

Annual Report and Financial Statements **2018**

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Reference and administrative information

Members	A Lloyd (Chair) C Anwar N Hopkins B O'Reilly
Trustees	A Needham (Chair) P Eyre J Smithson W Bagnall A Majury S Jarvis (Chief Executive)
Clerk	A Venner
Senior Management Team	
Chief Executive and Principal	S Jarvis
Vice Principal	C Cole
Academies Improvement Director	V Scannella
Finance Director	P Edwards
HR Director	R Young
Registered address	The Prospect Trust Prospect Avenue Farnborough Hampshire GU14 8JX
Company registration number	10842315 (England and Wales)
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	Lloyds Bank PLC 174 Fleet Road Fleet Hampshire GU164DD

Reference and administrative information

Solicitors Eversheds-Sutherland
1 Wood Street
London
EC2V 7WS

Trustees' report Period to 31 August 2018

The Trustees of The Prospect Trust ('the Academy') present their first annual report together with the financial statements and the auditor's reports of the charitable company for the period since incorporation on 29 June 2017 to 31 August 2018. The annual report serves the purposes of both a Trustees' report and a directors' report under company law.

The Prospect Trust is a Multi Academy Trust (MAT) created on 29 June 2017 as a direct consequence of the recommendations of the Mid & North Hampshire Area Based Review process. The Trust currently consists of one 16-19 academy, The Sixth Form College Farnborough, with the ambition to incorporate additional partners from the North Hampshire/Blackwater Valley area to help improve educational standards across a wider age range.

The Sixth Form College Farnborough dissolved on 31 August 2017 and its activities, assets, liabilities and staff transferred to the newly formed Prospect Trust. The governing body of The Sixth Form College Farnborough ceased to exist on 31 August 2017; however, the majority of The Sixth Form College Farnborough Governors were then appointed to roles within the new MAT governance structure as either Members, Trustees or Local Governors.

The financial statements have been prepared in accordance with the accounting policies set out on pages 28 to 33 of the attached financial statements and comply with the Academy's memorandum and articles of association, applicable laws and 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 United Kingdom and Republic of Ireland (FRS 102), effective from accounting periods commencing 1 January 2015 or later.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

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

The charitable company was incorporated as The Prospect Trust on 29 June 2017 and commenced its educational activities on 1 September 2017.

The Trustees of The Prospect Trust are also the directors of the charitable company for the purposes of company law. Details of the Trustees who served during the period are included in the Reference and Administrative Details on page 1.

The Academy Quality Council (Local Governing Body) is governed by The Prospect Trust Scheme of Delegation, adopted on 1 September 2017.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Members' liability

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

Trustees' indemnities

The Academy has opted into insurance arrangements, which provides unlimited indemnity for employers' liability, third party liability, an unlimited professional indemnity and cover for buildings and contents limited to the reinstatement value. The insurance covers Trustees and other staff for liability arising from negligent acts, errors and omissions in good faith, notified during the insurance period. There were no third party indemnity provisions during the period to August 2018.

Principal activities

The Prospect Trust is a Multi-Academy Trust, set up to enable the strategic collaboration between education organisations in order to maintain and improve educational standards. The Prospect Trust is at the core of an education hub, responsible for supporting, enabling and driving excellence across all academy partners. As at the 31 August 2018, the Sixth Form College Farnborough was the only academy partner in the Trust, responsible for the provision of 16-19 education to over 3,700 students from the local area. However, on 1 September 2018, Tomlinscote School and Sixth Form also joined The Prospect Trust.

Trustees

The Trustees are directors of the charitable company for the purposes of the Companies Act 2006. The following Trustees were in office at 31 August 2018 and served throughout the period.

Trustee	Appointed/Resigned	Appointing body
A Needham (Chair)	1 September 2017	Members
P Eyre	1 September 2017	Members
W Bagnall	1 September 2017	Members
J Smithson	1 September 2017	Members
A Majury	1 September 2017	Members
S Jarvis (Chief Executive)	1 September 2017	Members

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Method of recruitment and appointment or election of Trustees

There are clearly defined procedures for the selection and appointment of Trustees which are set out in the Trust's Articles of Association. The Trust seeks to recruit Trustees who are able to contribute the skills and knowledge required to support achievement of the aims of the Trust and ensure that these are delivered within a comprehensive governance framework.

Policies and procedures adopted for the induction and training of Trustees

The induction of Trustees is carried out by the clerk via an information pack, face to face and telephone support.

Organisational structure

In accordance with the Department for Education's Competency Framework for Governance, the Trust is overseen by its Members. The Members are responsible for approving the Trust's Articles of Association and to approve the Trust Board's constitution and compliance.

In accordance with the Trust's Articles of Association, the business of the Trust is managed by the Trust Board and Academy Quality Council through the Scheme of Delegation adopted in September 2017. The Trust Board meets a minimum of twice per term to execute its duties.

The Scheme of Delegation outlines the key responsibilities of the Trust Board in terms of determining the key strategic priorities, compliance with policies and statutory requirements and its accountability in terms of academic improvements and financial control. The Academy Quality Council is an advisory committee of the Trust and is accountable to the Trust Board. It is responsible for holding The Sixth Form College Farnborough to account in terms of learner achievement through the monitoring of progress against agreed performance targets for the quality of teaching and learning, attendance and behaviour. The Academy Quality Council meets a minimum of four times per year. The Trust Board delegates to the Chief Executive the internal organisation, day to day management and control of the Trust, including monitoring and consistent implementation of all policies and procedural documents approved by the Trust Board.

The Chief Executive is the Accounting Officer as required by the Funding Agreement with the Department for Education.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Arrangements for setting pay and remuneration of key management personnel

The key management personnel are the Trustees and members of the Senior Leadership Team. The only Trustees who receive remuneration are those employed as members of the Senior Leadership Team (SLT), as listed on page 1.

Whether it is at appointment or during annual reviews, the Trust Board considers the advertised salary ranges for posts of comparable responsibility and size. Members then review the responsibilities of the SLT and whether the salary ranges are appropriate. The outcome of their deliberations is reported to the Trust Board and are consistent with the budget allocation for this element of staff remuneration.

Trade union facility time

Relevant union officials

Number of employees who were relevant union officials during the period	Full-time equivalent employee number
5	4.2

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	1
1% - 50%	4

Percentage of pay bill spent on facility time

Total cost of facility time	£2,522
Total pay bill	£12,115k
Percentage of the total pay bill spent on facility time:	0.02%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours:	100%
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Connected organisations, including related party relationships

The Prospect Trust is a member of the Community Matters Partnership Project (CMPP), which is a collaboration of socially responsible organisations working together on social and economic projects in the local area.

STRATEGIC REPORT

OBJECTIVES AND ACTIVITIES

Objects and aims

The objectives of the Trust are set out in the company's Articles of Association, namely "to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining and developing schools offering a broad and balanced curriculum". Additionally, "to promote for the benefit of the inhabitants of the areas in which the Academies are situated and their surrounding areas, the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of life of the said inhabitants".

Objectives, strategies and activities

The Trust Board has set the Academy's following strategic aims through the Strategic Development Plan:

- Enable closer working within Trust academies;
- Embed and grow a collaborative culture;
- Deliver improved progression opportunities;
- Utilise experience and talent from within the Trust;
- Provide a dynamic innovative approach to raising standards;
- Provide professional development opportunities;
- Deliver cost effective and sustainable operations.

These aims are monitored closely by the Trust Board by way of the Chief Executive and executive leadership reports and through the work of the Academy Quality Council.

Public Benefit

In setting the Academy's objectives and planning its activities, the Board of Trustees have given careful consideration to the Charity Commission's general guidance on public benefit.

During the financial period, the Academy furthered its charitable purposes for the public benefit by providing wide ranging sixth form provision including A Levels and BTEC courses. In addition, a significant percentage of students progressed into employment, higher education or further training programmes including high quality apprenticeships.

STRATEGIC REPORT (continued)

Achievements and performance

The main focus of the Trust during 2017/18 was to continue to ensure that students' attainment and achievement at The Sixth Form College Farnborough remained outstanding despite the changes to the national educational landscape and uncertainties over the national financial and economic framework. Significant achievements include:

- The College remains committed to providing a wide range of Level 3 subjects with over 40 different courses offered in 2017/18. Despite this expansive curriculum offer the distinguished standards of Level 3 attainment continue both across the A Level and vocational offer. In 2017/18, the College achieved value added scores which placed it in the top ten per cent of providers nationally for all course types offered.
- The College continues to provide students with appropriate high quality expert support and guidance through its personal tutor system. Funding for this aspect of the College has been reduced in recent years as has funding for extra-curricular activities. However, the tutorial programme and a full enrichment scheme including sport, music and performing arts activities, continues to be successfully offered to all students through out the year.
- The College recruits a significant number of students from Farnborough and the surrounding area. During 2017/18, the College supported over 3,770 students despite a demographic downturn in 16 to 19 year olds nationally and regionally, a reflection of the partnerships it has developed with local schools and other education partners.
- The Trust continues to improve and upgrade the physical infrastructure of the College, with over £2.0million invested in the last 12 months. During 2017/18, a new bespoke lecture theatre for over 190 students was opened in addition to refurbishments in key curriculum areas such as maths and new business studies classrooms. Additionally, the Trust continues to provide state of the art ICT provision across all teaching and learning spaces.

Key financial performance indicators

The following key financial performance indicators are monitored by the Trust Board:

- Operational surplus to income ratio – 3.35%;
- Current ratio – 4.28;
- Pay to Income ratio – 71.2%.

Going concern

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

STRATEGIC REPORT (continued)

Financial review

On 1 September 2017, The Prospect Trust acquired the assets and liabilities of The Sixth Form College Farnborough, for no consideration. The financial statements for the period to 31 August 2018 are the first prepared by the Trust and therefore no comparatives are provided.

The majority of the Academy's income is provided by the Education and Skills Funding Agency (ESFA) in the form of recurrent grants, some of which are restricted to particular purposes. The grants received from the ESFA during the period ended 31 August 2018 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The Academy may receive grants for fixed assets from the ESFA in the future. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2015), these grants will be shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual straight-line depreciation charges over the expected useful life of the assets concerned.

During the period ended 31 August 2018, total expenditure of £16.729m was met by recurrent grant funding from the ESFA together with other income. The excess of income over expenditure for the period (excluding the restricted fixed asset fund and before transfers) was £2.171m.

At 31 August 2018, the net book value of fixed assets was £25.159m. Movements in tangible fixed assets are shown in note 11 to the financial statements. The assets are used exclusively for providing education, the associated support services to the students of the Academy and the provision of resources for the benefit of the local community.

The Hampshire County Council Local Government pension scheme, in which the Academy participates, showed a deficit of £2.796m at 31 August 2018. Of this sum, £3.550m was inherited by the Trust from the Sixth Form College Farnborough from Hampshire County Council on 1 September 2017, the date the College's staff transferred to employment with the Academy.

The Academy held total fund balances at 31 August 2018 of £26.232m comprising £3.869m of unrestricted general funds, £25.159m of tangible fixed assets and a deficit on restricted funds representing the liability of £2.796m arising from the pension scheme.

Financial report for the period

Net income for period was £25.315m. However, this is distorted by £25.043m of conversion "income" arising from the conversion of The Sixth Form College Farnborough. Excluding the impact of conversion, the Academy Trust reported net income of £0.272m for the period.

The results for the period are shown on page 25.

STRATEGIC REPORT (continued)

Financial review (continued)

Financial and risk management objectives and policies

The Prospect Trust financial objectives are focused on ensuring that each year and over the next three-year period, the Trust as a whole and its constituent academy partners are self-sufficient in terms of generating operational (cash) surpluses to cover fixed asset funds movements including capital expenditure and depreciation. The Trust operates a gag pooling approach and will seek to ensure that the allocation of cash resources is based on need and risk and are explicitly prioritised.

Reserves policy

The Trustees have reviewed the reserves of the Trust. This review encompassed the nature of the income and expenditure streams, the need to match them with commitments and the nature of the reserves. As a result, an annual target of five per cent of the operational income (not including adjustments for FRS pension costs and restricted fixed asset funds) was set. At the period ended 31 August 2018 this equated to £850k. The Trustees intention is to carry forward a prudent level of resource that will enable the longer-term cyclical needs of Trust to be met as well as to hold a provision for any unforeseen contingencies. During 2017/18, the Trust generated operational reserves of £1.699m. Although the reserves are at a higher level than the policy requires the Trustees believe this to be a prudent amount in the context of the future economic uncertainty.

The Trust's unrestricted reserves as at 31 August 2018 were £3.869m.

Investment policy

The Trust has not invested any funds during this financial period, but the Trust notes the requirement for Trustees to take special care when investing the funds on the Trust i.e. any investment that did take place would need to have proven low risk. In addition, the Trust has agreed to a Treasury Management approach that sets out minimum bank account levels, restricts maximum investment exposure and specifies the security requirements of deposits placed.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of Trustees has considered the major risks to which it is exposed, in particular those relating to governance, capacity, finance, insurance, student recruitment, educational attainment, health and safety, safeguarding and reputation.

The Board of Trustees have implemented a number of systems to assess and reduce risks that the Academy faces, especially in operational areas in relation to its recent Academy conversion and expansion and in relation to the control of finances. Adequate insurance has been arranged where significant financial risk remains.

The Academy has an effective system of internal financial control as explained in the Statement on Internal Control.

FUNDRAISING

The Trust does not generally undertake fundraising itself and specifically has not undertaken any fundraising during the reporting period 2017 to 2018. Consequently, there has been no engagement of commercial participators or professional fundraisers, or other activities associated with fundraising to report.

PLANS FOR FUTURE PERIODS

In July 2018, The Trust Board unanimously voted to expand The Prospect Trust by incorporating Tomlinscote School and Sixth Form, a secondary school previously part of the Surrey Heath Education Trust. This decision was made following extensive legal, financial and educational due diligence, as well as a programme of local community, schools, parents and staff consultation. The School successfully transferred into the Trust on 1 September 2018 and work is now in progress to integrate relevant systems, processes and procedures.

AUDITOR

In so far as the Trustees are aware:

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

Trustees' report, incorporating a strategic report, approved by order of the members of the board of Trustees on 11 December 2018 and signed on its behalf by:

A Needham
Chair of Trustees

Scope of responsibility

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

The Board of Trustees have delegated the day-to-day responsibility to the Chief Executive, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the Funding Agreement between the Academy and the Secretary of State for Education. The Chief Executive is also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

Governance

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

Governor	Meetings attended	Out of a possible
A Needham (Chair)	6	6
P Eyre	6	6
W Bagnall	6	6
J Smithson	5	6
A Majury	4	6
S Jarvis (Chief Executive)	6	6

The composition of the board of Trustees did not change during 2017/18, although in October 2018, M Dawes joined following the incorporation of Tomlinscote School. S Whelan will become a fifth Member in 2018-19.

Governance reviews

The Trust has carried out a series of reviews of its governance arrangements over the last 12 months. Central to this has been the development and approval of the Scheme of Delegation which outlines the respective structures, roles and responsibilities of Members, Trust Board, Local Academy Councils (Local Governing Board), together with those delegated to the Principals' Board. This was reviewed again in October 2018 by the Trust to coincide with the incorporation of Tomlinscote School into the Trust. These arrangements will be reviewed on an on-going basis and formally reviewed again in October 2019.

Governance (continued)

The Audit and Risk Committee is a sub-committee of the main Board of Trustees. Its purpose is to receive reports and updates from internal audit about the effectiveness of the internal control system, review the implementation of audit recommendations and provide assurance to the Trust Board that audit risks are being adequately managed.

Governor	Meetings attended	Out of a possible
A Needham	3	3
P Eyre	3	3
W Bagnall	3	3
J Smithson	2	3
A Majury	3	3
S Jarvis (Chief Executive) in attendance	3	3

Review of value for Money

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

The Accounting Officer considers how the Trust's use of its resources has provided good value for money during the academic year, and reports to the Board of Trustees where value for money can be improved, including the use of benchmarking data where available. The Accounting Officer for the Academy Trust has delivered and improved value for money during the period by ensuring that the Trust both recorded an operational surplus position in 2017/18 and increased cash reserves to finance the new Simon Jarvis Lecture Theatre without the need for additional funding from Central Government.

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 the Academy's 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.

Capacity to handle risk

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

The risk and control framework

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

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

The Board of Trustees has considered the need for a specific internal audit function and decided to appoint Mazars as internal auditor. The internal auditor's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. On a regular basis, the auditor reports to the Board of Trustees, through the Audit and Risk Committee, on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities. Mazars have completed their programme of work in order to give their audit assurance opinion and reported no material control issues to the Trust Board.

Review of effectiveness

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

- ◆ the work of the internal auditor;
- ◆ the work of the external auditor;
- ◆ financial management reports and governance review process; and
- ◆ the work of the Senior Leadership Team within the Academy who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has advised the Trust Board of the implications of his review of the system of internal and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the Board of Trustees on 11 December 2018 and signed on their behalf by:

A Needham
(Chair of Trustees)

S Jarvis
(Accounting Officer)

Statement on regularity, propriety and compliance 31 August 2018

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

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

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

S Jarvis
Accounting Officer

Date:

Statement of Trustees' responsibilities 31 August 2018

The Trustees (who are also the directors of the Academy Trust for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with the Annual Accounts Direction issued by the Education 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 period. 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 Academy Trust and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in the Charities' SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- ◆ make judgments and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Academy Trust will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Academy Trust's transactions and disclose with reasonable accuracy at any time the financial position of the Academy Trust 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 Academy Trust 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 Academy Trust applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the ESFA/DfE have been applied for the purposes intended.

The Trustees are responsible for the maintenance and integrity of the charity and financial information included on the Academy Trust's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the Board of Trustees on 11 December 2018 and signed on its behalf by:

A Needham

Chair of Trustees

Independent auditor's report to the members of The Prospect Trust

Opinion

We have audited the financial statements of The Prospect Trust (the 'charitable company') for the period 29 June 2017 to 31 August 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), 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) (the Charities SORP 2015) and the Academies Accounts Direction 2017 to 2018.

In our opinion, the financial statements:

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

Basis for opinion

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

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 charitable company'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 auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions 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 period for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the Trustees' report including the strategic report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company 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; 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 are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Auditor's responsibilities for the audit of the financial statements (continued)

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

Use of our report

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

Avnish Savjani (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date

Independent reporting accountant's assurance report on regularity to The Prospect Trust and the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 13 July 2018 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Prospect Trust during the period from 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of The Prospect Trust's accounting officer and the reporting auditor

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

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

Approach

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

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

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

Approach (continued)

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

The work undertaken to draw to our conclusion includes:

- ◆ 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.

Conclusion

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

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

Statement of financial activities (including income and expenditure account) Period to 31 August 2018

	Notes	Restricted funds		2018 Total funds £000	
		Unrestricted general fund £000	General £000		Fixed assets fund £000
Income from:					
Donations and capital grants	2	14	—	—	14
Donations - transfer on conversion	1	4,221	(3,414)	24,236	25,043
Charitable activities					
. Funding for the academy's educational operations	3	121	15,994	—	16,115
Other trading activities	4	866	—	—	866
Investments	5	6	—	—	6
Total income		5,228	12,580	24,236	42,044
Expenditure on:					
Charitable activities					
. Academy's educational operations	6/7	69	15,568	1,092	16,729
Total expenditure		69	15,568	1,092	16,729
Net income (expenditure)		5,159	(2,988)	23,144	25,315
Transfers between funds	15	(1,290)	(725)	2,015	—
Other recognised gains and losses					
Actuarial gains on defined benefit pension scheme	20	—	917	—	917
Net movement in funds		3,869	(2,071)	25,159	26,232
Reconciliation of funds					
Total fund balances carried forward at 31 August 2018	£	3,869	(2,796)	25,159	26,232

All activities derived from continuing operations.

Balance sheet 31 August 2018

	Notes	2018 £000	2018 £000
Fixed assets			
Tangible fixed assets	11		25,159
Current assets			
Stock		17	
Debtors	12	230	
Cash at bank and in hand		4,896	
		<u>5,143</u>	
Liabilities			
Creditors: amounts falling due within one year	13	(1,238)	
Net current assets			<u>3,905</u>
Total assets less current liabilities			
			<u>29,064</u>
Pension scheme liability (LGPS)	20		(2,796)
Other provisions			(36)
Total net assets			<u>26,232</u>
Funds of the Academy			
Restricted funds:			
. Fixed assets fund	15		25,159
. Restricted income fund	15		—
. LGPS Pension reserve	15		(2,796)
			<u>22,363</u>
Unrestricted funds:			
. General fund	159		3,869
Total funds			<u>26,232</u>

The financial statements on page 25 to 43 were approved by the Trustees, and authorised for issue on 11 December 2018 and are signed on their behalf by:

A Needham
Chair

The Prospect Trust
Company Limited by Guarantee
Registration Number: 10842315 (England and Wales)

Statement of cash flows Period to 31 August 2018

	Note	2018 £000
Net cash inflow from operating activities		
Net cash provided by operating activities	A	827
Cash transferred on conversion	1	6,078
Cash flows from investing activities	B	<u>(2,009)</u>
Change in cash and cash equivalents in the period		4,896
Cash and cash equivalents at 31 August 2018	C	<u>4,896</u>

A Reconciliation of income to net cash flow from operating activities

	2018 £000
Net income for the period (as per the statement of financial activities)	25,315
Adjusted for:	
Depreciation (note 11)	1,092
Assets and liabilities inherited on conversion	(25,043)
Interest receivable (note 5)	(6)
Defined benefit pension scheme cost less contributions payable (note 20)	257
Defined benefit pension scheme finance cost (note 20)	78
Increase in stocks	(1)
Increase in debtors	(217)
Decrease in creditors and provisions	(648)
Net cash provided by operating activities	<u>827</u>

B Cash flows from investing activities

	2018 £000
Interest received	6
Purchase of tangible fixed assets	(2,015)
Net cash (used in) investing activities	<u>(2,009)</u>

C Analysis of cash and cash equivalents

	2018 £000
Cash at bank and in hand	4,896
Total cash and cash equivalents	<u>4,896</u>

Statement of accounting policies

A summary of the principal accounting policies adopted, judgements and key sources of estimation uncertainty, is set out below.

Basis of preparation

The financial statements of the Academy Trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

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

Going concern

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

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.

The General Annual Grant is recognised in full in the statement of financial activities in the period for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Income (continued)

Grants (continued)

Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund. 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 is recognised in the period it is receivable and to the extent the Academy Trust has provided the goods or services.

Transfer on conversion to an Academy Trust

The conversion of the Sixth Form College Farnborough to an Academy Trust involved the transfer of identifiable assets and liabilities and the operations of the College for £nil consideration. The substance of the transfer is that of a gift and it has been accounted for on that basis as set out below.

The assets and liabilities transferred on conversion from the Sixth Form College Farnborough to the Academy Trust have been valued at their fair value. The fair value has been derived based on that of equivalent items. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in "Donations – transfer on conversion" in the statement of financial activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

Further details of the transaction are set out in note 1.

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 stated net of recoverable VAT.

Tangible fixed assets

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

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the statement of financial activities and carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the statement of financial activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Academy's depreciation policy.

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

◆ Freehold buildings	50 years
◆ Furniture and equipment	10 years
◆ Other equipment	between 7-10 years
◆ IT equipment	2 years
◆ Motor vehicles	5 years

Depreciation is charged from the month of acquisition.

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.

Liabilities

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

Provisions

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

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

Leased assets

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

Financial Instruments

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

Financial assets – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 12. Prepayments are not financial instruments. Amounts due to the charity's wholly owned subsidiary are held at face value less any impairment.

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

Financial liabilities – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 13. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument. Amounts due to charity's wholly owned subsidiary are held at face value less any impairment.

Taxation

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

Pensions benefits

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 20, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Education and Skills Funding Agency, Department for Education or other funders where the asset acquired or created is held for a specific purpose.

Restricted income funds comprise all other grants received from the [Education and Skills Funding Agency/Department for Education].

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgement

The Trustees do not consider that there any areas of judgement critical to the Academy Trust's financial statements.

1. Conversion to an Academy Trust

On 1 September 2017, The Sixth Form College Farnborough converted to academy status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to The Prospect Trust for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the Statement of Financial Activities as 'Donations – transfer on conversion'

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the Statement of Financial Activities.

	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed assets funds £'000	Total £'000
Tangible fixed assets				
. Freehold land and buildings	—	—	23,239	23,239
. Other tangible fixed assets	—	—	997	997
Current assets				
. Stock	18	—	—	18
. Trade and other receivables	13	—	—	13
. Cash	6,078	—	—	6,078
Current liabilities	(1,888)	—	—	(1,888)
LGPS pension deficit	—	(3,350)	—	(3,350)
Other non-current provisions	—	(64)	—	(64)
Net assets / (liabilities)	4,221	(3,414)	24,236	25,043

2. Donations and capital grants

	Unrestricted funds £000	Restricted funds £000	2018 Total funds £000
Other Donations	14	—	14
2018 Total	14	—	14

3. Funding for the academy's educational operations

	Unrestricted funds £000	Restricted funds £000	2018 Total funds £000
DfE / ESFA revenue grants			
. General Annual Grant (GAG) (note 1)	—	15,994	15,994
	—	15,994	15,994
Other income from the academy trust's educational operations	121	—	121
2018 Total	121	15,994	16,115

4. Other trading activities

	Unrestricted funds £000	Restricted funds £000	2018 Total funds £000
Hire of facilities	230	—	230
Travel income	455	—	455
College shop	55	—	55
Miscellaneous income	126	—	126
2018 Total	866	—	866

5. Investment Income

	Unrestricted funds £000	Restricted funds £000	2018 Total funds £000
2018 Total: Interest receivable	6	—	6

6. Expenditure

	Staff costs £000	Non pay expenditure		2018 Total funds £000
		Premises £000	Other costs £000	
Charitable activities				
. Academy's educational operations				
.. Direct costs	8,626	—	1,804	10,430
.. Allocated support costs	3,746	2,061	492	6,299
2018 Total	12,372	2,061	2,296	16,729

Net income for the period includes:

	2018 £000
Net income for the period includes:	
Operating leases	23
Depreciation	1,092
Fees payable to auditor	
. Statutory audit	12
. Non statutory audit	4
. Other services	1

7. Charitable activities - academy's educational operations

	2018 Total funds £'000
Direct costs	10,430
Support costs	6,299
	16,729

	2018 Total funds £'000
Analysis of support costs	
Support staff costs	3,746
Depreciation	1,092
Technology costs	108
Premises costs	969
Other support costs	227
Governance costs	157
Total support costs	6,299

8. Staff

(a) Staff costs

Staff costs during the period were:

	2018 Total funds £000
Wages and salaries	9,508
Social security costs	948
Pension costs	1,806
	<u>12,262</u>
Staff restructuring costs	110
	<u>12,372</u>
	2018 £000
Staff restructuring costs comprise	
Severance payments	110
	<u>110</u>

(b) Staff severance payments

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £47,866. Individually the payments were for £9,075, £12,939, £8,396, £6,428, £3,383 and £7,745.

(c) Staff numbers

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

Charitable activities	2018 No.
Teachers	171
Administration and support	125
Management	12
	<u>308</u>

(d) Higher paid staff

The number of employees whose employee benefits (excluding employer pension costs) fell within the following bands was:

	2018 No.
£60,001 - £70,000	3
£120,001 – £130,000	1

8. Staff (continued)

(e) Key management personnel

The key management personnel of the Academy Trust comprise the Trustees and senior management team as listed on page 1. The total amount of employee benefits (including employee pension contributions and employer national insurance contributions) received by key management personnel for their services to the Academy Trust was £514,000.

9. Trustees' remuneration and expenses

The Chief Executive only receives remuneration in respect of services he provides undertaking the role of Chief Executive and not in respect of his services as Trustee. Other Trustees did not receive any payments, other than expenses, from the Academy in respect of their role as Trustees. The value of Trustees' remuneration and other benefits was as follows:

	2018
	£
<hr/>	
S Jarvis, Chief Executive and Trustee	
. Remuneration	120,000-125,000
. Employer's pension contributions	20,000 -25,000
.	
<hr/>	

During the period ended 31 August 2018, travel and subsistence expenses totalling £360 were reimbursed to two Trustees.

Other related party transactions involving the Trustees are set out in note 21.

10. Trustees' and Officers' insurance

In accordance with normal commercial practice the Academy has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £5m on any one claim. The cost of this insurance is included within the overall Academy Trust insurance policy and cannot be separately identified.

11. Tangible fixed assets

	Freehold land and buildings £000	Furniture and equipment £000	Total £000
Cost			
Transfer on conversion	23,239	997	24,236
Additions	1,648	367	2,015
At 31 August 2018	<u>24,887</u>	<u>1,364</u>	<u>26,251</u>
Depreciation			
Charge in period	639	453	1,092
At 31 August 2018	<u>639</u>	<u>453</u>	<u>1,092</u>
Net book value			
At 31 August 2018	<u>24,248</u>	<u>911</u>	<u>25,159</u>

12. Debtors

	2018 £000
Trade debtors	42
Prepayments and accrued income	53
VAT Debtor	135
	<u>230</u>

13. Creditors: amounts falling due within one year

	2018 £000
Trade creditors	195
Taxation and social security	217
Other creditors	333
Accruals and deferred income	493
	<u>1,238</u>
Deferred income	
Resources deferred in the period	72
Deferred Income at 31 August 2016	<u>72</u>

Deferred income of £72,000 relates to income received in the period for school trips that are taking place in the year ending 31 August 2019.

14 Provisions

The Academy Trust inherited an enhanced pension obligation from the Sixth Form College Farnborough relating to the cost of staff who had already left the College's employment prior to the conversion into an Academy Trust. In addition, a provision for commitments for reorganisation costs was transferred.

Movements on provisions in the period were:

	Other £000	Enhanced Pension £000	Total 2018 £000
Transfer on conversion	27	37	64
Charge for the period	(27)	(1)	(28)
	—	36	36

The assumptions used in calculating the enhanced pension provision at 31 August 2018 were a discount rate of 2.8% and price inflation of 2.0%.

15. Funds

	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2018 £000
Restricted general funds				
General Annual Grant (GAG)	15,994	(15,233)	(725)	36
Transfer on conversion				
- LGPS pension reserves	(3,350)	(335)	889	(2,796)
- Other provisions	(64)	—	28	(36)
	<u>12,580</u>	<u>(15,568)</u>	<u>192</u>	<u>(2,796)</u>
Restricted fixed asset funds				
Transfer on conversion	24,236	(1,092)	—	23,144
Capital expenditure from GAG	—	—	725	725
Capital expenditure from general funds	—	—	1,290	1,290
	<u>24,236</u>	<u>(1,092)</u>	<u>2,015</u>	<u>25,159</u>
Total restricted funds	<u>36,816</u>	<u>(16,660)</u>	<u>2,207</u>	<u>(22,363)</u>
Unrestricted funds				
General funds	5,228	(69)	(1,290)	3,869
Total unrestricted funds	<u>5,228</u>	<u>(69)</u>	<u>(1,290)</u>	<u>3,869</u>
Total funds	<u>42,044</u>	<u>(16,729)</u>	<u>917</u>	<u>26,232</u>

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

General Annual Grant (GAG)

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

The pension reserve has been created to separately identify the Local Government Pension Scheme deficit.

The restricted fixed asset fund recognises funding for capital expenditure less amounts expended in the period and includes depreciation charges.

16. Analysis of net assets between funds

	Unrestricted funds £000	Restricted General Funds £000	Restricted Fixed Asset Fund £000	Total 2018 £000
Fund balances at 31 August 2018 are represented by:				
Tangible fixed assets	—	—	25,159	25,159
Current assets	5,107	36	—	5,143
Current liabilities	(1,238)	—	—	(1,238)
Pension scheme liability	—	(2,796)	—	(2,796)
Other provisions	—	(36)	—	(36)
Total net assets	3,869	(2,796)	25,159	26,232

17. Capital commitments

	2018 £000
Contracted for, but not provided in the financial statements	—

18 Commitments under operating leases

Operating leases

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

	2018 £000
Amounts due within one year	23
Amounts due between two and five years inclusive	66
	89

19 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.

20 Pension and similar obligations

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

As described in the accounting policies the LGPS obligation relates to the employees of the Academy Trust who were the employees transferred as part of the conversion of the Sixth Form College Farnborough.

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 £174,000 were payable to the schemes at 31 August 2018 and are included within creditors.

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

- ◆ employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge

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20. Pension and similar obligations (continued)

Teachers' Pension Scheme (continued)

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

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

The employer's pension costs paid to TPS in the period amounted to £1,110,000.

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 a multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust has set out above the information available on the scheme.

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit scheme, with the assets held in separate Trustee-administered funds. The total contribution made for the period ended 31 August 2018 was £515,000, of which employer's contributions totalled £356,000 and employees' contributions totalled £159,000. The agreed contribution rates for future years are 16.7% for employers. Employee rates are on a scale based on salary levels and range from 5.5% to 12.5%.

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.

20. Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Principal Actuarial Assumptions	At 31 August 2018
Rate of increase in salaries	3.5%
Rate of increase for pensions in payment / inflation	2.0%
Discount rate for scheme liabilities	2.8%
Inflation assumption (CPI)	2.0%

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

	At 31 August 2018
<i>Retiring today</i>	
Males	24.1
Females	27.2
<i>Retiring in 20 years</i>	
Males	26.2
Females	29.4

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

	Fair value at 31 August 2018 £'000
Equities	4,753
Corporate bonds	513
Property	1,793
Cash and other liquid assets	379
Total market value of assets	7,438
Present value of scheme liabilities	
- Funded	(10,234)
Deficit in the scheme	(2,796)

The actual return on scheme assets was £478,000.

Sensitivity analysis	2018 £000
Discount rate +0.1%	643
Discount rate -0.1%	683
Mortality assumption – 1 year increase	686
Mortality assumption – 1 year decrease	640
CPI rate +0.1%	663
CPI rate -0.1%	663

20. Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Amounts recognised in statement of financial activities	2018 £'000
Current service cost	693
Interest cost	78
Total operating charge	771
Analysis of pension finance income/(costs)	
Expected return on pension scheme assets	(167)
Interest on pension liabilities	245
Pension finance costs / (income)	78
Total amount recognised in the SOFA	771

Changes in the present value of defined benefit obligations were as follows:	2018 £'000
Inherited on conversion	9,750
Current service cost	693
Interest cost	245
Employee contributions	157
Actuarial gain	(578)
Benefits paid	(33)
At 31 August 2018	10,234

Changes in the fair value of the Academy's share of scheme assets:	2018 £'000
Inherited on conversion	6,400
Interest income	167
Actuarial gain	311
Employer contributions	436
Employee contributions	157
Benefits paid	(33)
At 31 August 2018	7,438

21. Related party transactions

Owing to the nature of the Academy'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 member of the Trustee has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy's financial regulations and normal procurement procedures.

The spouse of Mr S Jarvis, Chief Executive of the Academy Trust, is the Chief Executive Officer of Community Matters Partnership Project, a charitable organisation of which, the Academy Trust is also a member/partner. The Academy Trust provides office and administrative support to the charitable organisation free of charge and in return the annual subscription payable by the Academy Trust is waived.

22. Agency arrangements

The Academy Trust distributes the ESFA discretionary 16-19 bursary to students, as agent for the ESFA. Funding received for the period amounted to £174,000 of which £159,000 was distributed. After an administration fee charge, there remained £9,000 undistributed at 31 August 2018.

23. Post balance sheet events

On 1 September 2018, the Tomlinscote School and Sixth Form, a secondary school previously part of the Surrey Heath Education Trust, joined the Academy Trust.