

Company Registration Number: 07552665 (England & Wales)

**Coastal Academies Trust**  
**(A company limited by guarantee)**

**Annual Report and Financial Statements**

**For the Year Ended 31 August 2019**

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**Coastal Academies Trust**  
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**Reference and Administrative Details of the Company, its Directors and Advisers**  
**For the Year Ended 31 August 2019**

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<b>Members</b>	Mr. R.M. Copper (resigned on 17.09.18) Mr. R. Curtis Mr. N.A. Smith (Appointed 26.11.18) Mr. A. Leale-Green (resigned on 17.09.18) Ms. S. Woodward (Appointed 15.07.19) Professor C. Parsons (Appointed 05.03.19, resigned 13.05.19)
<b>Directors</b>	Mr. P. J. Luxmoore, Executive Headteacher <sup>1</sup> Mr. R. Curtis, Chair of the Board <sup>1</sup> Mr. R. M. Copper (resigned on 17.09.18) Mrs. C. Murray Mr. C. Argent <sup>1</sup> (resigned 21.11.19) Professor C. Parsons (resigned 13.05.19) Ms. H. Pugh (resigned 26.11.18) Mr. N. A. Smith, Chair of Finance Committee <sup>1</sup> Mr. A. Leale-Green (resigned on 17.09.18) Mr D. Roberts Mr M. Emery (appointed 13.05.19)
	<sup>1</sup> member of the Finance Committee
<b>Company registered number</b>	07552665
<b>Principal and registered office</b>	King Ethelbert School Canterbury Road Birchington Kent CT7 9BL
<b>Company secretary</b>	Mr. T. Robb (resigned 04.02.19) Mrs. J. Brace (appointed 04.02.19)
<b>Senior management team</b>	Mr. P.J. Luxmoore, Executive Headteacher of Coastal Academies Trust Ms. K. Greig, Executive Headteacher - King Ethelbert School and Dane Court Grammar School Ms. V. Willis, Head of School, King Ethelbert School Mr. M. Jones, Head of School, Dane Court Grammar Ms. C. Whichcord, Head of School - Cliftonville Primary School Mr. M. Tate, Headteacher - Hartsdown Academy Mrs. J. Troth, Headteacher, Cliftonville Primary school Mrs. H. J. Russell, Chief Operations Manager Mrs. J. Brace, Chief Financial Officer
<b>Independent auditors</b>	UHY Kent LLP t/a UHY Hacker Young Chartered Accountants Registered Auditors Thames House Roman Square Sittingbourne Kent ME10 4BJ

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**Directors' Report**  
**For the Year Ended 31 August 2019**

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The Directors present their annual report, together with the audited financial statements of Coastal Academies Trust (the Company) for the year ended 31 August 2019.

The Directors confirm that the annual report and financial statements of the Company comply with the current statutory requirements.

**STRUCTURE, GOVERNANCE AND MANAGEMENT**

Coastal Academies Trust (CAT) is a company limited by guarantee and is an exempt charity. The Company's articles of association are the primary governing document. Funding for educational activities is governed by a master funding agreement between the Company and the Secretary of State for Education.

**Principal activities**

The principal objective of the company is the advancement of education for the public benefit through the operation of a group of academies.

The company's accounts for 2018/19 include the operation of 4 academies, Cliftonville Primary School, Dane Court Grammar School, Hartsdown Academy and King Ethelbert School.

CAT's academies have a combined pupil capacity of 3,705 and had a roll of 3,371 in July, 2019.

**Members**

The initial Members of the Company were the signatories to the Memorandum of Association. Membership terminates automatically pursuant to Article 15d when any Member, also being a Director, ceases to be a Director.

**Members' liability**

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

**Directors**

All Members of the Company are also Directors. Other Directors hold their office as the Chairman of the Local Governing Boards (Article 46d), appointed by Members (Article 46a) or co-opted by Directors (Article 58).

**Directors' indemnities**

Coastal Academies Trust maintains liability insurance for Directors which gives appropriate cover for any legal action brought against them. The Company has also granted indemnities to each of its Directors and other officers to the extent permitted by law. Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year and remain in force, in relation to certain losses and liabilities which the Members, Directors and other officers may incur to third parties in the course of the acting on the Company's behalf.

**Method of recruitment and appointment or election of Directors**

The Articles of Association require the appointment of at least three Directors of the Company. Members may appoint up to eight Directors (Article 46a). The Chairman of each Local Governing Body is automatically registered as a Director (Article 46d). The Directors may also appoint up to three Co-opted Directors (Article 58).

**Procedures adopted for the induction and training of Directors and Trustees**

Training and induction is tailored to new Directors as appropriate to their requirements and previous experience. The Company Directors have access to policies, procedures, minutes, budgets, accounts and other relevant plans and documents that they need to fulfil their role.

**Directors' term of office**

The term of office for any Director shall be four years save that:

- a) the term of office may be shorter than four years for any Director appointed by the Members under Article 46(a) if the Members determine this at the time of appointment of such a Director; or
- b) in the case of a Director appointed ex officio as a Chairman of Governors, his or her term of office should be for as long as they are a Chair of Governors.

Subject to remaining eligible to be a particular type of Director, any Director may be re-appointed or re-elected.

All Directors are also trustees of the charity.

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**Directors' Report (continued)**  
**For the Year Ended 31 August 2019**

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**Organisational Structure**

The Directors have delegated the day-to-day governance of each academy to a Local Governing Board, established as a sub-committee of the Company Board. In the case of Dane Court Grammar School and King Ethelbert School, this has been a single group since the two schools federated in 2009. The Headteacher from each academy attends Board meetings.

Royal Harbour Academy is an associate member of CAT and its Chairman of Governors and Headteacher attend Board meetings. CAT has already been granted permission to sponsor Royal Harbour Academy and the conversion process is ongoing.

The Directors have established a Finance Committee as a sub-committee of the Company Board to co-ordinate and monitor the finances of the company.

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

The key management personnel of the academy trust comprise the trustees and senior management team as disclosed on page 1.

The remuneration policy, setting the terms and conditions for the key management personnel, was developed and approved by the board. Naturally, the senior management team are not involved in the setting of their own remuneration package. Only staff trustees, including the Executive Headteacher, are remunerated and these individuals only receive remuneration in respect of services they provide under their contracts of employment, and not in respect of their role as trustees. Specific disclosures concerning staff trustees' remuneration is included in note 10.

The day to day running of the remuneration policy is delegated to the Headteacher in each school and monitored by the Finance Committee. All details of setting pay and remuneration of key management personnel are set out in the pay policy and appraisal policy which are reviewed regularly by the board.

Remuneration of key management personnel is set at an individual level, and where possible the trustees have taken external professional advice which includes benchmarking, market trends and advice on structuring of incentives. Senior management salaries are, wherever possible, linked to pay spines, helping trustees conclude that each individual is remunerated at an appropriate level. As such salaries are linked to factors such as length of service and experience. Total remuneration packages include employer pension contribution rates at specific approved rates.

The board always bears in mind the charitable status of the academy trust and in recognition of this fact the trust receives funding under a funding agreement with the Secretary of State for Education, and therefore ensure the remuneration paid to senior management personnel never exceeds a reasonable amount that provides value for money to the trust. The performance of senior management personnel is reviewed on a regular basis to ensure continuing value for money.

Total remuneration paid to senior management personnel is set out in note 9.

**Trade union facility time**

**Relevant union officials**

<u>Number of employees who were relevant union officials during the year</u>	<u>Full time equivalent employee number</u>
1	1

**Percentage of time spent on facility time**

<u>Percentage of time</u>	<u>Number of employees</u>
0%	-
1%-50%	-
51%-99%	-
100%	1

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

Total cost of facility time	£43,838
Total pay bill	£15,923,364
Percentage of the total pay bill spent on facility time	0.27%

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**Directors' Report (continued)**  
**For the Year Ended 31 August 2019**

**Paid trade union activities**

Time spent on paid trade union activities as a percentage of total paid facility time hours	-
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**Connected organisations, including related parties**

There is also a Dane Court School Parents Association (charity number 1023394).

**OBJECTIVES AND ACTIVITIES**

The principal objective of CAT is to provide an outstanding education for students aged between 3 and 19. A more detailed summary is provided in each school's prospectus or on each school's website.

In accordance with the articles of association the academy trust has adopted a "Scheme of Government" (Master Funding Agreement) approved by the Secretary of State for Education. The Scheme of Government specifies, amongst other things, the basis for admitting students to the schools and that the curriculum should comply with the substance of the national curriculum.

The major outcomes for the year included raising the achievement of all students, improving the quality of teaching and maintaining a positive ethos.

**Public benefit**

The Company is state funded and strives to promote and support the advancement of education within Thanet. Each school has its own admissions criteria as set out in the Master Funding Agreement; Dane Court Grammar School selects students aged 11 to 19 who have passed the Kent Test; Hartsdown Academy is a non-selective 11-18 school, King Ethelbert School is a non-selective 11 to 16 school and Cliftonville Primary School admits children aged 3 to 11. For all schools the catchment area can vary but is determined by each school's admission criteria. The Company plays an active role in the local community including sporting activities, fund raising for charities and much more. The trust buildings and land are often available for community use outside of school hours.

The Directors acknowledge their duty in Section 4 of the Charities Act 2011 to have regard to the general and specific guidance on public benefit issued by the Charities Commission. We have referred to this guidance when reviewing our aims, strategy and plans for the future. All activities undertaken by the Company are for the public benefit.

**STRATEGIC REPORT**

**Achievements and performance**

Academic performance of the Trust's academies during the year was as follows:

<b>KS4 results</b>				
School	Provisional Progress 8	Attainment 8	% L4 En and Ma	% L5 En and Ma
Dane Court	+0.1	64.6	96	85
Hartsdown	-1.46	22.3	20	8
King Ethelbert	-0.48	39.1	46	22

<b>IBDP results</b>				
School	% students with 24 points or above		Average IB points	
	2019	2018	2019	2018
Dane Court	100	100	5.3	5.3

<b>IBCP results</b>						
School	% certificate awarded		% pass rate voc		Average IB points	
	2019	2018	2019	2018	2019	2018
Dane Court	100	86	95	100	4.6	4.3
King Ethelbert	91	92	100	100	4.18	4.2

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**Directors' Report (continued)**  
**For the Year Ended 31 August 2018**

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**Achievements and performance – cont.**

<b>Cliftonville Primary School Attainment</b>				
	2019		2018	
	Cliftonville	National	Cliftonville	National
R/W/M expected	64	65	59	54
R/W/M higher standard	8	11	3	6
Reading expected+	70	73	60	65
Reading higher standard	20	27	17	20
Writing expected +	75	78	72	69
Writing greater depth	11	20	6	14
Maths expected+	80	79	72	69
Maths higher standard	22	27	11	18
GPS expected+	72	78	73	70
GPS higher standard	21	36	26	25

In addition to the above we have:

- Introduced a new Transition Curriculum to Hartsdown Academy and Royal Harbor Academy for Year 7, to improve significantly progress in literacy and numeracy.
- Further developed cross trust support.
- Controlled expenditure at all schools to provide a stable financial footing for delivering education in future years, in the context of national austerity.

**Key performance indicators**

The Company closely monitors the exam results at Key Stage 4, Key Stage 5 and assessed performance at Key Stage 2. Actual performance by academy is documented on each academy's website.

Each school aims to continue to recruit and retain students at their full published admission numbers. Dane Court Grammar School, King Ethelbert School and Cliftonville Primary School were all over subscribed in 2018/19.

The Trust has sought to maintain a cash balance that will enable each school to meet all expectations.

**Going concern**

After making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. For this reason it has adopted the going concern basis to prepare these accounts.

**FINANCIAL REVIEW**

**Financial review and position**

Most of the academy trust's recurrent income is obtained from the ESFA in the form of grants, the use of which is restricted to particular purposes. The grants received from the ESFA during the year ended 31 August 2019 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities ("SoFA"). Core grant income has been supplemented by capital funding, and various other income streams.

Total income for the year was £20.7m compared to £20.1m in the previous year. The increase in income came despite a significant reduction (£644k) in core General Annual Grant (GAG) funding, due to a significant reduction in student numbers at Hartsdown in years 7-11 and 6th form.

The increase is largely attributable to:

- a £812k rise in other governments grants, mainly as a result of Kent County Council funding in respect of Thanet Skills Studio;
- a £192k increase in capita grant funding, which includes the DfE one-off 'additional' capital funding grant for 2018-19; and
- a rise in Other DfE/ESFA grants, partly attributable to the new teachers' pay grant.

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**Directors' Report (continued)**  
**For the Year Ended 31 August**

**Financial review and position – cont.**

The incoming resources for the year have not been sufficient to cover total resources expended of £22.2m, resulting in net expenditure for the year of £1.5m (2018: £1.9m), as shown on the SoFA. The overall net movement in funds, after actuarial movements on the Local Government defined benefit pension scheme (“LGPS”), was a reduction of £3.2m (2018: £108k). It is important to note that this overall movement in funds does not reflect the meaningful operational result and includes movements that do not relate to day-to-day running of the academy.

Excluding movements on tangible fixed assets and the LGPS defined benefit pension liability, and revenue to capital contributions, the trust’s operational surplus on revenue funds for the year was £61k, a significant improvement on the £52k deficit in 2018, as reconciled from the SoFA below:

		2019 (£000s)	2018 (£000s)
<b>Overall net movement in funds for the year per SoFA</b>		<b>(3,204)</b>	<b>(108)</b>
<b>Add:</b>			
Decrease / (increase) attributable to fixed asset fund	See A	850	921
LGPS actuarial (gain)/loss	See B	1,566	(1,811)
LGPS service and interest costs	See B	770	752
<b>Operational surplus / (deficit) on revenue funds</b>		<b>(18)</b>	<b>(246)</b>
Add: Transfers from revenue to capital to fund fixed asset additions		79	194
<b>Operational surplus/(deficit) on revenue funds before transfers to capital</b>		<b>61</b>	<b>(52)</b>

(A) The movement on restricted fixed asset funds comprises capital grant income received during the year less depreciation charged on capitalised assets purchased from such funds, notably the school buildings. Since these do not relate to day-to-day operational matters the movement on fixed asset funds is excluded from the operational result.

(B) The Balance Sheet carries the trust’s share of the deficit on the Local Government Pension Scheme. A detailed report has been prepared by an actuary detailing the movement in the deficit during the year. The movement is in two parts: (1) the actuarial gain relates to movement linked to the assumptions made by the actuary, (2) other movements comprising (i) net interest costs (ii) current service costs - the value of benefits accrued by members over the accounting period less contributions paid and (iii) past service costs for additional benefits granted during the year. Again since the LGPS movement do not relate to operational matters these have been excluded from the operational result. The significant increase in the LGPS liability during 2018-19 relates to a number of issues which are described in note 2 to the financial statements explaining critical accounting estimates and judgements.

Since these financial statements provide information at trust level there is little detail about individual academies within them. At the end of note 18 there is a disclosure setting out the revenue carry forward balances at an individual level, and this reveals that Hartsdown Academy was in deficit by £727k at the year end, up from £385k at the previous year end. Note 18 explains why this has happened and the action being taken by Directors to return Hartsdown to a surplus position.

At the end of August 2019 the net book value of assets amounted to £51.6m (2018: £52.6m). These assets, which predominantly comprise land and buildings, are used almost exclusively for educational operations and the associated support services to students in the academies.

The total funds of the Company at the end of August 2019 amounted to £44.5m (2018: £47.8m). Of this total £1.5m (2018: £1.6m) related to revenue funds, split between unrestricted funds and restricted revenue funds. In addition the Company was holding unspent capital formula funding, in cash terms, of £229k (2018: £66k) at the year end, which is included in the fixed asset fund balance which otherwise represents the net book value of capitalised assets held on the Company’s Balance Sheet.

The final fund relates to the LGPS pension deficit. This increased during 2018-19 from £6.5m to £8.9m predominantly due to changes in actuarial assumptions. This deficit does not mean that an immediate liability crystallises; it results in a cash flow effect for the Company in the form of possible future increases in pension contributions, which, if required, will be met from the budgeted annual income. There is therefore no direct impact on the free reserves of the Company as a result of recognising the deficit. Employer contributions are reviewed every three years in consultation with the scheme's administrators, and employer contributions are currently fixed until 1 April 2020.

**Reserves policy**

The Directors review the reserves level of the Company annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The revenue deficit for the year, explained in the financial review section above, means that reserves have decreased during the year. It is the Directors' continuing intention that the permitted level of free reserves for recurrent costs should be maintained in order to provide sufficient working capital to cover delays between spending and receipt of grants, and to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

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**Directors' Report (continued)**  
**For the Year Ended 31 August 2019**

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**Financial and risk management objectives and policies**

The Company uses various financial instruments including cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to maintain finance for the Company's operations.

The existence of these financial instruments exposes the Company to liquidity risk and cash flow interest risk:

- *Liquidity risk* – the Company manages its' cash resources, including sufficient working capital, so that its bank ledger balance is available to the finance team for monitoring at all times and is always taken into account when making payments.
- *Interest rate risk* – the Company has used risk free managed investments to maximise interest on income wherever possible and shall continue to do so.

The Audit Committee – which was established in 2014/15 – has been reconstituted as a Finance Committee and is a sub-committee of the Board. The management of financial and operational risk has been delegated to this Finance Committee.

**Principal risks and uncertainties**

The Company monitors the principal risks and has drawn up risk registers for each academy which are regularly reviewed. A CAT level risk register capturing the major risks faced by the Company is monitored at Board level. In particular the financial risk is that public funding will not rise in line with the cost base giving rise to potential unsustainable deficits within the Company. This risk is mitigated by careful budget planning – overseen by the Finance Committee – and where possible securing additional resources to supplement Government funding. The principal operational risk to the Company is that academic performance and attainment data does not meet the expectations of the regulator over time. This risk is mitigated by active results and data monitoring.

**Investment policy**

All schools in the Company only invest money in accounts which minimise the risk of loss. Speculative investments are not made.

**FUNDRAISING**

The Trust's fund raising is carried out and monitored at school level. The schools do not work with commercial or professional partners, and do not carry out direct marketing. All fund raising activities are small scale, and carried out directly by the schools not by third parties. The schools and Trust have established complaints procedures for all types of complaints.

**EQUAL OPPORTUNITIES**

It is the Company's policy to recognise that equal opportunities should be an integral part of good working practice within the workplace. The Company aims to establish equal opportunity in all areas of its activities including creating a working environment in which the contribution and needs of all people are fully valued.

**DISABLED PERSONS**

The policy of the Company is to support recruitment and retention of students and employees with disabilities. The academy trust does this by making reasonable adjustment to the physical environment wherever possible, by making support services available and through training and career development.

**PLANS FOR FUTURE PERIODS**

The company has a three-year Business Plan. The aims of this plan maintain the core ethos of the schools and the Trust, and build on the successes to date. The objectives include:

- Improve exam success, by improving the quality of teaching, particularly at Hartsdown and Royal Harbour Academy;
- Having developed and introduced the Year 7 Transition Curriculum at Royal Harbour and Hartsdown, roll it through to Year 8 and plan the implementation of the curriculum at King Ethelbert and Dane Court;
- Implement the Talent Management Policy to identify and nurture talent within schools across the Trust;
- Continue to develop sharing of practice and resources across the Trust; and
- Ensure robust financial controls and planning, and value for money.

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**Directors' Report (continued)**  
**For the Year Ended 31 August 2019**

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**AUDITORS**

Insofar as the Directors 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 all information.

The auditors, UHY Hacker Young, have indicated their willingness to remain in office, and resolution to appoint them will be approved at the annual general meeting.

This report, incorporating the Strategic report, was approved by order of the Board of Directors, as the company directors and signed on the board's behalf by:



Mr. R. Curtis, Chair of Trustees



Mr. P.J. Luxmoore, Accounting Officer

Date: 25 November 2019

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**Governance Statement**

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**Scope of Responsibility**

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

The Board of Directors has delegated the day-to-day responsibility to the Executive Headteacher, as Accounting Officer, for ensuring financial controls conform to 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 Coastal Academies Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Directors any material weaknesses or breakdowns in internal control.

**Governance**

The information on governance included here supplements that described in the Directors' report and in the Statement of Directors' responsibilities.

To strengthen financial control and accountability the Directors have established a Finance Committee consisting of the Chair of Finance from each Local Governing Board, the accounting officer and a co-opted member as chair. This Finance Committee (amongst other things):

- Advises the Board on issues of strategic financial planning and best financial practice.
- Approves the annual budgets of each academy in the trust.
- Advises the Board and accounting officer on the adequacy and effectiveness of Coastal Academies Trust's governance, risk management, internal control and value for money systems.
- Ensures that Coastal Academies Trust operates within all Financial Regulations.
- Receives reports (annual reports, management letters etc.) from the external auditor and considers any issues raised, the associated management response and action plans. Where appropriate, reports are referred to the Board or other committees for information and action.

Each Local Governing Board has established committees which monitors the day-to-day finances of each academy which assists the Finance Committee and the Board in making sound financial decisions.

The Board of Directors has formally met 6 times during the year. Attendance during the year at meetings of the Board of Directors was as follows:

<u>Director</u>	<u>Meetings attended</u>	<u>Out of a possible</u>
Mr. R. Curtis, Chair of Directors	6	6
Mr. M. Emery	2	2
Mr. D. Roberts	6	6
Mr. C.L. Argent	4	6
Mr. R. M. Copper (resigned 17/09/18)	0	1
Mr. A. Leale-Green (resigned 17/09/18)	0	1
Mr. P.J. Luxmoore, Executive Headteacher	5	6
Mrs. C. Murray	5	6
Professor C. Parsons	2	4
Ms. H. Pugh (resigned 26/11/18)	0	2
Mr. N.A. Smith, Chair of Finance Committee	5	6

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**Governance Statement (continued)**

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Attendance at meetings of the trust level Finance Committee (which also fulfils the remit of an audit committee) in the year was as follows:

<u>Director</u>	<u>Meetings attended</u>	<u>Out of a possible</u>
Mr. R. Curtis, Chair of Board	5	6
Mr. N.A. Smith, Chair of Finance Committee	6	6
Mr. C.L. Argent	6	6
Mr. D. Roberts	6	6
Mr. P.J. Luxmoore, Executive Headteacher	6	6

**Review of Value for money**

As Accounting Officer, the Executive Headteacher has responsibility for ensuring that the Company 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 Company's use of its resources has provided good value for money during each academic year, and reports to the Board of Directors where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer for the Company has delivered improved value for money during the year by:

- Targeted intervention by utilising Pupil Premium funding to close the gap between such students and the rest of the cohort.
- Collaborative working across the trust to improve educational outcomes for all students.
- Improved purchasing decisions with CAT-wide contracts to improve value for money. Examples of this include a joint insurance policy across all CAT schools, and energy procurement across all CAT schools. The intention is to increase the number of CAT-wide contracts where practicable and where there is a clear benefit.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Company 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 Coastal Academies Trust for the year 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements.

**Capacity to Handle Risk**

The Board of Directors has reviewed the key risks to which the Company is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Directors is of the view that there is a formal ongoing process for identifying, evaluating and managing the Company's significant risks that has been in place for the year 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Directors.

**The Risk and Control Framework**

The Company'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 Directors;
- regular reviews by the Finance Committee consolidating the figures from each constituent academy to get an overview of the Company's financial performance.
- regular reviews by the Finance/Resources Committee of each school of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties; and
- identification and management of risks.

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**Governance Statement (continued)**

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**The Risk and Control Framework – cont.**

The Board of Directors has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Directors have appointed UHY Hacker Young, the external auditors, to perform additional checks.

The auditors' role includes giving advice on financial matters and performing a range of checks on the Company's financial systems. On a termly basis, the auditors report to the Board of Directors on the operation of the systems of control and on the discharge of the Board of Directors' financial responsibilities.

During the year ended 31 August 2019 the following specific topics and areas have been reviewed:

- Payroll and HR;
- Budgetary control and the accuracy of management accounting information; and
- Data and information security, including cyber security.

During the year ended 31 August 2019 the risks to internal control have been fully delivered in line with the requirements of the Education Funding Agency.

**Review of Effectiveness**

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

- the work of the external auditors; and
- the work of the executive managers within the Company who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the Board of Directors and signed on their behalf, by:



Mr. R. Curtis, Chair of Trustees



Mr. P.J. Luxmoore Accounting Officer

Date: 25 November 2019

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**Coastal Academies Trust**  
**(A company limited by guarantee)**

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**Statement on Regularity, Propriety and Compliance**

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As accounting officer of Coastal Academies Trust I have considered my responsibility to notify the academy trust board of trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2018.

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 2018.

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



Mr. P.J. Luxmoore  
Accounting Officer

Date: 25 November 2019

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**Coastal Academies Trust**  
(A company limited by guarantee)

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**Statement of trustees' responsibilities**  
**For the Year Ended 31 August 2019**

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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:

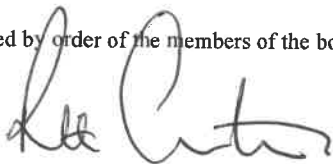
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting 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 and signed on its behalf by:



Mr. R. Curtis  
Chairman of the Board of Directors

Date: 25 November 2019

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**Coastal Academies Trust**  
(A company limited by guarantee)

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**Independent Auditors' Report on the financial statements to the Members of Coastal Academies Trust**

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**Opinion**

We have audited the financial statements of Coastal Academies Trust (the 'academy trust') for the year ended 31 August 2019 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the academy trust's affairs as at 31 August 2019 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

**Other information**

The trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Other information includes the Reference and administrative details, the Trustees' report including the Strategic report, and the Governance statement. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

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

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**Coastal Academies Trust**  
(A company limited by guarantee)

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**Independent Auditors' Report on the financial statements to the Members of Coastal Academies Trust (continued)**

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

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

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

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

**Responsibilities of trustees**

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

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

**Auditors' responsibilities for the audit of the financial statements**

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

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

**Use of our report**

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



**Allan Hickie BSc FCA (Senior statutory auditor)**

for and on behalf of

**UHY Kent LLP**

Chartered Accountants

Statutory Auditors

Thames House

Roman Square

Sittingbourne

Kent

ME10 4BJ

Date: 12 December 2019

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**Coastal Academies Trust**  
**(A company limited by guarantee)**

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**Independent Reporting Accountant's Assurance Report on Regularity to Coastal Academies Trust and the Education & Skills Funding Agency**

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In accordance with the terms of our engagement letter dated 25 September 2014 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Coastal Academies Trust during the year 1 September 2018 to 31 August 2019 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 Coastal Academies Trust and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Coastal Academies Trust 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 Coastal Academies Trust and ESFA, for our work, for this report, or for the conclusion we have formed.

**Respective responsibilities of Coastal Academies Trust's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of Coastal Academies Trust's funding agreement with the Secretary of State for Education dated 23 March 2011 and the Academies Financial Handbook, extant from 1 September 2018, 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 2018 to 2019. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2018 to 31 August 2019 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 2018 to 2019 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.

We conducted our work in accordance with Technical Release TECH 08/12 AAF issued by the Institute of Chartered Accountants In England and Wales. In accordance with that Technical Release we have carried out the procedures we consider necessary to arrive at our conclusion. Other than those procedures undertaken for the purposes of our audit of the financial statements of Coastal Academies Trust for the year ended 31 August 2019 which provide evidence on regularity, our work was limited to only those additional procedures necessary to provide limited assurance.

The work undertaken to draw to our conclusion included:

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

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**Coastal Academies Trust**  
(A company limited by guarantee)

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**Independent Reporting Accountant's Assurance Report on Regularity to Coastal Academies Trust and the Education & Skills Funding Agency (continued)**

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**Conclusion**

In the course of our work, nothing has come to our attention which suggest in all material respects the expenditure disbursed and income received during the year 1 September 2018 to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*UHY Kent LLP*

**UHY Kent LLP**  
Thames House  
Roman Square  
Sittingbourne  
Kent  
ME10 4BJ

Date: *12 December 2019*

**Coastal Academies Trust**  
(A company limited by guarantee)

**Statement of financial activities (incorporating income and expenditure account)**  
**For the Year Ended 31 August 2019**

	Note	Unrestricted funds 2019 £	Restricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £	Total funds 2018 £
<b>Income from:</b>						
Donations and capital grants	3	24,156	-	256,146	280,302	103,392
Charitable activities	4	335,859	20,039,869	-	20,375,728	19,934,547
Other trading activities	5	104,813	1,454	-	106,267	59,427
Investments	6	943	-	-	943	3,492
<b>Total income</b>		<b>465,771</b>	<b>20,041,323</b>	<b>256,146</b>	<b>20,763,240</b>	<b>20,100,858</b>
<b>Expenditure on:</b>						
Raising funds		9,727	593	-	10,320	16,306
Charitable activities	8	180,612	21,025,311	1,185,247	22,391,170	22,003,168
<b>Total expenditure</b>	7	<b>190,339</b>	<b>21,025,904</b>	<b>1,185,247</b>	<b>22,401,490</b>	<b>22,019,474</b>
<b>Net income/(expenditure)</b>		<b>275,432</b>	<b>(984,581)</b>	<b>(929,101)</b>	<b>(1,638,250)</b>	<b>(1,918,616)</b>
Transfers between funds	18	(14,592)	(64,537)	79,129	-	-
<b>Net movement in funds before other recognised gains/(losses)</b>		<b>260,840</b>	<b>(1,049,118)</b>	<b>(849,972)</b>	<b>(1,638,250)</b>	<b>(1,918,616)</b>
<b>Other recognised gains/(losses):</b>						
Actuarial losses on defined benefit pension schemes	24	-	(1,566,000)	-	(1,566,000)	1,811,000
<b>Net movement in funds</b>		<b>260,840</b>	<b>(2,615,118)</b>	<b>(849,972)</b>	<b>(3,204,250)</b>	<b>(107,616)</b>
<b>Reconciliation of funds:</b>						
Total funds brought forward		1,244,806	(6,136,742)	52,639,880	47,747,944	47,855,560
Net movement in funds		260,840	(2,615,118)	(849,972)	(3,204,250)	(107,616)
<b>Total funds carried forward</b>	18	<b>1,505,646</b>	<b>(8,751,860)</b>	<b>51,789,908</b>	<b>44,543,694</b>	<b>47,747,944</b>

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

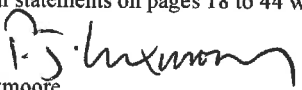
The notes on pages 21 to 44 form part of these financial statements.

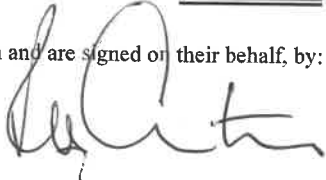
Coastal Academies Trust  
(A company limited by guarantee)  
Registered number: 07552665

Balance Sheet  
As at 31 August 2019

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	14	51,658,771	52,584,373
<b>Current assets</b>			
Stocks		12,000	14,875
Debtors	15	663,536	457,373
Cash at bank and in hand		2,118,355	2,359,422
		<u>2,793,891</u>	<u>2,831,670</u>
Creditors: amounts falling due within one year	16	(1,027,651)	(1,121,309)
<b>Net current assets</b>		<u>1,766,240</u>	<u>1,710,361</u>
<b>Total assets less current liabilities</b>		<u>53,425,011</u>	<u>54,294,734</u>
Creditors: amounts falling due after more than one year	17	(7,317)	(8,790)
<b>Net assets excluding pension liability</b>		<u>53,417,694</u>	<u>54,285,944</u>
Defined benefit pension scheme liability	24	(8,874,000)	(6,538,000)
<b>Total net assets</b>		<u><u>44,543,694</u></u>	<u><u>47,747,944</u></u>
<b>Funds of the academy trust</b>			
<b>Restricted funds:</b>			
Fixed asset funds	18	51,789,908	52,639,880
Restricted income funds	18	122,140	401,258
Restricted funds excluding pension asset	18	<u>51,912,048</u>	<u>53,041,138</u>
Pension reserve	18	(8,874,000)	(6,538,000)
<b>Total restricted funds</b>	18	<u>43,038,048</u>	<u>46,503,138</u>
<b>Unrestricted income funds</b>	18	<u>1,505,646</u>	<u>1,244,806</u>
<b>Total funds</b>		<u><u>44,543,694</u></u>	<u><u>47,747,944</u></u>

The financial statements on pages 18 to 44 were approved by the trustees, and authorised for issue on and are signed on their behalf, by:

  
Mr. P.J. Luxmoore  
Chairman of the Board of Directors

  
Mr. R. Curtis  
Accounting Officer

Date: 25 November 2019

The notes on pages 21 to 44 form part of these financial statements.

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**Coastal Academies Trust**  
**(A company limited by guarantee)**

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**Statement of Cash Flows**  
**For the Year Ended 31 August 2019**

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	<b>Note</b>	<b>2019</b> <b>£</b>	<b>2018</b> <b>£</b>
<b>Cash flows from operating activities</b>			
Net cash (used in)/provided by operating activities	20	(237,038)	362,027
<b>Cash flows from investing activities</b>	22	(2,556)	(208,662)
<b>Cash flows from financing activities</b>	21	(1,473)	10,263
		<hr/>	<hr/>
<b>Change in cash and cash equivalents in the year</b>		(241,067)	163,628
Cash and cash equivalents at the beginning of the year		2,359,422	2,195,794
<b>Cash and cash equivalents at the end of the year</b>	23	<hr/> <u>2,118,355</u>	<hr/> <u>2,359,422</u>

The notes on pages 21 to 44 form part of these financial statements

Notes to the Financial Statements  
For the Year Ended 31 August 2019

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1. Accounting policies

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

1.1 Basis of preparation of financial statements

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historic 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 2018 to 2019 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 academy trust to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Income

All 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 year 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.

• 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 year it is receivable and to the extent the academy trust has provided the goods or services.

Notes to the Financial Statements  
For the Year Ended 31 August 2019

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1. Accounting policies (continued)

1.4 Expenditure

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

- **Expenditure on raising funds**

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 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the academy trust; this is normally upon notification of the interest paid or payable by the institution with whom the funds are deposited.

1.6 Tangible fixed assets

Individual assets costing £2,000 or more and bulk purchases of more than £5,000 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.

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:

Depreciation is provided on the following basis:

Freehold property	-	2%	straight line
Long-term leasehold property	-	2%	straight line
Furniture and equipment	-	25%	straight line
Computer equipment	-	33%	straight line
Motor vehicles	-	20%	reducing balance

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.

**Notes to the Financial Statements**  
**For the Year Ended 31 August 2019**

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**1. Accounting policies (continued)**

**1.7 Stocks**

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

**1.8 Debtors**

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

**1.9 Cash at bank and in hand**

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

**1.10 Liabilities**

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

**1.11 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.

**1.12 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 bases 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 15. 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 16 and 17. 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.

**1.13 Agency arrangements**

The academy trust acts as an agent in distributing 16-19 bursary funds from ESFA. Payments received from ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the trust does not have control over the charitable application of the funds. The funds received and paid and any balances held are disclosed in note 28.

**Notes to the Financial Statements**  
**For the Year Ended 31 August 2019**

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**1. Accounting policies (continued)**

**1.14 Operating leases**

Rentals paid under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

**1.15 Pensions**

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.

**1.16 Fund accounting**

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the 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.

Notes to the Financial Statements  
For the Year Ended 31 August 2019

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2. Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2019. 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.

For 2018-19 there have been some specific issues which have impacted on the actuarial assumptions and closing pension scheme liability of all LGPS employers:

**(1) The "McCloud/Sargeant judgement".** This relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements. Actuarial evidence suggested that the impact of making an allowance for this judgement would be material, and so the academy trust asked the actuary to make an allowance in the figures.

In order to quantify the constructive obligation the actuary has made calculations using an approximate approach. One critical assumption under this method is that salaries will increase at least CPI plus 1.5%. Further, the approximate approach does not take into account the specific age profile of the employer's pension scheme members.

The impact of McCloud/Sargeant has been to increase the constructive obligation at 31 August 2019 by 0.85% of annualised pensionable pay over the accounting period ending 31 August 2019. This is reflected as a past service cost, within staff costs, and detailed in note 24, of £163,000.

There will also be an increase in the cost of benefits from 1 September 2019.

**(2) Guaranteed Minimum Pension (GMP).** GMP is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension between 6 April 1978 and 6 April 1997. In October 2018 the High Court ruled in the Lloyds Bank case that equalisation for the effect of unequal GMPs between genders is required. As a result of an on-going debate on how this impacts on public service pension schemes, there has been national debate about the point at which a past service cost is triggered. Briefing notes provided by the actuary have indicated that a 'trigger event' is yet to occur for the LGPS and so no allowance has been made for GMP in the LGPS liability included within these financial statements. It is, in any case, considered likely that any impact would be immaterial.

**(3) Discount rates.** There has been a change in financial assumptions over the period, including the discount rate. The discount rate has been reduced significantly which has resulted in a less positive balance sheet position than if the discount rate at the start of the period had been used. The impact comes through as part of the actuarial movement shown on Statement of Financial Activities.

**(4) Mortality assumptions.** Details of the changes in mortality assumptions are shown in note 24. The actuary calculations use a model prepared by the Continuous Mortality Investigation (CMI) which is updated on an annual basis, incorporating the latest mortality data in the national population. This year the mortality assumptions use an updated CMI model which now anticipates a significant reduction in projected life expectancies. The lower life expectancy assumptions result in a more positive balance sheet position than if the mortality rates at the start of the period had been used, and the impact comes through as part of the actuarial movement shown on Statement of Financial Activities.

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**For the Year Ended 31 August 2019**

**3. Income from donations and capital grants**

	Unrestricted funds 2019 £	Restricted funds - class ii 2019 £	Total funds 2019 £	Total funds 2018 £
Donations	24,156	-	24,156	38,502
Capital grants	-	256,146	256,146	64,890
	<u>24,156</u>	<u>256,146</u>	<u>280,302</u>	<u>103,392</u>
<i>Analysis of 2018 total by fund</i>	<u>38,502</u>	<u>64,890</u>	<u>103,392</u>	

**4. Funding for the academy trust's educational operations**

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
<b>DfE/ESFA grants</b>				
General Annual Grant (GAG)	-	16,440,530	16,440,530	17,084,373
Other DfE/ESFA grants	-	1,952,684	1,952,684	1,555,263
	<u>-</u>	<u>18,393,214</u>	<u>18,393,214</u>	<u>18,639,636</u>
<b>Other government grants</b>				
Local authority grants	-	1,367,810	1,367,810	555,554
	<u>-</u>	<u>1,367,810</u>	<u>1,367,810</u>	<u>555,554</u>
<b>Other funding</b>				
School trips	190	234,392	234,582	271,637
Catering income	144,407	-	144,407	137,466
Extended day income	32,480	-	32,480	34,724
Notional apprenticeship levy income	-	31,670	31,670	-
Other income	158,782	12,783	171,565	295,530
	<u>335,859</u>	<u>278,845</u>	<u>614,704</u>	<u>739,357</u>
	<u>335,859</u>	<u>20,039,869</u>	<u>20,375,728</u>	<u>19,934,547</u>
<i>Analysis of 2018 total by fund</i>	<u>450,275</u>	<u>19,484,272</u>	<u>19,934,547</u>	

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**Notes to the Financial Statements**  
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**5. Income from other trading activities**

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Sales to students	35,165	1,454	36,619	31,506
Lettings income	69,648	-	69,648	27,921
	<u>104,813</u>	<u>1,454</u>	<u>106,267</u>	<u>59,427</u>
<i>Analysis of 2018 total by fund</i>	<u>59,427</u>	<u>-</u>	<u>59,427</u>	

**6. Investment income**

	Unrestricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Bank interest	943	943	3,492

The total investment income in 2018 was unrestricted.

**7. Expenditure**

	Staff Costs 2019 £	Premises 2019 £	Other 2019 £	Total 2019 £	Total 2018 £
Expenditure on fundraising trading activities:					
Direct costs	-	-	10,320	10,320	16,306
Educational operations:					
Direct costs	14,149,490	1,012,162	1,764,943	16,926,595	16,995,447
Allocated support costs	2,543,874	1,025,445	1,895,256	5,464,575	5,007,721
	<u>16,693,364</u>	<u>2,037,607</u>	<u>3,670,519</u>	<u>22,401,490</u>	<u>22,019,474</u>
<i>Analysis of 2018 total</i>	<u>16,901,391</u>	<u>2,093,050</u>	<u>3,025,033</u>	<u>22,019,474</u>	

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**Notes to the Financial Statements**  
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**8. Analysis of expenditure by activities**

	<b>Direct costs</b> <b>2019</b> £	<b>Support costs</b> <b>2019</b> £	<b>Total</b> <b>funds</b> <b>2019</b> £	<i>Total</i> <i>funds</i> <i>2018</i> £
Educational operations	16,926,595	5,464,575	22,391,170	22,003,168
<i>Analysis of 2018 total</i>	16,995,447	5,007,721	22,003,168	

**Analysis of support costs**

	<b>Total</b> <b>funds</b> <b>2019</b> £	<i>Total</i> <i>funds</i> <i>2018</i> £
Staff costs	2,543,874	2,471,706
Premises costs	1,783,201	1,094,494
Technology costs	184,060	286,021
Other support costs	920,383	1,089,468
Governance costs	33,057	66,032
	<u>5,464,575</u>	<u>5,007,721</u>

**9. Net income/(expenditure)**

Net income/(expenditure) for the year includes:

	<b>2019</b> £	<i>2018</i> £
Operating lease rentals	48,785	82,856
Depreciation of tangible fixed assets	1,185,247	1,180,167
Fees paid to auditors for:		
- audit	18,970	18,420
- other services	13,559	9,056
	<u>1,366,561</u>	<u>1,390,509</u>

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**Notes to the Financial Statements**  
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**10. Staff costs**

**a. Staff costs**

Staff costs during the year were as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Wages and salaries	12,652,692	12,741,331
Social security costs	1,232,987	1,221,656
Pension costs	2,721,777	2,739,159
	<u>16,607,456</u>	<u>16,702,146</u>
Agency staff costs	76,748	142,587
Staff restructuring costs	9,160	56,658
	<u>16,693,364</u>	<u>16,901,391</u>

Staff restructuring costs comprise:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Redundancy payments	9,160	25,000
Severance payments	-	31,658
	<u>9,160</u>	<u>56,658</u>

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

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £Nil (2018 - £27,737).

**c. Staff numbers**

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

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Teachers	233	237
Administration and support	267	269
Management	27	22
	<u>527</u>	<u>528</u>

Hartsdown Academy has increased its management numbers as a means to recruit and retain core subject leaders which partly explains the drop in teacher numbers and the increase in management numbers.

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**Notes to the Financial Statements**  
**For the Year Ended 31 August 2019**

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**10. Staff costs (continued)**

**c. Staff numbers (continued)**

The average headcount expressed as full-time equivalents was:

	<b>2019</b>	<i>2018</i>
	<b>No.</b>	<i>No.</i>
Teachers	216	227
Administration and support	164	166
Management	22	21
	<hr/>	<hr/>
	<b>402</b>	<i>414</i>
	<hr/> <hr/>	<hr/> <hr/>

**d. Higher paid staff**

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

	<b>2019</b>	<i>2018</i>
	<b>No.</b>	<i>No.</i>
In the band £60,001 - £70,000	6	6
In the band £70,001 - £80,000	1	1
In the band £80,001 - £90,000	1	-
In the band £90,001 - £100,000	1	3
In the band £100,001 - £110,000	1	2
In the band £110,001 - £120,000	1	-
In the band £130,001 - £140,000	1	1
	<hr/>	<hr/>
	<b>1</b>	<i>1</i>
	<hr/> <hr/>	<hr/> <hr/>

**e. Key management personnel**

The key management personnel of the academy trust comprise the trustees and the senior management team. The total amount of employee benefits (including employer pensions contributions and employer national insurance contributions) received by key management personnel for their services to the academy trust was £849,157 (2018 - £900,777).

**11. Central services**

Central incurred expenditure during the year in respect of ESFA Strategic School Improvement Fund (SSIF) and Kent County Council School Improvement Services (SIS) funding. These costs were primarily educational support services. The total costs incurred centrally are disclosed in note 18.

No central services were provided by the academy trust to its academies during the year and no central charges arose.

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**Notes to the Financial Statements**  
**For the Year Ended 31 August 2019**

**12. Trustees' remuneration and expenses**

One or more trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The Executive Headteacher and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of Executive Headteacher and staff members under their contracts of employment. The value of trustees' remuneration and other benefits was as follows:

		<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
Mr. P.J. Luxmoore, Executive Headteacher	Remuneration	135,000 - 140,000	130,000 - 135,000

During the year ended 31 August 2019, expenses totalling £1,360 were reimbursed or paid directly to 2 trustees (2018 - £NIL.)

**13. Trustees' and Officers' insurance**

In accordance with normal commercial practice, the academy trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the year ended 31 August 2019 was £662 (2018 - £2,990). The cost of this insurance is included in the total insurance cost.

**14. Tangible fixed assets**

	<b>Freehold property £</b>	<b>Long-term leasehold property £</b>	<b>Furniture and equipment £</b>	<b>Computer equipment £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<b>Cost or valuation</b>						
At 1 September 2018	46,445,741	12,043,628	969,810	741,372	25,675	60,226,226
Additions	80,281	-	105,414	73,950	-	259,645
At 31 August 2019	<u>46,526,022</u>	<u>12,043,628</u>	<u>1,075,224</u>	<u>815,322</u>	<u>25,675</u>	<u>60,485,871</u>
<b>Depreciation</b>						
At 1 September 2018	5,812,243	535,939	768,674	505,827	19,170	7,641,853
Charge for the year	869,162	143,000	73,341	98,443	1,301	1,185,247
At 31 August 2019	<u>6,681,405</u>	<u>678,939</u>	<u>842,015</u>	<u>604,270</u>	<u>20,471</u>	<u>8,827,100</u>
<b>Net book value</b>						
At 31 August 2019	<u>39,844,617</u>	<u>11,364,689</u>	<u>233,209</u>	<u>211,052</u>	<u>5,204</u>	<u>51,658,771</u>
At 31 August 2018	<u>40,633,498</u>	<u>11,507,689</u>	<u>201,136</u>	<u>235,545</u>	<u>6,505</u>	<u>52,584,373</u>

Included in land and buildings is freehold land at valuation of £3,625,843 (2018 - £3,625,843) and leasehold land of £1,592,941 (2018 - £1,592,941) which are not depreciated.

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**Notes to the Financial Statements**  
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**15. Debtors**

	<b>2019</b>	<i>2018</i>
	<b>£</b>	<i>£</i>
Trade debtors	71,143	32,790
Other debtors	193,603	35,427
Prepayments and accrued income	398,790	389,156
	<u>663,536</u>	<u>457,373</u>

**16. Creditors: Amounts falling due within one year**

	<b>2019</b>	<i>2018</i>
	<b>£</b>	<i>£</i>
Other loans	1,473	1,473
Trade creditors	166,330	52,213
Other taxation and social security	266,097	264,410
Other creditors	77,344	170,389
Accruals and deferred income	516,407	632,824
	<u>1,027,651</u>	<u>1,121,309</u>

	<b>2019</b>	<i>2018</i>
	<b>£</b>	<i>£</i>
Deferred income at 1 September 2018	277,108	216,420
Resources deferred during the year	201,561	239,355
Amounts released from previous periods	(277,108)	(178,667)
	<u>201,561</u>	<u>277,108</u>

Deferred income comprises ESFA rates relief, ESFA UIFSM funding, school trips and other trading income received in advance for the 2019/20 academic year.

**17. Creditors: Amounts falling due after more than one year**

	<b>2019</b>	<i>2018</i>
	<b>£</b>	<i>£</i>
Other loans	7,317	8,790
	<u>7,317</u>	<u>8,790</u>

The other loan within notes 16 and 17 is Salix funding which is interest free and repayable by September 2025.

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**Notes to the Financial Statements**  
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**18. Statement of funds**

	Balance at 1 September 2018 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2019 £
<b>Unrestricted funds</b>						
General funds	1,244,806	465,771	(190,339)	(14,592)	-	1,505,646
<b>Restricted general funds</b>						
General Annual Grant (GAG)	(207,442)	16,452,867	(16,840,082)	4,841	-	(589,816)
Other DfE/ESFA grants	231,219	1,737,109	(1,707,827)	(116,287)	-	144,214
Other government grants	341,103	1,401,380	(1,322,977)	38,324	-	457,830
Other restricted	36,378	449,967	(385,018)	8,585	-	109,912
Pension reserve	(6,538,000)	-	(770,000)	-	(1,566,000)	(8,874,000)
	(6,136,742)	20,041,323	(21,025,904)	(64,537)	(1,566,000)	(8,751,860)
<b>Restricted fixed asset funds</b>						
Tangible fixed assets	52,584,373	-	(1,185,247)	259,645	-	51,658,771
DfE/ESFA capital grants	65,770	256,146	-	(181,989)	-	139,927
Salix loan	(10,263)	-	-	1,473	-	(8,790)
	52,639,880	256,146	(1,185,247)	79,129	-	51,789,908
<b>Total Restricted funds</b>	46,503,138	20,297,469	(22,211,151)	14,592	(1,566,000)	43,038,048
<b>Total funds</b>	47,747,944	20,763,240	(22,401,490)	-	(1,566,000)	44,543,694

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

General Annual Grants must be used for the normal running costs of each individual academy, and hence are shown as a separate restricted fund.

The Other DfE/ESFA grant fund relates to income received from the DfE and ESFA, and included Pupil Premium and Universal Infant Free School Meal grants.

The Other Government grant fund relates to restricted income received from other government bodies and includes money received from Kent County Council (KCC). During the year, the trust received a grant of £800,000 from KCC for building improvements at Thanet Skills Studio.

The pension reserve relates to the academy trust's share of the deficit of the Local Government Pension Scheme overseen by its Local Authority.

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**18. Statement of funds (continued)**

The other restricted fund accounts for all other money received for a specific purpose and includes income received from parents and pupils for educational trips and visits.

The restricted fixed asset funds are carried forward to meet the specific costs of fixed asset projects and to cover the depreciation charges that will be required on these projects going forward and the current fixed assets held. The transfer of £79,129 represents capital expenditure funded by revenue reserves during the year and the Salix loan repayments funded from GAG.

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG it could carry forward at 31 August 2019.

**Total funds analysis by academy**

Fund balances at 31 August 2019 were allocated as follows:

	2019 £	2018 £
Dane Court Grammar School	891,946	711,975
King Ethelbert School	543,238	663,242
Cliftonville Primary School	707,041	655,709
Hartsdown Academy	(727,385)	(384,862)
Central	212,946	-
	<hr/>	<hr/>
Total before fixed asset funds and pension reserve	1,627,786	1,646,064
Restricted fixed asset fund	51,789,908	52,639,880
Pension reserve	(8,874,000)	(6,538,000)
	<hr/>	<hr/>
<b>Total</b>	<b>44,543,694</b>	<b>47,747,944</b>

The following academy is carrying a net deficit on its portion of the funds as follows:

	<b>Deficit £</b>
Hartsdown Academy	(727,385)

It was agreed by the Board at the beginning of 2017-18 and at subsequent Board meetings, that Hartsdown Academy should be allowed to return in-year deficit positions (all agreed in advance), supported by the wider Trust. This is helping to ensure effective educational outcomes for all students.

The academy trust is taking the following action to return the academy to surplus:

- 1) Continuous monitoring to ensure a strict regime of controlling costs and evidencing best value
- 2) Explore and discuss other options for the Trust
- 3) Continuing to ensure that the curriculum is structured appropriately to both deliver good educational outcomes and be financially affordable.
- 4) Improving results to make the school more attractive to increase student numbers and therefore increase income.

The deficit position of Hartsdown continues for the next 2 years after which a surplus is forecasted.

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**18. Statement of funds (continued)**

**Total cost analysis by academy**

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

	<b>Teaching and educational support staff costs £</b>	<b>Other support staff costs £</b>	<b>Educational supplies £</b>	<b>Other costs excluding depreciation £</b>	<b>Total 2019 £</b>	<i>Total 2018 £</i>
Dane Court Grammar School	4,153,045	581,135	501,002	589,835	5,825,017	5,796,588
King Ethelbert School	3,564,128	764,262	349,741	461,797	5,139,928	5,249,594
Cliftonville Primary School	2,715,604	484,389	189,578	451,230	3,840,801	3,629,059
Hartsdown Academy	3,716,713	807,899	292,227	1,427,209	6,244,048	6,164,066
Central	-	31,670	133,829	950	166,449	-
<b>Academy trust</b>	<b>14,149,490</b>	<b>2,669,355</b>	<b>1,466,377</b>	<b>2,931,021</b>	<b>21,216,243</b>	<b>20,839,307</b>

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**18. Statement of funds (continued)**

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

	<i>Balance at 1 September 2017</i>	<i>Income</i>	<i>Expenditure</i>	<i>Transfers in/out</i>	<i>Gains/ (Losses)</i>	<i>Balance at 31 August 2018</i>
	£	£	£	£	£	£
<b>Unrestricted funds</b>						
General funds	1,089,271	551,696	(281,287)	(114,874)	-	1,244,806
<b>Restricted general funds</b>						
General Annual Grant (GAG)	236,619	17,084,373	(17,435,794)	(92,640)	-	(207,442)
Other DfE/ESFA grants	193,661	1,555,263	(1,517,705)	-	-	231,219
Other government grants	343,011	555,554	(557,462)	-	-	341,103
Other restricted	29,254	289,082	(295,059)	13,101	-	36,378
Pension reserve	(7,597,000)	-	(752,000)	-	1,811,000	(6,538,000)
	<u>(6,794,455)</u>	<u>19,484,272</u>	<u>(20,558,020)</u>	<u>(79,539)</u>	<u>1,811,000</u>	<u>(6,136,742)</u>
<b>Restricted fixed asset funds</b>						
Tangible fixed assets	53,487,496	-	(1,180,167)	277,044	-	52,584,373
DfE/ESFA capital grants	73,248	75,890	-	(83,368)	-	65,770
Salix loan	-	(11,000)	-	737	-	(10,263)
	<u>53,560,744</u>	<u>64,890</u>	<u>(1,180,167)</u>	<u>194,413</u>	<u>-</u>	<u>52,639,880</u>
<b>Total Restricted funds</b>	<u>46,766,289</u>	<u>19,549,162</u>	<u>(21,738,187)</u>	<u>114,874</u>	<u>1,811,000</u>	<u>46,503,138</u>
<b>Total funds</b>	<u>47,855,560</u>	<u>20,100,858</u>	<u>(22,019,474)</u>	<u>-</u>	<u>1,811,000</u>	<u>47,747,944</u>

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**19. Analysis of net assets between funds**

**Analysis of net assets between funds - current year**

	Unrestricted funds 2019 £	Restricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £
Tangible fixed assets	-	-	51,658,771	51,658,771
Current assets	1,505,646	1,148,318	139,927	2,793,891
Creditors due within one year	-	(1,026,178)	(1,473)	(1,027,651)
Creditors due in more than one year	-	-	(7,317)	(7,317)
Provisions for liabilities and charges	-	(8,874,000)	-	(8,874,000)
<b>Total</b>	<b>1,505,646</b>	<b>(8,751,860)</b>	<b>51,789,908</b>	<b>44,543,694</b>

**Analysis of net assets between funds - prior year**

	<i>Unrestricted funds 2018 £</i>	<i>Restricted funds 2018 £</i>	<i>Restricted fixed asset funds 2018 £</i>	<i>Total funds 2018 £</i>
Tangible fixed assets	-	-	52,584,373	52,584,373
Current assets	1,244,806	1,521,094	65,770	2,831,670
Creditors due within one year	-	(1,119,836)	(1,473)	(1,121,309)
Creditors due in more than one year	-	-	(8,790)	(8,790)
Provisions for liabilities and charges	-	(6,538,000)	-	(6,538,000)
<b>Total</b>	<b>1,244,806</b>	<b>(6,136,742)</b>	<b>52,639,880</b>	<b>47,747,944</b>

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**20. Reconciliation of net expenditure to net cash flow from operating activities**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Net expenditure for the year (as per Statement of Financial Activities)	(1,638,250)	(1,918,616)
<b>Adjustments for:</b>		
Depreciation	1,185,247	1,180,167
Capital grants from DfE and other capital income	(256,146)	(64,890)
Interest receivable	(943)	(3,492)
Defined benefit pension scheme cost less contributions payable	604,000	562,000
Defined benefit pension scheme finance cost	166,000	190,000
Decrease in stocks	2,875	6
(Increase)/decrease in debtors	(206,163)	215,513
(Decrease)/increase in creditors	(93,658)	201,339
<b>Net cash (used in)/provided by operating activities</b>	<b>(237,038)</b>	<b>362,027</b>

**21. Cash flows from financing activities**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Cash inflows from new borrowing	-	11,000
Repayments of borrowing	(1,473)	(737)
<b>Net cash (used in)/provided by financing activities</b>	<b>(1,473)</b>	<b>10,263</b>

**22. Cash flows from investing activities**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Dividends, interest and rents from investments	943	3,492
Purchase of tangible fixed assets	(259,645)	(277,044)
Capital grants from DfE Group	256,146	64,890
<b>Net cash used in investing activities</b>	<b>(2,556)</b>	<b>(208,662)</b>

**23. Analysis of cash and cash equivalents**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Cash in hand	2,118,355	2,359,422

Notes to the Financial Statements  
For the Year Ended 31 August 2019

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**24. Pension commitments**

The academy trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Kent 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 2016.

Contributions amounting to £45,000 were payable to the schemes at 31 August 2019 (2018 - £121,000) and are included within creditors.

**Teachers' Pension Scheme**

**Introduction**

The Teachers' Pension Scheme (TPS or scheme) is a statutory, unfunded, defined benefit occupational scheme, governed by the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pension Scheme Regulations 2014 (as amended). These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

**The Teachers' Pension Budgeting and Valuation Account**

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

**Valuation of the Teachers' Pension Scheme**

The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.08%). The timing of the implementation is to align its introduction with employers' budget planning cycles. Until then, employers will pay the current rate of 16.48%.

The employer's pension costs paid to TPS in the year amounted to £1,416,000 (2018 - £1,421,000).

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.

**Scheme Changes**

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of a Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015.

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, have rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

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**24. Pension commitments (continued)**

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

**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 2019 was £710,000 (2018 - £699,000), of which employer's contributions totalled £548,000 (2018 - £539,000) and employees' contributions totalled £ 162,000 (2018 - £160,000). The agreed contribution rates for future years are 20 per cent for employers and 5.5 to 12.5 per cent for employees.

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

**Principal actuarial assumptions**

	<b>2019</b>	<i>2018</i>
	%	%
Rate of increase in salaries	3.70	3.80
Rate of increase for pensions in payment/inflation	2.20	2.30
Discount rate for scheme liabilities	1.85	2.65
Inflation assumption (CPI)	2.20	2.30

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

	<b>2019</b>	<i>2018</i>
	Years	Years
<b>Retiring today</b>		
Males	22.1	23.1
Females	24.0	25.2
<b>Retiring in 20 years</b>		
Males	23.7	25.3
Females	25.8	27.5

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**Notes to the Financial Statements**  
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**24. Pension commitments (continued)**

**Sensitivity analysis**

	<b>2019</b>	<i>2018</i>
	<b>£000</b>	<i>£000</i>
Discount rate +0.1%	(436)	(359)
Discount rate -0.1%	447	369
Mortality assumption - 1 year increase	696	568
Mortality assumption - 1 year decrease	(672)	(549)
CPI rate +0.1%	396	330
CPI rate -0.1%	(386)	(321)

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

	<b>At 31 August</b>	<i>At 31 August</i>
	<b>2019</b>	<i>2018</i>
	<b>£</b>	<i>£</i>
Equities	6,956,000	6,345,000
Gilts	72,000	71,000
Corporate bonds	919,000	827,000
Property	1,189,000	1,151,000
Cash and other liquid assets	273,000	286,000
Investment funds	793,000	630,000
<b>Total market value of assets</b>	<b>10,202,000</b>	<i>9,310,000</i>

The actual return on scheme assets was £430,000 (2018 - £386,000).

The amounts recognised in the Statement of Financial Activities are as follows:

	<b>2019</b>	<i>2018</i>
	<b>£</b>	<i>£</i>
Current service cost	(984,000)	(1,096,000)
Past service cost	(163,000)	-
Interest income	253,000	225,000
Interest cost	(419,000)	(415,000)
Administrative expenses	(5,000)	(5,000)
<b>Total amount recognised in the Statement of Financial Activities</b>	<b>(1,318,000)</b>	<i>(1,291,000)</i>

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**24. Pension commitments (continued)**

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

	<b>2019</b>	<i>2018</i>
	<b>£</b>	<b>£</b>
<b>At 1 September</b>		
Current service cost	15,848,000	15,991,000
Past service costs	984,000	1,096,000
Interest cost	163,000	-
Employee contributions	419,000	415,000
Actuarial losses/(gains)	162,000	160,000
Benefits paid	1,743,000	(1,650,000)
	(243,000)	(164,000)
<b>At 31 August</b>	<u>19,076,000</u>	<u>15,848,000</u>

Changes in the fair value of the academy trust's share of scheme assets were as follows:

	<b>2019</b>	<i>2018</i>
	<b>£</b>	<b>£</b>
<b>At 1 September</b>		
Interest income	9,310,000	8,394,000
Actuarial gains	253,000	225,000
Employer contributions	177,000	161,000
Employee contributions	548,000	539,000
Benefits paid	162,000	160,000
Administration expenses	(243,000)	(164,000)
	(5,000)	(5,000)
<b>At 31 August</b>	<u>10,202,000</u>	<u>9,310,000</u>

**25. Operating lease commitments**

At 31 August 2019 the academy trust had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	<b>2019</b>	<i>2018</i>
	<b>£</b>	<b>£</b>
Not later than 1 year	32,106	47,468
Later than 1 year and not later than 5 years	28,631	22,564
	<u>60,737</u>	<u>70,032</u>

**26. Related party transactions**

Owing to the nature of the academy trust's operations 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 a trustee has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the academy trust's financial regulations and normal procurement procedures

The following related party transactions took place during the year:

**Expenditure related transactions**

East Kent Learning Alliance Limited (EKLA), a teaching school alliance of East Kent schools including Dane Court Grammar School, King Ethelbert School and Hartsdown Academy.

During the year the trust paid £450 (2018 - £2,512) to EKLA in respect of course attendance fees. At the 31 August 2019, EKLA owed the academy trust £Nil (2018 - £6,755).

Mrs. A. Crittenden, the mother of Mrs. C. Murray, a member of the Board, worked at Cliftonville Primary School during the year and was paid a salary, under an employment contract, for her role as site manager. Mrs. C. Murray had no involvement in the appointment of Mrs. A. Crittenden and the trustees are comfortable that Mrs. A. Crittenden's salary provides value for money and is not at a preferential rate.

Ms. P. Troth, the daughter of Mrs J. Troth, Headteacher at Cliftonville Primary School, worked at Cliftonville Primary School during the year and was paid a salary, under an employment control, for her role as a teacher. Mrs. J. Troth had no involvement in the appointment of Ms. P. Troth and the trustees are comfortable that Ms. P. Troth's salary provides value for money and is not at a preferential rate.

Ms. R. Thomas, the daughter of Mrs. A. Blake, member of the SLT at Cliftonville Primary School, worked at Cliftonville Primary School during the year and was paid a salary, under an employment control, for her role as a teaching assistant. Mrs. A. Blake had no involvement in the appointment of Ms. R. Thomas and the trustees are comfortable that Ms. R. Thomas' salary provides value for money and is not at a preferential rate.

Mr. A. Morris, the spouse of Mrs. L. Morris, member of the SLT at Hartsdown Academy, worked at Hartsdown Academy during the year and was paid a salary, under an employment control, for his role as an unqualified teacher. Mrs. L. Morris had no involvement in the appointment of Mr. A. Morris and the trustees are comfortable that Mr. A. Morris' salary provides value for money and is not at a preferential rate.

Mrs. L. Ovenden, the spouse of Mr. H. Ovenden, member of the SLT at Hartsdown Academy, worked at Hartsdown Academy during the year and was paid a salary, under an employment control, for her role as a teacher. Mr. H. Ovenden had no involvement in the appointment of Mrs. L. Ovenden and the trustees are comfortable that Mrs. L. Ovenden's salary provides value for money and is not at a preferential rate.

In entering into all of the above transactions the trust has fully complied with the requirements of the Academies Financial Handbook.

**Income related transactions**

East Kent Learning Alliance Limited (EKLA) - as noted above under expenditure

The academy trust received income of £21,676 (2018 - £21,262) from EKLA during the year in respect of the recharge of staff costs and £2,000 (2018 - £3,000) for finance administration charges.

**27. Members' liability**

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

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**28. Agency arrangements**

The academy trust distributes 16-19 bursary funds to students as an agent for ESFA. In the accounting period ending 31 August 2019 the trust received £53,049 (2018 - £60,760) and disbursed £77,018 (2018 - £43,013) from the fund. An amount of £16,139 (2018 - £40,108) is included in other creditors relating to undistributed funds that is repayable to ESFA.

**29. Controlling party**

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