust implementing the strategy agreed by the trustees and reports back to them on progress. The trustees have delegated much of the management of the Academy to the Headteacher, including authorisation of spending (within agreed limits) and the appointment of staff.

The trustees are responsible for the vision and strategic priorities for the school, and for making key decisions to support those priorities. The trustees are responsible for adopting a development plan and budget, including capital expenditure, and are involved in staff appointments in consultation with the Headteacher. The trustees monitor the Academy through close liaison with and reporting from the Headteacher and through personal observations by visits to the school.

The trustees are appointed in line with Articles 45-58 within the Articles of Association. When appointing new trustees, the board of trustees recognises the need to have a wide range of skills amongst the trustees.

The Headteacher is the accounting officer.

## **Arrangements for setting pay and remuneration of key management personnel**

The pay ranges and scales for the Headteacher and Deputy Headteacher are determined by the board of trustees in accordance with the criteria specified in the School teachers' pay and conditions document 2017 ("STPCD 2017") and ensuring fair pay relativities.

The Headteacher and Deputy Headteacher may be awarded additional scale points in accordance with the provisions of the STPCD 2017, i.e. they must demonstrate sustained high quality of performance in respect of school leadership and management and pupil progress. Assessment of performance will be through the teacher appraisal process in line with the Academy's Appraisal policy.

Other than the Headteacher and any trustees employed by the Academy Trust, trustees do not receive any remuneration. The remuneration of trustees employed by the Academy Trust is also considered by the Board of trustees.

## **Trade union facility time**

St Michael's Academy does not have any union representatives.

## **Related Parties and other Connected Charities and Organisations**

There are no related parties which either control or significantly influence the decisions and operations of St. Michael's Academy. There are no sponsors associated with the Academy.

## **Objectives and Activities**

### **Objects and Aims**

As per the Articles, the Object of the Academy Trust is to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum.

The Aims of the Academy during the year ended 31 August 2018 were:

- to deliver high quality education and care to all pupils within the Academy;
- to maintain and enhance the standard of achievement of all pupils;
- to include and meet the needs of all pupils;
- to conduct the Academy's business in accordance with the highest standards of integrity, probity and transparency;
- to provide value for money.

### **Objectives, Strategies and Activities**

The Academy's main strategy is to:

"Create a stimulating and enriching environment based on the enjoyment of learning, which is also a safe space for children to thrive. Provide a broad, creative and experiential curriculum that is well resourced, based on the use of digital technology whenever appropriate and develops key skills and a breadth of knowledge. We endeavour to inculcate an appreciation of the world around them, both in terms of a local knowledge and an understanding of the wider world, including the multicultural nature of our nation."

The Academy ensures that all children have opportunities to experience academic, physical, creative, emotional and spiritual success in their lives, and strike a balance between the traditional values of duty, service and self-discipline and 21st Century values of transferable skills, independence, cooperation, creativity, and self-confidence. We seek to work effectively with parents, the community and other professionals to ensure the best outcomes for all our children.

### **Public Benefit**

The trustees confirm that they have complied with the requirement in the Charities Act 2011 to have due regard to the Charity Commission's general guidance on public benefit in exercising their powers or duties. They have referred to this guidance when reviewing the Academy's aims and objectives and in planning its future activities.

## **Strategic Report**

### **Achievements and Performance**

Over the last year, the SLT have placed greater accountability on progress and teachers have a greater understanding of the strengths and weaknesses of pupils in their care. Pupils undertake testing on entry (Year 3) and (NFER/Mock SATs) three times a year and, as a direct result, teachers are now able to more accurately predict the progress and end of year attainment data. Over the year, pupils in all year groups significantly improved; however, the key external measure of the Academy Trust's academic success are the KS2 SATs (data is below), where results improved dramatically over the year in all areas. The trustees and SLT are extremely pleased with these results and are now focused on maintaining and extending this progress over the coming year.

There have been some significant staffing changes over the past few months. Miss Jamie Walby left St Michael's Academy at the end of March and Miss Keri Conway was appointed as her replacement. Mrs Sally Layzell, who was working at the school as an unqualified teacher, also left the school at the end of the academic year and Miss Rose Kelly was appointed to replace her. Mr Huw Jones and Miss Melissa Nichols have reduced their teaching commitment and Miss Katy Wamani was appointed in September 2018. The Headteacher passed his NPQH in March 2018 and more recently the SENCo gained her NASENCo qualification.

Due to the financial difficulties that the school found itself in after overspend in the year ended 31st August 2017 and further overspend at the start of this financial year (that led to the imposition of a Financial Notice to Improve ("FNTI") in January 2018 by the ESFA) the school went through a redundancy process with its support staff in the spring of 2018.

Over the last year, all aspects of the school have continued to improve, resulting in much improved confidence among staff, pupils and parents. In particular, pupil conduct has dramatically improved. Pupils are now demonstrating a greater resilience to their work load and behaviour for learning around the whole school has significantly improved. The introduction of 'The Hive' is beginning to have a significant impact on those pupils who suffer with Social, Emotional and Mental Health issues. Pupils feel that they are supported well with their needs and as a direct result, outcomes are improving. Improving attendance is also a key target for the academy and we are currently well on course to exceed our whole school target of 95% at the end of the academic year. As a school in a severe area of deprivation our pupil premium percentage is also very high. Currently our attendance data for our disadvantaged pupils is over 2% higher than at this stage last year.

In November 2018, the academy went through a Quality Assurance Review undertaken by Challenge Partners; the review looked at teaching and learning, leadership and pupil outcomes. All three areas were judged to be good with outstanding attributes. Challenge Partners work collaboratively with schools across the country and focus on improving specific areas within schools. The Quality Assurance Review is an externally validated professionally-led peer review model focused on teaching and learning.

The Challenge Partner 'Network of Excellence' Quality Assurance Review Summary was as follows:

- The Headteacher and the senior leadership team (SLT) are relentless in setting high expectations for all members of the school community. They lead by example and drive the shared vision to ensure that all pupils at St Michael's gain the breadth of experience to equip them well for life beyond the school.
- The school is calm and purposeful and pupils describe it as a 'happy place' to be. As a result of the unwavering focus on positive behaviour, pupils show respect for themselves, their peers and any adults.
- The 'St. Michael's experiences' and the 'University of St Michael's' are key components in increasing pupils' linguistic, artistic, cultural and sporting skills. Pupils consider it positive to be good at something.

- Targeted continuing professional development (CPD), such as middle leadership training, is assisting the driving up of standards in the quality of teaching, learning and assessment.
- Strong relationships make a significant contribution to learning. Teachers understand pupils as individuals, resulting in confident learners who are keen to participate.
- Teachers create learning which inspires pupils.
- Almost all pupils enter St. Michael's from the neighbouring infant school. Prior attainment at transfer is consistently above the national average, with a few year groups below the national average. However, these pupils start in Reception with levels which are significantly below what is typically expected. Leaders have taken the decision to baseline pupils upon entry and this internal progress data reveals significant value added for most pupils as they make their way through the school.

<b>Attendance</b>						
<b>Year Group</b>	<b>Non Pupil-Premium Average Attendance %</b>			<b>Pupil-Premium Average Attendance %</b>		
	<b>2016-2017</b>	<b>2017-2018</b>	<b>2018-2019 (to 10.12.18)</b>	<b>2016-2017</b>	<b>2017-2018</b>	<b>2018-2019 (to 10.12.18)</b>
<b>Year 3</b>	95.41%	94.97%	95.97%	92.1%	96%	95.91%
<b>Year 4</b>	95.15%	94.98%	95.82%	91.9%	91.65%	95.03%
<b>Year 5</b>	95.19%	95.26%	96.51%	93.2%	92.3%	94.23%
<b>Year 6</b>	92.94%	94.6%	95.23%	92.5%	91.37%	94.66%
<b>All Years Average Attendance %</b>	93.8%	94.96%	95.9%	92.4%	92.7%	94.96%
<b>Whole School Average Attendance</b>						
<b>2016-2017</b>		<b>2017-2018</b>		<b>2018-2019 (to 10.12.18)</b>		
93.6%		94%		95.5%		

Safeguarding is effective, and several measures have been put in place to improve security and communication. A new and much more secure playground fence with an electronic entry system has been installed. An electronic signing in system is now in place and the school is now using 'My Concern' to log any potential safeguarding incidents. This view was endorsed by OFSTED who noted that the children interviewed during the inspection said they now feel much safer.

## Key Performance Indicators

### Year 6 SATs results 2018

	<b>ARE*</b>	<b>LOCAL</b>	<b>NATIONAL</b>
Reading	73%	74%	75%
Writing	78%	77%	78%
Maths	79%	73%	75%
Spelling & Grammar	77%	76%	77%
Reading, Writing, Maths	68%	62%	64%

\* Age-Related Expectations

**Year 6 SATs results 2017**

	<b>ARE*</b>	<b>LOCAL</b>	<b>NATIONAL</b>
Reading	51%	72%	71%
Writing	68%	74%	74%
Maths	69%	71%	75%
Spelling & Grammar	53%	74%	77%
Reading, Writing, Maths	51%	59%	61%

*\* Age-Related Expectations*

In September 2017, the school was inspected by OFSTED who graded all aspects as requiring improvement. Over time, the progress being made by the pupils at St Michael's Academy had not been good enough compared to schools locally and nationally. The trustees, Headteacher and SLT have been focused on moving the school forward and the results achieved in the 2018 SATs were excellent and place St Michael's Academy in the top 18% of similar junior schools in the country. They also sit very favourably with all schools in the surrounding area and throughout the county. The challenge in the forthcoming academic year will be to sustain this progress. The Academy Trust had an external independent review following this report which concluded that should OFSTED revisit in the coming months, a Good status would be restored. The Academy Trust continues to focus on improvements and it is the hope that Good or even Outstanding rating will be achieved at the next official visit.

**Going Concern**

After making appropriate enquires and taking into account the loan support received from the ESFA during the year, as documented in 1.2 in the Statement of Accounting Policies, 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.

**Financial Review**

The majority of the Academy's funding is obtained from the Education and Skills Funding Agency (ESFA) in the form of recurrent grants. This funding is recognised as restricted due to its specific purposes. Any ESFA funding received for fixed assets is shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the useful life of the assets concerned as defined in the Academy's accounting policies.

The Academy also receives grants from Somerset County Council for Individually Assigned Resources to support pupils who are eligible for SEN funding. These grants are treated as restricted income.

During the year ended 31 August 2018 total expenditure of £1,755,663 (including depreciation of £139,567) was set against recurrent grant funding from the ESFA and other incoming resources together totalling £1,465,870 (including £84,935 of DfE/ESFA capital grants).

Owing to a deficit in the year ended 31 August 2017 as well as a further deficit incurred at the start of this financial year, the Academy Trust contacted the ESFA. The Academy Trust was issued with a Financial Notice to Improve ("FNTI") on 2nd February 2018 and a loan of £190,000 was agreed. The Academy Trust has been complying with the FNTI and it is hoped and expected that this will be lifted sometime in the next financial year, subject to the Academy complying with the obligations imposed under the FNTI. The Academy has worked closely with the ESFA to prepare a recovery plan and has begun paying off the loan received. This loan is expected to be paid off within the next two years and has been carefully budgeted for. As part of the FNTI, the Academy engaged a consultant to conduct a review of the Trust's governance and financial controls; as a result of this review, the Trust has put in several improvements to its controls. The finance

## **St Michael's Academy**

### **Trustees' Report**

For the Year Ended 31 August 2018

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committee currently meets monthly to ensure compliance; this will continue for the foreseeable future, at least until the FNTI is lifted.

### **Reserves Policy**

The trustees review the reserve levels of the academy annually. The review encompasses the nature of income and expenditure streams, the need to match income with commitments, and the nature of the reserves. As a result of this review the trustees previously identified the requirement to hold an amount which is the equivalent to one month's operating cost, which currently amounts to circa £128k. However, due to overspend in this and the previous financial years, the academy's current level of free reserves (total funds less the amount held in fixed assets and restricted funds) is a deficit of £129k. The trustees will look to restore the reserves to one month's expenditure as soon as possible but it is recognised this may take a few years as we are currently focused on paying back the loan to the ESFA and it is likely that any surpluses will be required for this purpose in the short term.

### **Investment Policy**

The trustees review the financial position of the Academy and future demands for cash flow and any possible investment opportunities discussed in depth and the decision made appropriately. No investment opportunities are being considered at this time.

### **Principal Risks and Uncertainties**

#### Payroll

Although the Academy is well staffed, and no new hires are currently forecast, pressures on overall staffing costs are expected due to national pay rises as well as potential progress by teaching and support staff up the relevant pay scales. The board of trustees will be looking carefully at both these areas to see what rises are affordable given future income, with the aim of keeping the payroll budget below 80%. This year we are projecting 78% and will be keeping a tight control and are prepared to cut staff should pupil numbers drop (see below).

#### Income and pupil numbers

Although the Academy is not full (capacity is set at 330 in our Funding Agreement) and therefore could see an increase in pupil numbers, it is also possible that we could see fewer pupils in future. Already, we have a decrease in the census numbers this year which will result in a reduction of funding for the financial year beginning September 2019 and currently looks likely to be repeated the following year. We are prepared to reduce class numbers should the current structure be unsustainable; this would mean redundancies amongst teachers and support staff.

#### Non-payroll expenditure

Partly as a result of the external review imposed by the FNTI, much greater controls are now in place for non-payroll expenditure. Catering costs are relatively high but have been reduced due to increases in required donations from non-pupil premium children. The Catering Team continue to review the Catering costs regularly to ensure best value for money and are now using a number of different suppliers, rather than 1 or 2 previously. Pupil premium children are now being encouraged to pay half towards trips and activities. These levels will continue to be reviewed by the Board moving forward .

#### Payback of ESFA advance

The Academy has begun paying back the loan; this is currently scheduled to take two years. The repayments have been fully budgeted but the Trust will be carefully monitoring its expenditure and income over the next two years to ensure we meet our obligations.

#### Fraud/mis-management

The Academy appointed Somerset County Council ("SCC") as the internal auditor to carry out checks on the financial systems and records as required by the Academy Financial Handbook. SCC's Support Services for

# **St Michael's Academy**

## **Trustees' Report**

For the Year Ended 31 August 2018

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Education ("SSE") visit four times a year to audit payroll, purchasing, income, and general processes such as VAT and bank reconciliation. All finance staff have received some bespoke training from SSE in order to streamline processes and reporting.

### Financial controls

The trustees carefully consider the necessary financial controls required to ensure the Academy can control and monitor its finances. The Business Manager conducts regular reviews of the actual expenditure and income against budget, by reviewing the Chart of Accounts, at least weekly. A new purchase order process was implemented mid 2017-18. A purchase order is prepared by a requisitioner and approved, in principle, by the Headteacher. The purchase order is then reviewed by the Business Manager and checked against available budget. Any spend is scrutinised and should go through the purchase order process. The Business Manager reports monthly to the finance committee and the report includes a review of the work conducted by the internal auditor, as and when this is undertaken. The finance committee reviews all key aspects of the finances, including payroll and challenges the Business Manager should any discrepancies arise or any overspend is identified. The finance committee then presents its finding to the full board of trustees.

### Financial instruments

The academy has minimal financial risk limited primarily to its bank account which is held with HSBC. Our cashflow risk is limited as our grant funding from the ESFA is paid at the start of every month, prior to the payroll run which is our main obligation. We have few debtors, generally limited to parents for catering, trips and activities.

## **Fundraising**

The Academy Trust is supported by the Friends of St Michael's Group who fundraise for the school by way of various different events such as bingos, summer fete, xmas fair, quiz nights etc. The money is allocated to projects within the school which the Friends of St Michael's feel need assistance such as the outdoor play equipment for the children to use and break and lunchtimes, gifted money to the school to purchase books for all of the children as xmas presents etc.

The Academy Trust has recently reignited the School Council, a group of children guided by a member of staff, who come up with ways of fundraising outside of the Friends of St Michael's Group ie arranging their own non-school uniform day either for the school or another charity or writing to local businesses to ask for donations for a raffle. The Academy have non-school uniform days throughout the year, which are sometimes in aid of the Academy, very often for something specific, or for another charity that the Academy is supporting e.g. Children in Need.

The Academy Trust has also accessed the local supermarket token schemes and have received money from this with the support of the School Council. The Academy and School Council will continue to review such schemes so that the Academy may be able to continue accessing such funds.

## **Plans for Future Periods**

After a period of considerable change and financial difficulties, the trustees are focused on the following primary objectives;

- to continue improving pupil outcomes;
- to ensure continuing financial stability, repay the loan to the ESFA and have the FNTI lifted; and
- to ensure that we are returned to at least Good status when OFSTED return

Regarding the first point, the Headteacher has written an updated development plan which has been approved by the board of trustees. The key priorities are:

- Continue to improve pupils' numeracy, spelling, writing and vocabulary

## **St Michael's Academy**

### **Trustees' Report**

For the Year Ended 31 August 2018

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- Improve pupils' resilience to learning, especially when faced with a problem, challenge or new concept
- Ensure pupil premium children continue to make good progress and bring up their attainment to be more in line with non-pupil premium children
- Incorporate the University of St Michael's into school practice and procedures so our pupils experience the key components of increasing their linguistic, artistic, cultural and sporting skills.

Activities to achieve these priorities include:

- Quality first teaching to ensure all pupils are being challenged and making the appropriate progress.
- SENCo and Assistant Headteacher to rigorously monitor the progress of all Pupil Premium and SEN pupils and support staff in this key area of the school.
- Under performing teachers to be monitored and challenged.
- Developing opportunities for teaching staff to improve practice through peer observation and support.
- Teachers to recognise pupil barriers to learning and the interventions that need to be in place to have a significant impact on learning.
- Middle leaders to undertake National qualification
- Embed St Michael's University into the curriculum

Safeguarding has been improved dramatically in the last couple of years but the Academy Trust intends to continue to update site security, including the installation of fencing along the park side of the school and improving the structure to the east and north of the classrooms. This will be subject to a Condition Improvement Funding ("CIF") Bid made in December 2018.

The Academy Trust will also be applying for CIF funding to repair that part of the flat roof which wasn't addressed four years ago. This is now in a critical condition and we are confident that our bid will be successful.

### **Funds held as Custodian Trustee on Behalf of Others**

The academy and its trustees do not act as the Custodian Trustee of any other charity.

### **Auditor**

Insofar as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware;
- 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.

The auditor, Albert Goodman LLP, will be proposed for re-appointment at the Annual General Meeting.

Trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 17 December 2018 and signed on the board's behalf by:

E Pyke  
Chair of Trustees

## Scope of Responsibility

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

The board of trustees has 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 St Michael's Academy and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

## Governance

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

<b>Trustee</b>	<b>Meetings attended</b>	<b>Out of a possible</b>
J Ayres	6	6
W Capon (resigned 06/02/2018)	1	3
C Fletcher	5	6
L Mapletoft (appointed 18/01/2018 & resigned 15/05/2018)	2	3
J Markham-Wiseman (appointed 14/05/2018)	2	2
C Pritchard (appointed 05/03/2018)	3	3
E Pyke (Chair)	6	6
B Randell (appointed 14/05/2018)	2	2
M Vella (Headteacher)	5	6

The board of trustees is

- responsible for ensuring clarity of vision, ethos and strategic direction
- holding executive leaders to account
- overseeing the financial performance of the organisation and making sure its money is well spent

The trustees meet six times a year. At each meeting the progress of the school is reviewed against agreed criteria. After considerable turnover in the previous year, the Board has increased in stability and numbers. There are now seven trustees and at the time of writing, we have two parents who have applied to join. The Board will continue to look for new trustees. The Board is growing in experience and the greater numbers have resulted in greater challenge in all areas. We now have a formal annual schedule for meeting agendas although additional items can of course be added as required.

As part of the Financial Notice to Improve issued by the ESFA on 2nd February 2018, the Academy was required to commission an independent review, to consider, amongst other areas, the governance at the Academy. This review was completed, and the trustees reviewed the recommendations and an action plan was implemented. This is currently being worked through and reviewed closely by the ESFA. In future, it is intended that a governance review will be carried out after the end of the financial year and prior to the publication of this statement.

The academy has a separate finance and premises committee for dealing with all matters that are outlined within their Terms of Reference. For the 2018/19 academic year, the finance committee will meet 10 times, whereby the latest monthly Management Accounts are reviewed and discussed. A further trustee with financial experience is being sought to join the board. Financial Reports and Budget Variance Reports are

presented to the finance committee monthly, with approval sought for budget variances at the meetings. The reports are reviewed and received by all trustees prior to the board of trustees' meetings, where possible. The finance committee is also currently reviewing the recovery plan on a monthly basis (the recovery plan forms part of our obligations under the FNTI).

The Academy does not have an audit committee.

Attendance at the St Michael's Academy Finance Committee for year to 31st August 2018 was as follows:

<b>Trustee</b>	<b>Meetings attended</b>	<b>Out of a possible</b>
W Capon (resigned 06/02/2018)	1	1
L Mapletoft (appointed 18/01/2018 & resigned 15/05/2018)	2	3
C Pritchard (appointed 05/03/2018)	2	3
E Pyke	5	5
M Vella (Headteacher)	5	5

### **Review of Value for Money**

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

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

- Improving end of KS2 outcomes to bring them more in line with national expectations.
- Improved progress scores of all pupils since joining the academy.
- Enriching the curriculum to ensure that the pupils gain a wide range of experiences which deepen their knowledge and focus on improving their vocabulary.

### **The Purpose of the System of Internal Control**

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

### **Capacity to Handle Risk**

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

## **The Risk and Control Framework**

The Academy 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 of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing guidelines;
- delegation of authority and segregation of duties is being reviewed and updated;
- identification and management of risks.

The board of trustees has considered the need for a specific internal audit function and has decided to appoint Somerset County Council as internal auditor.

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

- testing of payroll systems
- testing of purchasing systems
- testing of income processes
- testing of control account/bank reconciliations

On a quarterly basis, the internal audits are reported or reports to the board of trustees, through the finance and general purposes committee on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities. The report undertaken by Support Services for Education makes recommendations for policy and practice improvements, mainly with regards to internal office procedures. The recommendations are reviewed by the Finance Team, and the board of trustees, to ensure that the recommendations are followed up and implemented, as necessary.

## **Review of Effectiveness**

As accounting officer, the Headteacher 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 auditor;
- the work of the external auditor;
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the board of trustees and a plan to ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on 17 December 2018 and signed on its behalf by:

E Pyke  
Chair of Trustees

M Vella  
Accounting Officer

## **St Michael's Academy**

### **Statement on Regularity, Propriety and Compliance**

**For the Year Ended 31 August 2018**

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

I confirm that I and the academy trust board of trustees are able to identify any material irregular or improper use of all 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 the following instances of material irregularity, impropriety or funding non-compliance have been discovered to date have been notified to the board and ESFA. If any instances are identified after the date of this statement, these will be notified to the board of trustees and ESFA.

#### **Financial issues**

##### **Matter 1**

During the financial year 2016-17 and 2017-18, the academy spent capital grants received from the ESFA outside of their intended purpose and subsequently had to use revenue funds for the disallowed CIF expenditure, for which revenue funds were already in deficit. The academy has therefore not ensured proper use of public funds. The academy could not provide supporting documentation for the tendering process of the capital projects to evidence that competitive tendering procedures have been applied.

##### **Matter 2**

During the year the academy overpaid two members of staff as a result of a weakness in the payroll approval process. The overpayments are being recovered through an agreed repayment plan with staff concerned.

M Vella  
Accounting Officer

Date: 17 December 2018

**St Michael's Academy**  
Statement of Trustees' Responsibilities  
For the Year Ended 31 August 2018

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

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

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

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

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

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

Approved by order of the members of the board of trustees on 17 December 2018 and signed on its behalf by:

E Pyke  
Chair of Trustees

## **St Michael's Academy**

### **Independent Auditor's Report on the Financial Statements to the Members of St Michael's Academy For the Year Ended 31 August 2018**

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#### **Opinion**

We have audited the financial statements of St Michael's Academy ('the charitable company') for the year ended 31 August 2018 which comprise the Statement of Financial Activities including the Income and Expenditure Account, 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 and United Kingdom Accounting Standards, including Financial Reporting Standard 102; the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice). The financial statements have been prepared under the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

In our opinion, the financial statements:

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

#### **Basis for opinion**

We have been appointed as auditor under the Companies Act 2006 and report in accordance with regulations made under that act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Material uncertainty relating to going concern**

We draw attention to Note 15 in the financial statements, which indicates that the academy held deficit funds of £129k in unrestricted funds at 31 August 2018. As stated in the Note 1.2 in the Statement of Accounting Policies, these conditions indicate that a material uncertainty exists that may cast significant doubt on the academy's ability to continue as a going concern. Our opinion is modified in respect of this matter.

## **St Michael's Academy**

### **Independent Auditor's Report on the Financial Statements to the Members of St Michael's Academy For the Year Ended 31 August 2018**

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#### **Other information**

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

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

We have nothing to report in this regard.

#### **Opinion on other matters prescribed by the Companies Act 2006**

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

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

#### **Matters on which we are required to report under the Companies Act 2006**

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

#### **Matters on which we are required to report by exception**

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

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

#### **Responsibilities of trustees**

As explained more fully in the Statement of Trustees Responsibilities set out on page 16, 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 trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company'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 charitable company or to cease operations, or have no realistic alternative but to do so.

## **St Michael's Academy**

Independent Auditor's Report on the Financial Statements to the Members of St Michael's Academy  
For the Year Ended 31 August 2018

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### **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 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of Independent Auditors.

### **Use of our report**

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

Paul Hake FCCA  
Senior Statutory Auditor  
for and on behalf of  
Albert Goodman LLP  
Chartered Accountants  
Statutory Auditor

Date: 19 December 2018

## **St Michael's Academy**

Independent Reporting Accountant's Assurance Report on Regularity to St Michael's Academy and the Education and Skills Funding Agency  
For the Year Ended 31 August 2018

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In accordance with the terms of our engagement letter dated 4 December 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by St Michael's Academy during the year to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

### **Respective responsibilities of St Michael's Academy's accounting officer and the reporting accountant**

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

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

### **Approach**

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

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

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

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

## **St Michael's Academy**

Independent Reporting Accountant's Assurance Report on Regularity to St Michael's Academy and the Education and Skills Funding Agency  
For the Year Ended 31 August 2018

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The work undertaken to draw our conclusion includes:

- Reviewing compliance against the requirements of the Academies Financial Handbook (September 2017);
- A review of the governance policies and procedures with specific consideration for financial planning, monitoring and control;
- Gaining assurance that the lines of delegation and the limits set both internally by the academy and by ESFA have been adhered to;
- A review of all meeting minutes of the board of trustees;
- An examination of financial transactions to identify any unusual items which may be improper; and
- A review of the declaration of interests completed by the trustees.

### **Conclusion**

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

### **Financial issues**

#### **Matter 1**

During the financial year 2016-17 and 2017-18, the academy spent capital grants received from the ESFA outside of their intended purpose and subsequently had to use revenue funds for the disallowed CIF expenditure, for which revenue funds were already in deficit. The academy has therefore not ensured proper use of public funds. The academy could not provide supporting documentation for the tendering process of the capital projects to evidence that competitive tendering procedures have been applied.

#### **Matter 2**

During the year the academy overpaid two members of staff as a result of a weakness in the payroll approval process. The overpayments are being recovered through an agreed repayment plan with staff concerned.

Reporting Accountant  
  
Albert Goodman LLP  
Chartered Accountants

Mary Street House  
Mary Street  
Taunton  
Somerset  
TA1 3NW

Date: 19 December 2018

**St Michael's Academy**

## Statement of Financial Activities (including Income and Expenditure Account)

For the Year Ended 31 August 2018

		Unres- tricted	Res- tricted General	Restricted Fixed Asset	2018 Total	2017 Total
	Note	£	£	£	£	£
<b>Income and endowments from:</b>						
Donations and capital grants	2	4,129	1,000	84,935	90,064	224,584
Charitable activities:						
Funding for the academy trust's educational operations	3	-	1,316,422	-	1,316,422	1,219,805
Other trading activities	4	46,919	12,400	-	59,319	74,227
Investments	5	65	-	-	65	305
<b>Total</b>		<u>51,113</u>	<u>1,329,822</u>	<u>84,935</u>	<u>1,465,870</u>	<u>1,518,921</u>
<b>Expenditure on:</b>						
Charitable activities:						
Academy trust educational operations	6	46,704	1,569,392	139,567	1,755,663	1,648,558
<b>Total</b>		<u>46,704</u>	<u>1,569,392</u>	<u>139,567</u>	<u>1,755,663</u>	<u>1,648,558</u>
<b>Net income / (expenditure)</b>		4,409	(239,570)	(54,632)	(289,793)	(129,637)
<b>Transfers between funds</b>	15	(148,458)	118,570	29,888	-	-
<b>Other recognised gains:</b>						
Actuarial gains on defined benefit pension schemes		-	198,000	-	198,000	101,000
<b>Net movement in funds</b>		(144,049)	77,000	(24,744)	(91,793)	(28,637)
<b>Reconciliation of funds</b>						
Total funds brought forward		14,753	(731,000)	2,213,085	1,496,838	1,525,475
<b>Total funds carried forward</b>		<u>(129,296)</u>	<u>(654,000)</u>	<u>2,188,341</u>	<u>1,405,045</u>	<u>1,496,838</u>

All of the academy's activities derive from continuing operations during the above two financial periods.

The Statement of Financial Activities for the prior year is shown in Note 25.

**St Michael's Academy - Company Registration Number: 08210739**

## Balance Sheet

As at 31 August 2018

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	Note	2018 £	2018 £	2017 £	2017 £
<b>Fixed assets</b>					
Tangible assets	11		2,188,341		2,199,317
<b>Current assets</b>					
Debtors	12	36,034		54,144	
Cash at bank and in hand	21	102,184		233,459	
		<u>138,218</u>		<u>287,603</u>	
<b>Liabilities</b>					
Creditors: Amounts falling due within one year	13	(157,514)		(259,082)	
<b>Net current assets</b>			(19,296)		28,521
<b>Total assets less current liabilities</b>			<u>2,169,045</u>		<u>2,227,838</u>
Creditors: Amounts falling due after more than one year	14		(110,000)		-
<b>Net assets excluding pension liability</b>			<u>2,059,045</u>		<u>2,227,838</u>
Defined benefit pension scheme liability	23		(654,000)		(731,000)
<b>Total assets</b>			<u><u>1,405,045</u></u>		<u><u>1,496,838</u></u>
<b>Funds of the academy trust:</b>					
<b>Restricted funds</b>					
Fixed asset fund	15	2,188,341		2,213,085	
Restricted income fund	15	-		-	
Pension reserve	15	(654,000)		(731,000)	
<b>Total restricted funds</b>			<u>1,534,341</u>		<u>1,482,085</u>
<b>Unrestricted income funds</b>	15		(129,296)		14,753
<b>Total funds</b>			<u><u>1,405,045</u></u>		<u><u>1,496,838</u></u>

The financial statements on pages 22 to 44 were approved by the trustees, and authorised for issue on 17 December 2017 and are signed on their behalf by:

E Pyke  
Chair of Trustees

**St Michael's Academy**  
Statement of Cash Flows  
For the Year Ended 31 August 2018

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	Notes	2018 £	2017 £
<b>Cash flows from operating activities</b>			
Net cash (used in) / provided by operating activities	18	(277,684)	38,714
<b>Cash flows from investing activities</b>	20	(43,591)	(270,444)
<b>Cash flows from financing activities</b>	19	190,000	-
<b>Change in cash and cash equivalents in the reporting period</b>		<u>(131,275)</u>	<u>(231,730)</u>
<b>Cash and cash equivalents at 1 September 2017</b>		233,459	465,189
<b>Cash and cash equivalents at 31 August 2018</b>	21	<u>102,184</u>	<u>233,459</u>

## **1 Statement of Accounting Policies**

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

### **1.2 Going concern**

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements.

Funding for the activities of St Michael's Academy is principally provided by the Education and Skills Funding Agency (ESFA). During the year, the Trust was granted a loan of £190k from the ESFA to support its current cash flows. The loan is to be repaid between 1 October and July 2020. At 31 August 2018 the academy has negative restricted funds of 129k. The academy is forecasting an in year surplus for the 2018-19 year end and is forecast to return to positive funds in by 2019-20. The Board of Trustees has a reasonable expectation that sufficient funds have been made available by the ESFA.

However, the trustees have concluded that there are material uncertainties that cast doubt on the ability of the academy to continue as a going concern. Nevertheless, the trustees believe that a viable solution has been found and therefore continue to prepare the financial statements on a going concern basis. The financial statements do not include the adjustments that would result should the entity not be able to continue as a going concern.

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

- **Sponsorship Income**  
Sponsorship income provided to the academy trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.
- **Donations**  
Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.
- **Other income**  
Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the academy trust has provided the goods or services.
- **Donated goods, facilities and services**  
Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the financial statements until they are sold. This income is recognised within 'Income from other trading activities'.

#### 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**  
This includes all expenditure incurred by the academy trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.
- **Charitable Activities**  
These are costs incurred on the academy trust's educational operations, including support costs and costs relating to the governance of the academy trust apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

#### 1.5 **Tangible fixed assets**

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

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

Long leasehold land	straight line over the lease term
Long leasehold buildings	2%
Furniture & equipment	20%
Computer equipment and software	33%
Property Improvements	10% and 5%

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use and reclassified to freehold or leasehold land and buildings.

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

#### 1.6 **Liabilities**

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

#### 1.7 **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.

#### 1.8 **Leased assets**

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

#### 1.9 **Financial Instruments**

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

Financial assets – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 12. Prepayments are not financial instruments.

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

Financial liabilities – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 13 and 14. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver

services rather than cash or another financial instrument. Amounts due to charity's wholly owned subsidiary are held at face value less any impairment.

#### **1.10 Taxation**

The academy trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

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

#### **1.11 Pensions Benefits**

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

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

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

#### **1.12 Fund accounting**

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

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

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

**1.13 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 present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in Note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

**2 Donations and capital grants**

	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>2018 Total</b>	<b>2017 Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Capital grants (DfE/ESFA)	-	84,935	84,935	220,638
Donations	4,129	1,000	5,129	3,946
	<u>4,129</u>	<u>85,935</u>	<u>90,064</u>	<u>224,584</u>

**3 Funding for the academy trust's educational operations**

	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>2018 Total</b>	<b>2017 Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>DfE/ESFA grants</b>				
General Annual Grant (GAG)	-	1,083,627	1,083,627	991,559
Other DfE/ESFA grants	-	180,851	180,851	155,184
	<u>-</u>	<u>1,264,478</u>	<u>1,264,478</u>	<u>1,146,743</u>
<b>Other Government grants</b>				
Local authority grants	-	51,944	51,944	73,062
Special educational projects	-	-	-	-
	<u>-</u>	<u>51,944</u>	<u>51,944</u>	<u>73,062</u>
	<u>-</u>	<u>1,316,422</u>	<u>1,316,422</u>	<u>1,219,805</u>

**4 Other trading activities**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>2018 Total £</b>	<b>2017 Total £</b>
Facilities and services income	25,042	-	25,042	22,016
Educational trips and activities	18,469	-	18,469	26,172
Other income	3,408	12,400	15,808	26,039
	<u>46,919</u>	<u>12,400</u>	<u>59,319</u>	<u>74,227</u>

**5 Investment income**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>2018 Total £</b>	<b>2017 Total £</b>
Short term deposits	65	-	65	305
	<u>65</u>	<u>-</u>	<u>65</u>	<u>305</u>

**6 Expenditure**

	<b>Staff Costs £</b>	<b>Premises £</b>	<b>Other £</b>	<b>Total 2018 £</b>	<b>Total 2017 £</b>
Academy's educational operations:					
Direct costs	1,037,334	-	97,090	1,134,424	1,105,097
Allocated support costs	273,634	32,425	315,180	621,239	543,461
	<u>1,310,968</u>	<u>32,425</u>	<u>412,270</u>	<u>1,755,663</u>	<u>1,648,558</u>

Net income/(expenditure) for the period includes:

	<b>2018 £</b>	<b>2017 £</b>
Operating lease rentals	17,110	16,062
Depreciation	139,567	96,051
Fees payable to auditor for:		
- audit	3,800	3,800
- other services	6,800	1,260

**7 Charitable activities**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Direct costs - educational operations	1,134,424	1,105,097
Support costs - educational operations	621,239	543,461
	<u>1,755,663</u>	<u>1,648,558</u>

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Direct costs - educational operations</b>		
Teaching and educational support staff	1,031,901	936,868
Educational supplies	85,263	121,875
Staff development	7,957	13,795
Supply teacher costs	5,433	19,539
Other direct costs	3,870	13,020
<b>Support costs - educational operations</b>		
Support staff costs	273,634	209,877
Depreciation	139,567	96,051
Recruitment and support	376	6,668
Rent and rates	18,358	21,154
Energy costs	16,644	12,907
Insurance	15,682	30,246
Catering	41,225	31,836
Maintenance of premises and equipment	32,425	22,693
Cleaning	5,851	4,524
Technology	29,205	49,816
Legal and professional	16,182	22,213
Accountancy fees	5,148	2,958
Bank charges	156	217
Other support costs	13,726	21,482
Governance costs	13,060	10,819
	<u>1,755,663</u>	<u>1,648,558</u>

**8 Staff**

**a. Staff costs**

	<b>2018</b>	<b>2017</b>
	<b>Total</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
Wages and salaries	947,248	872,491
Social security costs	65,904	53,773
Pension Costs	286,353	220,481
	<u>1,299,505</u>	<u>1,146,745</u>
Agency staff costs	5,433	19,539
Staff restructuring costs	6,030	-
	<u>1,310,968</u>	<u>1,166,284</u>
Staff restructuring costs comprise:		
Redundancy payments	6,030	-
	<u>6,030</u>	<u>-</u>

**b. Staff numbers**

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

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Teachers	20	18
Administration and support	49	53
Management	1	1
	<u>70</u>	<u>72</u>

**c. Higher paid staff**

No staff member received benefits in excess of £60,000 in the year.

**d. Key management personnel**

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 2. The total amount of employee benefits (including employer pension and employer national insurance contributions) paid by the academy for key management personnel services to the academy trust was £271,100 (2017: £281,511).

## 9 Related party transactions – trustees' remuneration and expenses

One or more trustees have been paid remuneration or have 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 was as follows:

M Vella, Principal and trustee	Appointed 24/03/2017
Remuneration	£55,000 - £60,000 (2017: £25,000 - £30,000)
Employer's pension contributions	£5,000 - £10,000 (2017: £nil - £5,000)
J Wiseman, Staff trustee	Appointed 14/05/2018
Remuneration	£5,000 - £10,000
Employer's pension contributions	£nil - £5,000

During the year ended 31 August 2018, travel and subsistence expenses totalling £1,260 (2017: £2,549) were reimbursed to the trustees.

## 10 Trustees' and officers' insurance

In accordance with normal commercial practice the academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £25,000,000 on any one claim. The cost of this insurance is included in the total insurance cost.

## 11 Tangible fixed assets

	Leasehold Land and Buildings £	Property Improve- ments £	Furniture and Equipment £	Computer Equipment £	Total £
<b>Cost</b>					
At 1 September 2017	1,234,000	1,217,227	13,129	25,850	2,490,206
Additions	-	124,330	4,261	-	128,591
At 31 August 2018	<u>1,234,000</u>	<u>1,341,557</u>	<u>17,390</u>	<u>25,850</u>	<u>2,618,797</u>
<b>Depreciation</b>					
At 1 September 2017	114,735	150,711	10,572	14,871	290,889
Charged in year	23,336	107,877	2,131	6,223	139,567
At 31 August 2018	<u>138,071</u>	<u>258,588</u>	<u>12,703</u>	<u>21,094</u>	<u>430,456</u>
<b>Net book values</b>					
At 31 August 2017	<u>1,119,265</u>	<u>1,066,516</u>	<u>2,557</u>	<u>10,979</u>	<u>2,199,317</u>
At 31 August 2018	<u>1,095,929</u>	<u>1,082,969</u>	<u>4,687</u>	<u>4,756</u>	<u>2,188,341</u>

**12 Debtors**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Trade debtors	864	4,938
VAT recoverable	-	5,395
Prepayments and accrued income	35,170	43,811
	<u>36,034</u>	<u>54,144</u>

**13 Creditors: amounts falling due within one year**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Trade creditors	14,559	-
Other taxation and social security	34,831	33,922
Loans	80,000	-
Accruals and deferred income	28,124	225,160
	<u>157,514</u>	<u>259,082</u>

**14 Creditors: amounts falling due in greater than one year**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Loans	110,000	-
	<u>110,000</u>	<u>-</u>

A loan of £190,000 was granted by the ESFA during the year, with £80,000 falling due within one year. The loan is to be repaid between 1 October 2018 and July 2020. The loan is interest free.

**15 Funds**

	<b>Balance At 1 September 2017 £</b>	<b>Income £</b>	<b>Expenditure £</b>	<b>Gains, Losses and Transfers £</b>	<b>Balance At 31 August 2018 £</b>
<b>Restricted general funds</b>					
General Annual Grant (GAG)	-	1,083,627	(1,202,161)	118,534	-
Other DfE/ESFA grants	-	180,851	(180,887)	36	-
Individually assigned resources	-	50,722	(50,722)	-	-
PFSA	-	12,400	(12,400)	-	-
Other Local Authority Grants	-	1,222	(1,222)	-	-
Breakfast Club	-	1,000	(1,000)	-	-
Pension reserve	(731,000)	-	(121,000)	198,000	(654,000)
	<u>(731,000)</u>	<u>1,329,822</u>	<u>(1,569,392)</u>	<u>316,570</u>	<u>(654,000)</u>
<b>Restricted fixed asset funds</b>					
Inherited fixed assets	1,119,264	-	(23,336)	-	1,095,928
DfE/ESFA capital grants	1,011,441	77,875	(98,115)	-	991,201
Devolved Formula Capital Grant	-	7,060	-	(7,060)	-
Capital expenditure from GAG	53,746	-	(10,043)	29,924	73,627
Capital expenditure from other restricted funds	28,634	-	(8,073)	7,024	27,585
	<u>2,213,085</u>	<u>84,935</u>	<u>(139,567)</u>	<u>29,888</u>	<u>2,188,341</u>
<b>Total restricted funds</b>	<u>1,482,085</u>	<u>1,414,757</u>	<u>(1,708,959)</u>	<u>346,458</u>	<u>1,534,341</u>
<b>Unrestricted funds</b>					
General	14,753	51,113	(46,704)	(148,458)	(129,296)
<b>Total unrestricted funds</b>	<u>14,753</u>	<u>51,113</u>	<u>(46,704)</u>	<u>(148,458)</u>	<u>(129,296)</u>
<b>Total funds</b>	<u>1,496,838</u>	<u>1,465,870</u>	<u>(1,755,663)</u>	<u>198,000</u>	<u>1,405,045</u>

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

	Balance At 1 September 2016 £	Income £	Expenditure £	Gains, Losses and Transfers £	Balance At 31 August 2017 £
<b>Restricted general funds</b>					
General Annual Grant (GAG)	140,446	991,559	(1,141,290)	9,285	-
Other DfE/ESFA grants	12,717	155,184	(165,277)	(2,624)	-
Individually assigned resources	-	60,662	(60,662)	-	-
PFSA	1,130	12,400	(13,530)	-	-
Pension reserve	(746,000)	-	(86,000)	101,000	(731,000)
	<u>(591,707)</u>	<u>1,219,805</u>	<u>(1,466,759)</u>	<u>107,661</u>	<u>(731,000)</u>
<b>Restricted fixed asset funds</b>					
Inherited fixed assets	1,143,267	-	(24,003)	-	1,119,264
DfE/ESFA capital grants	870,047	213,735	(61,924)	(10,417)	1,011,441
Devolved Formula Capital Grant	-	6,903	-	(6,903)	-
Capital expenditure from GAG	13,637	-	(3,811)	43,920	53,746
Capital expenditure from other restricted funds	25,420	-	(6,313)	9,527	28,634
	<u>2,052,371</u>	<u>220,638</u>	<u>(96,051)</u>	<u>36,127</u>	<u>2,213,085</u>
<b>Total restricted funds</b>	<u>1,460,664</u>	<u>1,440,443</u>	<u>(1,562,810)</u>	<u>143,788</u>	<u>1,482,085</u>
<b>Unrestricted funds</b>					
General	64,811	78,478	(85,748)	(42,788)	14,753
Capital expenditure	-	-	-	-	-
<b>Total unrestricted funds</b>	<u>64,811</u>	<u>78,478</u>	<u>(85,748)</u>	<u>(42,788)</u>	<u>14,753</u>
<b>Total funds</b>	<u>1,525,475</u>	<u>1,518,921</u>	<u>(1,648,558)</u>	<u>101,000</u>	<u>1,496,838</u>

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

**General Annual Grant (GAG)** – Funding from the Education and Skills Funding Agency to support the education and running costs of the academy. Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2018.

**Other DfE/ESFA grants** – Grants from the Education and Skills Funding Agency to support PE activities and pupils from low income families and provide universal infant free school meals.

**Other local authority grants** – Funding from Somerset County Council towards the cost of employing a parent/family support advisor, crossing patrol and support towards the soft playroom refurbishment.

**Breakfast Club** – Funding from Kellogg's to support the Breakfast Club undertaken by the Academy Trust.

**Pension Reserve** – This fund represents the pension deficit for the Local Government Pension Scheme and its associated costs for the period.

**Inherited Fixed Assets** – This fund is to recognise the value of the donated fixed assets at the conversion of the school to an Academy. The expenditure is the depreciation on those assets.

**DfE/ESFA capital grants** – This is funding from the DfE/ESFA to support capital projects undertaken by the academy.

**Capital expenditure from GAG** – This represents the amount of the General Annual Grant allocated towards capital expenditure during the period and its associated depreciation.

**Capital expenditure from other restricted funds** – This represents the amount of Devolved Formula Capital Grant and other DfE/ESFA grants allocated towards capital and its associated depreciation.

**General unrestricted** – This represents funds which may be used towards meeting any of the charitable objectives of the academy trust at the discretion of the trustees.

**Capital expenditure from unrestricted funds** - This represents the amount of unrestricted funds allocated towards capital and its associated depreciation.

## 16 Analysis of net assets between funds

Fund balances at 31 August 2018 are represented by:

	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total Funds £
Tangible fixed assets	-	-	2,188,341	2,188,341
Current assets	138,218	-	-	138,218
Current liabilities	(157,514)	-	-	(157,514)
Non-current liabilities	(110,000)	-	-	(110,000)
Pension scheme liability	-	(654,000)	-	(654,000)
Total net assets	<u>(129,296)</u>	<u>(654,000)</u>	<u>2,188,341</u>	<u>1,405,045</u>

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

	<b>Unrestricted Funds</b>	<b>Restricted General Funds</b>	<b>Restricted Fixed Asset Funds</b>	<b>Total Funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Tangible fixed assets	-	-	2,199,317	2,199,317
Current assets	273,835	-	13,768	287,603
Current liabilities	(259,082)	-	-	(259,082)
Pension scheme liability	-	(731,000)	-	(731,000)
Total net assets	<u>14,753</u>	<u>(731,000)</u>	<u>2,213,085</u>	<u>1,496,838</u>

## 17 Commitments under operating leases

### Operating leases

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

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Amounts due within one year	9,044	17,110
Amounts due between one and five years	4,360	13,404
	<u>13,404</u>	<u>30,514</u>

**18 Reconciliation of net income/(expenditure) to net cash flow from operating activities**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	(289,793)	(129,637)
Adjusted for:		
Depreciation charges (note 7)	139,567	96,051
Capital grants from DfE and other capital income	(84,935)	(220,638)
Interest receivable (note 5)	(65)	(305)
Defined benefit pension scheme costs less contributions payable (note 23)	103,000	71,000
Defined benefit pension scheme finance cost (note 23)	18,000	15,000
(Increase)/decrease in debtors	18,110	(5,618)
Increase/(decrease) in creditors	(181,568)	212,861
<b>Net cash provided by/(used in) operating activities</b>	<b><u>(277,684)</u></b>	<b><u>38,714</u></b>

**19 Cash flows from financing activities**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Cash inflows from new borrowing	190,000	-
<b>Net cash provided by / (used in) financing activities</b>	<b><u>190,000</u></b>	<b><u>-</u></b>

**20 Cash flows from investing activities**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Dividends, interest and rents from investments	65	305
Purchase of tangible fixed assets	(128,591)	(491,387)
Capital grants from DfE/ESFA	84,935	220,638
<b>Net cash provided by / (used in) investing activities</b>	<b><u>(43,591)</u></b>	<b><u>(270,444)</u></b>

**21 Analysis of cash and cash equivalents**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Cash in hand and at bank	102,184	233,459
<b>Total cash and cash equivalents</b>	<b><u>102,184</u></b>	<b><u>233,459</u></b>

## **22 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 they are a member, or within one year after they cease to be a member, such amount as may be required, not exceeding £10 for the debts and liabilities contracted before they cease to be a member.

## **23 Pension and similar obligations**

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

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013. Contributions amounting to £19,127 were payable to the schemes at 31 August 2018 (2017: £19,817) and are included within creditors.

### **Teachers' Pension Scheme**

#### **Introduction**

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

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

#### **Valuation of the Teachers' Pension Scheme**

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

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

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed. The most recent communication received from the Department of Education suggested the new contribution rate is expected to be 23.6% payable from 1 September 2019.

The employer's pension costs paid to TPS in the period amounted to £79,000 (2017: £74,000).

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

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

### **Local Government Pension Scheme**

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £114,000 (2017: £80,000), of which employer's contributions totalled £90,000 (2017: £62,000) and employees' contributions totalled £24,000 (2017: £18,000). The agreed contribution rates for future years are 20.9 per cent for employers and 6.5 per cent for employees.

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

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

The current mortality assumptions include sufficient allowance for future improvements in mortality rates.

The assumed life expectation on retirement age 65 are:

	<b>2018</b>	<b>2017</b>
<i>Retiring today</i>		
Males	24.0	23.9
Females	25.2	25.1
<i>Retiring in 20 years</i>		
Males	26.3	26.2
Females	27.5	27.4

**Sensitivity analysis**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Discount rate +0.1%	1,213,000	1,163,000
Discount rate -0.1%	1,282,000	1,230,000
Mortality assumption - 1 year increase	1,287,000	1,235,000
Mortality assumption - 1 year decrease	1,208,000	1,158,000

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

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Equities	426,000	331,000
Gilts	32,000	26,000
Corporate bonds	54,000	46,000
Property	53,000	42,000
Cash and other liquid assets	28,000	20,000
Total market value of assets	<u>593,000</u>	<u>465,000</u>

The actual return on scheme assets was £21,000 gain (2017: £52,000 gain).

**Amounts recognised in the Statement of Financial Activities**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Current service cost	(193,000)	(133,000)
Interest cost	(18,000)	(15,000)
Total amount recognised in the SOFA	<u>(211,000)</u>	<u>(148,000)</u>

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

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>At 1 September</b>	(1,196,000)	(1,104,000)
Current service cost	(193,000)	(133,000)
Interest cost	(31,000)	(24,000)
Employee contributions	(24,000)	(18,000)
Actuarial (gain)/loss	190,000	81,000
Benefits paid	7,000	2,000
<b>At 31 August</b>	<u>(1,247,000)</u>	<u>(1,196,000)</u>

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

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>At 1 September</b>	465,000	358,000
Interest income	13,000	9,000
Actuarial gain/(loss)	8,000	(23,000)
Employer contributions	90,000	62,000
Employee contributions	24,000	18,000
Benefits paid	(7,000)	(2,000)
Return on assets less interest	-	43,000
<b>At 31 August</b>	<u>593,000</u>	<u>465,000</u>

**24 Related Party Transactions**

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

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

**25 Prior year Statement of Financial Activities**

	Unres- tricted £	Restricted General £	Restricted Fixed Asset £	2017 Total £
<b>Income and endowments from:</b>				
Donations and capital grants	3,946	-	220,638	224,584
Charitable activities:				
Funding for the academy trust's educational operations	-	1,219,805	-	1,219,805
Other trading activities	74,227	-	-	74,227
Investments	305	-	-	305
<b>Total</b>	<u>78,478</u>	<u>1,219,805</u>	<u>220,638</u>	<u>1,518,921</u>
<b>Expenditure on:</b>				
Raising funds	-	-	-	-
Charitable activities:				
Academy trust educational operations	85,748	1,466,759	96,051	1,648,558
<b>Total</b>	<u>85,748</u>	<u>1,466,759</u>	<u>96,051</u>	<u>1,648,558</u>
<b>Net income / (expenditure)</b>	(7,270)	(246,954)	124,587	(129,637)
<b>Transfers between funds</b>	(42,788)	6,661	36,127	-
<b>Other recognised gains / (losses):</b>				
Actuarial (losses) / gains on defined benefit pension schemes	-	101,000	-	101,000
<b>Net movement in funds</b>	(50,058)	(139,293)	160,714	(28,637)
<b>Reconciliation of funds</b>				
Total funds brought forward	64,811	(591,707)	2,052,371	1,525,475
<b>Total funds carried forward</b>	<u>14,753</u>	<u>(731,000)</u>	<u>2,213,085</u>	<u>1,496,838</u>