

# REGISTRAR OF COMPANIES

## The Kemnal Academies Trust

### Annual Report and Financial Statements

31 August 2019

Company Limited by Guarantee  
Registration Number  
07348231 (England and Wales)

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## Reference and administrative information

<b>Members</b>	Raymond Vooght Daniel Barber Quentin Roper*  <i>* Diocesan Member representing The Diocese of Canterbury Academy Company Limited</i>
<b>Trustees</b>	Gaenor Bagley, Chair (from 1 September 2019) John Atkins CBE, Chair (until 31 August 2019) Dr Karen Roberts, Chief Executive Officer and Accounting Officer Peter Baines John Harrison Aruna Mehta Elaine Thomas Timothy Young
<b>Company Secretary</b>	Claire Lee
<b>Company registration number</b>	07348231 (England and Wales)
<b>Principal and registered office</b>	Atkins Conference Centre Kemnal Technology College Sevenoaks Way Sidcup Kent DA14 5AA
<b>Senior Leadership Team</b>	
Chief Executive Officer	Dr Karen Roberts
Deputy Chief Executive Officer	Elizabeth Harrison
Finance Director	Steve Dickman
Director of Business Development	Belinda Clack (until 18 March 2019)
Group Director of Learning	Rachel Ward
HR Director	Simon Rose (from 1 November 2018)
Senior Regional Executive Director	Matt Batchelor (from 1 September 2018)
<b>External auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL

## Reference and administrative information

**Internal auditor** Crowe UK  
St Brides House  
10 Salisbury Square  
London EC4Y 8EH

**Bankers** Lloyds Bank plc  
177-179 High Street  
Orpington  
Kent  
BR6 0LJ

**Solicitors** Anthony Collins  
134 Edmund Street  
Birmingham  
B3 2ES

**Website** [www.tkat.org](http://www.tkat.org)

## Trustees' report (incorporating a strategic report) Year ended 31 August 2019

The Trustees present their annual report, which includes the strategic report together with the audited financial statements of The Kemnal Academies Trust ('TKAT' or 'the Trust') for the year ended 31 August 2019. This annual report serves the purpose of both a Trustees' report and a Directors' report under company law.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, 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 UK and Republic of Ireland (FRS 102).

### PRINCIPAL OBJECT

The principal object of the Trust is the advancement of education for the public benefit in the United Kingdom through the operation of a group of academies. Our ultimate aim is to ensure we drive educational standards through the provision of outstanding teaching, leadership and learning for all. Our leaders focus on pupil progress and attainment, and regularly share knowledge, insight and experience. We believe passionately in the power of collaborative working and actively promote school-to-school support. In 2018/19, TKAT operated 44 academies as noted below (2018: 43 academies):

Bridgemary School	Orchards Academy
Broadfield Primary Academy	Ore Village Primary Academy
Chichester High School	Pebsham Primary Academy
Cleeve Park School	Pluckley Church of England Primary School
Dame Janet Primary Academy	Portfield Primary School
Debden Park High School	Rainham School for Girls
Drapers Mills Primary Academy	Royal Park Primary Academy
East Wickham Primary School	Salmestone Primary School
Front Lawn Primary Academy	Seal Primary Academy
Gray's Farm Primary Academy	Seymour Primary School
Havant Academy	Shenstone School
Heybridge Primary School	Smarden Primary School
Hilltop Primary School	Stapleford Abbots Primary School
Horizon Primary Academy	Tangmere Primary School
Hylands School	The Academy, Selsey
Kemnal Technology College	The Bewbush Academy
King Harold Business & Enterprise Academy	The Mill Primary Academy
Maldon Primary School	The Oaks Primary School
Miltoncross Academy	Thomas Bennett Community College
Napier Primary School	Welling School
Newlands Primary School	Weyfield Primary Academy
Northdown Primary School	Willow Brook Primary School & Nursery

### STRUCTURE, GOVERNANCE AND MANAGEMENT

#### Constitution

The Kemnal Academies Trust is a company limited by guarantee (registration number 07348231) and an exempt charity. The Trust's memorandum and articles of association dated 17 April 2019 is the primary governing document. The Trustees of The Kemnal Academies Trust are also the Directors of the charitable company for the purposes of company law. The Trust operates as both The Kemnal Academies Trust and TKAT.

## **STRUCTURE, GOVERNANCE AND MANAGEMENT** (continued)

### **Constitution** (continued)

Funding for educational activities is governed by master funding agreements between the Trust and the Secretary of State for Education. There are four master funding agreements between TKAT and the Secretary of State for academies joining the Trust more recently. TKAT's website contains copies of all the master funding agreements and details of which academies each of the agreements refer to.

### **Members**

The Members of the Trust during 2018/19 comprised a Diocesan Member representing The Diocese of Canterbury Academy Company Limited and two additional Members. The names of the Members serving during the period of the report are provided on page 1.

### **Members' liability**

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

### **Trustees**

Details of the Trustees who served during the year and to the date of approval of this report are included in the Reference and Administrative Information on page 1.

### **Trustees', Directors' and Governors' indemnities**

The Trust's insurers indemnify against any claims in respect of any civil liability which arises out of the conduct of the insured in their personal capacity as a Director, Governor, Trustee or Officer of the Trust.

### **Method of recruitment and appointment or election of Trustees**

The articles of association require the appointment of at least three Trustees to the Company. There is no maximum number of Trustees. Members may appoint up to six Trustees, one Trustee can be appointed by the Diocesan Member and the Chief Executive Officer will be a Trustee. The Trustees are able to co-opt up to three Trustees.

The Members and Trustees look for the most appropriate candidates bringing relevant identified skills sets when appointing new Trustees.

### **Trustees' term of office**

The term of office for any Trustee other than the Chief Executive Officer, is four years. Any Trustee may be reappointed. New Trustees are appointed to the Board following a rigorous selection process undertaken by current Trustees and Members.

### **Policies and procedures adopted for the induction and training of Trustees**

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

**STRUCTURE, GOVERNANCE AND MANAGEMENT** (continued)

**Organisational structure**

The Trustees have delegated the day to day management of the Trust to the Chief Executive Officer who is supported by a Senior Leadership Team (SLT), as detailed in the Reference and Administrative Information on page 1. In addition to this, an extended Senior Leadership Team comprising five Regional Executive Directors was established in 2016/17. Both the SLT and extended SLT meet on a regular basis to monitor the educational performance of pupils and the financial and operational performance of the Trust. The Chief Executive Officer is also the Accounting Officer for the Trust.

Local accountability is delegated to each academy Headteacher and each is supported by a Local Governing Body established as a sub-committee of the Board. The Trustees delegate the following functions to the Local Governing Body of each academy:

- ◆ Challenge to the academy's Senior Leadership Team;
- ◆ Review of budget vs actual expenditure; and
- ◆ Review of academic performance.

**Arrangements for determining remuneration of key management personnel**

The Trustees consider that they, together with the Senior Leadership Team (as set out on page 1), are the Trust's key management personnel. The Chief Executive Officer who is both a Trustee and employee is remunerated for their services to the Trust as an employee.

A dedicated Remuneration & Nominations (R&N) Committee, comprising of Trustees, has been established to assess the annual performance and remuneration of the Chief Executive Officer. During the 2017/18 year, a benchmarking exercise was undertaken by the R&N Committee to effectively measure the level of the Chief Executive Officer's and other members of the Senior Leadership Team's salaries against other similar sized multi-academy Trusts (MATs). The result of this review assured Trustees that the current salary parameters are reasonable and fairly reflect the size of the Trust.

The Chief Executive Officer is responsible for reviewing the performance and salaries of other members of the Senior Leadership Team. This takes place following an annual performance management review and ensures that salary levels are within current contractual parameters.

**STRUCTURE, GOVERNANCE AND MANAGEMENT** (continued)

**Trade union facility time**

In accordance with the provisions of the Trade Union (Facility Time Publication Requirements) Regulations 2017, the following information has been provided in respect of Trust employees involved in Trade Union Facility Time activity.

**Relevant union officials**

Number of employees who were relevant union officials during the period	Full-time equivalent employee number
28	27.2

**Percentage of time spent on facility time**

Percentage of time	Number of employees
0%	14
1% - 50%	14
51% - 99%	—
100%	—

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

Total cost of facility time	£50,399
Total pay bill	£97,699,689
Percentage of the total pay bill spent on facility time	0.05%

**Paid trade union activities**

Time spent on paid trade union activities as a percentage of total paid facility time hours	27.75%
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**Related parties and other connected charities and organisations**

The Trust shares Members and Trustees with an associated company and is therefore considered to be in control of The Kemnal Consultancy Limited (registration number 06651917). The company is inactive and there has been no trading for the year to 31 August 2019.

Related party transactions between the Trust's key management personnel and other charities, companies or organisations are extensively reviewed and disclosed within these financial statements.



## **STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)**

### **Employee involvement**

Where appropriate the Trust consults on matters such as policy, pay, health, safety and welfare with the relevant support staff and teaching trade unions. The Trust provides information to employees generally by way of email, memoranda and the intranet. Central conferences and workshops are provided to Governors, Headteachers and School Business Managers. At each of the academies, information is channelled via the Senior Leadership Team meetings. Employees are encouraged to familiarise themselves with Ofsted reports, available from the academy website and student progress and attainment statistics when they are made available.

### **Equal opportunities policy**

It is the Trust's policy to ensure equality of opportunities is afforded to staff, students and other stakeholders. Training, career development and promotion opportunities are available to all employees.

### **Disabled persons**

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitude and abilities. In the event of employees becoming disabled then every effort is made to retrain them in order that their employment within the Trust may continue.

## **OBJECTIVES AND ACTIVITIES**

### **Objects and aims**

The Trust's principal object is to advance for the public benefit, education in the United Kingdom in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing academies by offering a broad and balanced curriculum.

Our key aim is to improve educational standards in all academies within the Trust, to that end, our objectives and activities are geared to achieving that goal. Our strategic action plan not only focuses on the imperative to provide the highest quality leaders and teachers within all academies, but also to provide bespoke school to school support to allow each academy to move into their next phase of development, but also to ensure the financial viability of all academies going forward.

### **Objectives, strategies and activities**

It is recognised that true collaboration between academies promotes rapid school improvement. This, coupled with an understanding of the economic outlook for education in the forthcoming years, promotes a need for creative and innovative ways of using a finite resource to ensure academies are to be financially sustainable. With these educational and economic imperatives at the fore, a regional model was implemented during the 2017/18 year to provide the conduit for enhanced collaborative working and to facilitate a shared services model.

## **OBJECTIVES AND ACTIVITIES** (continued)

### **Objectives, strategies and activities** (continued)

Each region is led by a Regional Executive Director (RED) supported by a Deputy Regional Executive Director (DRED). These regions have greater opportunities for autonomy and collaboration, while still being firmly a part of the TKAT family. The five REDS are responsible for the entire educational and organisational performance of the academies within their region, whilst collectively ensuring that the Trust is developed and seen as a centre for providing excellence. The DRED's role is to lead the improvement of educational standards, pedagogy and teaching and learning leadership within the region. This structure is closely mirrored by a regional corporate services structure.

Through a strong, embedded philosophy of promoting collaborative working, the regional model has proved successful during the 2018/19 year. Academies have secured financial savings and cost benefits through economies of scale and the Trust's Ofsted grading of 'Good' and 'Outstanding' academies has risen to 71% for secondary schools and 83% for primary schools, overall 78% in line with prior year.

To ensure the Trust remains financially robust and in a position to direct funds towards the greatest areas of need, it continues to seek new and innovative ways to generate income to compliment the annual Education and Skills Funding Agency (ESFA) grants, regularly reviews individual academies delivery models to seek efficiencies, in particular back office support staff, and has increased the levels of Trust wide procurement contracts to ensure value for money for both academies and the Centre.

### **Public benefit**

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

## **STRATEGIC REPORT**

### **Achievements and performance**

#### ***Growth of the Trust***

On 1 September 2018, Willow Brook Primary School and Nursery joined the Trust from an existing multi-academy Trust. In addition, throughout the 2018/19 financial year, Cleeve Meadow School was being constructed on the site of an existing TKAT academy, Cleeve Park School. However, for accounting purposes as the facility is currently under construction but being funded by the Local Authority and the ESFA, the school has been excluded from the financial statements in 2018/19. The academy opened to pupils on 1 September 2019 using the existing Cleeve Park facilities with the main new build due for completion in February 2020, at which point the asset will be transferred to the Trust. Cleeve Meadow will provide the Trust with its second special school and first special school in the 11 to 19 years age range.

## Trustees' report (incorporating a strategic report) Year ended 31 August 2019

### STRATEGIC REPORT (continued)

#### Achievements and performance (continued)

##### Secondary academic performance

Attainment in Maths and English in 2019 was particularly strong for Debden Park High School and Rainham School for Girls particularly around the percentages of students achieving a grade 4 and above. Support work in the schools of most concern in 2018 – Bridgemary, Thomas Bennett and The Academy, Selsey - resulted in these schools showing a rise in all attainment measures, demonstrating the Trust's capacity to rapidly improve outcomes at school level. As of September 2019, 64% of our secondary schools are graded 'Good' and 7% are graded 'Outstanding', with only 29% being 'Good' or better at conversion, in line with previous years.

Secondary Academy	2019 4+ English and Maths * Pre DfE validation	2019 5+ English and Maths * Pre DfE validation	5A* C inc Maths and English Immediately prior to conversion	Ofsted Grade Aug 19	Ofsted grade Immediately prior to conversion	Date of conversion
Bridgemary School	40%	22%	40%	2	3	Sep-12
Chichester High School	50%	30%	74%	2	3	Sep-13
Cleeve Park School	38%	17%	41%	2	3	Sep-12
Debden Park High School	69%	43%	63%	1	4	Apr-11
Havant Academy	29%	10%	22%	2	4	Apr-12
Hylands Academy	45%	25%	37%	3	3	Aug-11
Kemnal Technology College	49%	31%	57%	4	1	Sep-10
King Harold Academy	47%	21%	32%	2	3	Nov-10
Miltoncross Academy	54%	28%	45%	2	3	Nov-14
Orchards Academy	50%	21%	37%	2	3	Nov-10
Rainham School for Girls	65%	30%	46%	2	3	Feb-11
The Academy, Selsey	44%	24%	39%	2	2	Sep-11
Thomas Bennett Community College	49%	27%	50%	3	3	Sep-12
Welling School	49%	23%	51%	3	3	May-11

##### Primary academic performance

As of September 2019, 83% of our academies are graded as at least 'Good' (2017/18: 76%). Some academies have yet to receive their first inspection since converting to TKAT. This has improved from 21% on conversion, we continue to have great success in supporting and improving schools who need rapid intervention.

Attainment in writing was strong again this year with the TKAT average in line with national averages.

Particular mention should go to Smarden, where all students achieved the national standard in writing or better and Royal Park where 88% of children got the expected standard or above.

In reading, writing and maths as a combined measure, Heybridge achieved a result of 92%. Smarden, Seymour, Broadfield, Royal Park, Pluckley, Heybridge, Grays Farm, Front Lawn and East Wickham all achieved well above national average results.

In schools where support has been targeted such as Maldon, Napier, Newlands and Stapleford Abbots, results improved strongly demonstrating the Trust's breadth of geographical reach in its support using a range of approaches.

**Trustees' report (incorporating a strategic report) Year ended 31 August 2019**

**STRATEGIC REPORT (continued)**

**Achievements and performance (continued)**

**Primary academic performance (continued)**

Primary Academy	2019 RWM Combined at Age Related Expectation • Pre DfE validation	Level 4+ combined immediately prior to conversion	Ofsted Grade Aug 19	Ofsted grade immediately prior to conversion	Date of conversion
Broadfield Primary Academy	74%	35%	2	3	Sep-12
Dame Janet Primary Academy	54%	60%	2	4\3	Dec-12
Drapers Mills Primary Academy	47%	61%	2	3	Dec-12
East Wickham Primary Academy	72%	72%	2	4	Apr-13
Front Lawn Primary Academy	76%	48%	2	4\2	Apr-13
Grays Farm Primary School	75%	56%	2	4	Sep-13
Heybridge Primary Academy	92%	39%	2	3	Dec-12
Hilltop Primary School	65%	66%	2	3	Sep-12
Horizon Primary Academy	64%	53%	2	3	Sep-11
Maldon Primary School	57%	34%	-	4	Sep-17
Napier Community Primary Academy	68%	71%	3	3	Sep-14
Newlands Primary School	54%	64%	2	3	Sep-12
Northdown Primary School	30%	63%	3	3	Sep-12
Ore Village Primary School	50%	62%	2	3	Sep-13
Pebsham Primary Academy	53%	60%	2	4	Jan-14
Pluckley CofE Primary School	73%	71%	2	2	Apr-12
Portfield Primary Academy	69%	50%	2	3	Sep-12
Royal Park Primary Academy	88%	82%	2	2	Sep-16
Salmestone Primary School	35%	61%	2	3	Sep-12
Seal Primary Academy	49%	62%	2	3	Apr-12
Seymour Primary School	74%	64%	2	2	Sep-12
Smarden Primary School	88%	67%	2	3	Oct-11
Stapleford Abbotts Primary Academy	50%	33%	-	4	Aug-17
Tangmere Academy	47%	53%	2	3	Apr-12
The Bewbush Academy	51%	34%	2	3	Apr-12
The Mill Primary Academy	61%	43%	2	3	Sep-13
The Oaks Primary School	58%	89%	2	2	Sep-12
Weyfield Primary Academy	34%	40%	3	2	Feb-13
Willow Brook Primary School & Nursery	45%	37%	-	2	Sep-18

**SCITT and Teaching School Alliance (TSA) performance**

The TSA professional development programmes have continued to have large numbers of participants - approximately 1,175. Ambition School Leadership continues to be our National Professional Qualification (NPQ) partner, and this year we saw 95 members of staff participate in NPQs at various levels. We introduced a new teaching and learning programme with 34 participants representing 23 schools. Our NQT (Newly Qualified Teacher) programme continued to be a success with over 50 NQTs taking part in the development sessions.

The TSA supported the secondary strategy brokering a range of SLE (Specialist Leader in Education) and school-to-school support.

The SCITT programme almost doubled in size in the year 2018/19, expanding from 47 primary and secondary trainees to 83. 77 trainees successfully completed their training year, with an increasing number of trainees awarded grade one (capacity to be outstanding).

**STRATEGIC REPORT (continued)**

**Achievements and performance (continued)**

***SCITT and Teaching School Alliance (TSA) performance (continued)***

The SCITT partnership has developed in response to the recruitment needs of partnership schools; this year has seen the successful expansion of the programme to include a secondary training hub in Essex and an expanded programme in the Coast region.

The SCITT is seen as an important means of supporting school improvement across the Academy Trust by 'growing our own' good and outstanding teachers, who will make an impact on the progress of our pupils.

Recruitment to NQT posts remains well above the national average with 95% of trainees gaining NQT positions, 56% of these in TKAT schools. Last year we partnered with 15 secondary schools and 16 primary schools across the region, including a partnership with three non-TKAT schools. The SCITT programme continues to be the chosen provider for the south-east for the Researchers in Schools programme.

A high percentage of partner schools engaged in the school experience programme, enabling prospective candidates to gain an insight into TKAT schools and the training programme prior to application.

This year the TSA will continue to focus on supporting schools to improve teaching and learning across the Trust for both the primary and secondary phases. This includes strengthening the SLE pool, developing lead teachers to enhance school-to-school support and using external expertise to support conferences. As part of the Trust's well-being strategy the TSA will support the well-being team to implement any professional development required. A key priority will be the new and enhanced model for coaching which will also include aiming towards EMCC (European Mentoring and Coaching Council) coaching accreditation. We will also be exploring the potential for online learning.

**Financial performance**

The Trust's principal income comes from the Education and Skills Funding Agency in the form of recurring grants for specific purposes. These grants and the relevant associated expenditure are shown under restricted funds in the Statement of Financial Activities. The master funding agreement between the Trust and the Department for Education requires grant income to be expended for its appropriate purpose – capital or revenue. General Annual Grant (GAG) is the principal revenue grant and is to be used to meet all the routine teaching, administration and maintenance costs incurred by the academies for pupils of school age in that setting. Additional funding for nursery provision and SEN provision where appropriate is provided by the Local Authority and through a separate payment mechanism.

**STRATEGIC REPORT** (continued)

**Financial performance** (continued)

The Trust may also receive a grant of fixed assets in the form of land and buildings, largely from a Local Authority, when an academy converts to the Trust. Additionally, School Capital Funding (SCF) grants are provided by the ESFA for the maintenance and improvement of fixed assets. New assets brought into use in the Trust for the first time, and identifiable improvements to existing fixed assets, are capitalised at fair value or cost with an equivalent sum transferred to the restricted fixed asset fund. Fixed assets, other than freehold land, are depreciated over their expected useful lives and this charge is applied against the restricted fixed asset fund. Salary payments to teachers and support staff comprise the largest recurring expense of the academies and central support function.

The Trust makes contributions to the Teachers' Pension Scheme (TPS) in respect of teaching staff in the academies. The TPS is a contributory scheme to which teachers are automatically enrolled but is not compulsory. Assets and liabilities are not assigned to individual employers. For staff members other than teachers the Trust makes contributions to the respective Local Government Pension Scheme (LGPS) (which are also multi-employer defined benefit schemes). In the LGPS the assets and liabilities held within the scheme are subject to an actuarial valuation on a triennial basis and are attributable to individual employers. The Trust balance sheet contains the net pension scheme deficit in respect of current and former employees. The existence of a deficit does not mean an immediate liability will become payable. The purpose of the actuarial valuations is to determine a contribution rate for the employer that over the long term will match liabilities and assets. The most recent actuarial valuation of LGPS schemes took place with an effective date of 31 March 2016 with the reports being published during 2016. The LGPS has been the subject of a number of amendments. The most recent change took effect on 1 April 2016 and since that date members have been accruing benefits under the terms of the LGPS 2016 scheme.

The Trust's total income for the year ended 31 August 2019 amounted to £148,202,000 (2018: £148,559,000).

During the year ended 31 August 2019 total expenditure was £152,549,000 (2018: £148,422,000) of which the Trust's expenditure relating to staff costs totalled £108,654,000. This represents a 71% against total expenditure (2018: £105,521,000, 71%).

The net expenditure for the year (before actuarial gains or losses on the defined benefit pension scheme) was £4,347,000 (2018: net income of £137,000). The significant loss in 2018/19 was primarily due to the large movement in expenditure resulting from the deficit on the defined benefit pension schemes.

Excluding the adjustments on the defined benefit pension scheme and the net expenditure attributed to the restricted fixed asset funds, the operational deficit for the year was £706,000 (2018: operational surplus of £945,000 (excluding cash balances inherited on conversion); however when taking into account the reallocation of unspent Devolved Formula Capital (DFC) funding from unrestricted funds to the restricted fixed assets fund, the actual in-year operational surplus was £277,000. (See commentary within note 17 to the financial statements for further details).

**STRATEGIC REPORT** (continued)

**Financial performance** (continued)

The Trust held total fund balances at 31 August 2019 of £211,983,000 (2018: £232,782,000). Excluding the balance represented by the defined benefit pension scheme liability, this comprised of £263,162,000 (2018: £259,673,000) in the restricted fixed assets funds, £389,000 (2018: £873,000) in the restricted general funds and £8,173,000 (2018: £8,395,000) in unrestricted general funds. It must be noted that DFC balances of £983,000 were included within the unrestricted general funds at 1 September 2018. These are now accounted for within the restricted fixed assets fund.

**Reserves policy and financial position**

The Board approved the current reserves policy during the 2016/17 financial year, after taking into consideration the Trust's financial position at that time, its future plans and any potential financial risks for both the individual academies and the overall Trust. The key drivers in setting the required levels of reserves were the future income from central government, linked to the uncertainty surrounding the National Funding Formula, the risk of unexpected calls on academy funds, balanced with the current needs of the academies and its pupils. The Trust believes that, wherever possible once the overall reserves target has been met, the funding received in any one year should be used to support the children on roll at that time, unless there is a specific project which will require the accumulation of funding over more than one year.

The Trust therefore considers that the minimum combined academy revenue reserves should not fall below the equivalent of 5% for secondary academies and 7.5% for primary academies of the General Annual Grant (GAG) less funding linked to PFI and Student Support to meet maternity, staff supply, organisational change, adverse unforeseen changes to national funding, larger than expected maintenance costs or a significant reduction in pupil numbers. Based on the 2018/19 GAG allocations, the Trust should hold no less than £6,389,000 in revenue reserves.

If an academy has a substantial surplus over the agreed level they should have a clear plan for how it will be used to benefit their pupils, for example a long-term capital project. With this in mind, those academies with higher surplus reserves typically also have higher cash balances and therefore support other academies within the Trust that are currently below the required reserves levels for cash flow purposes as and when required.

The reserves policy is not deemed a static policy and in looking at the future three and five year plans, projects, or other spending needs, the identification of these factors might point to a need to increase or reduce the level of reserves and therefore the policy will be reviewed at least annually as part of the Trust's planning processes.

At year end the Trust held reserves of £8,562,000 (2018: £9,268,000) excluding the pension and fixed asset reserve. Of the £8,562,000 the Trust considers its usable revenue reserves for budgetary purposes to be £7,573,000 which satisfies the Trust's own reserves policy. This is a £284,000 increase on last year's useable reserves for budgetary purposes.

**STRATEGIC REPORT (continued)**

**Going concern**

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

**Investment policy and performance**

A formal Treasury Management and Investments Policy was approved by the Board in 2018/19 with the first deposit taking place in January 2019 in line with the four key objectives outlined below:

- ◆ Make investments to maximise the returns that can be received so as to generate funds for the benefit of its academies. The Trust does not prescribe an overall return expectation and is not using investments to fund particular projects or ongoing business expenditure;
- ◆ Ensure that exposure to investment products is tightly controlled so that security of monies takes precedence over revenue maximisation;
- ◆ To only invest monies surplus to operational need based on all financial commitments being met without the Trust becoming overdrawn; and
- ◆ By complying with this policy, all investment decisions should be exercised with care and skill and consequently be in the interest of the Trust, commanding broad public support.

The Trust currently maintains a monthly cash flow forecast to establish levels of deposits that can be placed and at present only the current bank providers to TKAT are used to invest excess monies. As with all other bank accounts held, TKAT have oversight of this account and have the authority to serve notice on the invested monies if and when required to do so.

Individual Academies no longer have the ability to invest locally as all investments are now made on a Trust-wide basis to maximise the available rates.

For the 2018/19 financial year a total of £5.16m was placed in a 32-day notice deposit account, generating income of £23,645 that will be reinvested in agreed Trust-wide initiatives.



**STRATEGIC REPORT** (continued)

**Fundraising**

Under the provisions of the Charities (Protection and Social Investment) Act 2016, the Trust confirms the following:

- ◆ The Trustees acknowledge Charity Commission guidance CC20 and have adopted the six principles within the Trust's fundraising approach. Fundraising efforts are carried out at local academy level and suitable oversight is maintained by the academy Senior Leadership Team.
- ◆ Fundraising efforts are predominately led for either the benefit of the individual academy within the Trust or a designated charity for whom the academy is raising charitable donations. Typical fundraising activities include non-uniform days, pupil cake bake sales and seasonal fun days.
- ◆ Fundraising is led by some or all of the following parties associated with the academy:
  1. Pupils
  2. Teachers
  3. Parents
  4. Parent Teacher Association(s)
- ◆ Throughout the 2018/19 year, the Trust did not engage with any commercial participators or professional fundraisers.
- ◆ The Trustees acknowledge their responsibility to protect the public, including vulnerable people, from unreasonable, intrusive or persistent fundraising approaches.
- ◆ There were no fundraising complaints received throughout the 2018/19 year.

**Funds held as custodian on behalf of others and agency arrangements**

The Trust receives 16-19 bursary payments and SCITT bursary payments from the ESFA. The Trust does not recognise this income as its own income and pays out all monies received for its primary purpose to the relevant parties.

**Principal risks and uncertainties**

The Trustees have assessed the principal risks to which the Trust is exposed, in particular, those related to the charitable operations, principal activities and also finances of the Trust, and are satisfied that systems and procedures are in place to mitigate its exposure to major risks. The Board has in place separate, Audit, Finance, and Performance & Risk Committees to champion the identification and management of significant financial and compliance risks faced by the organisation, with the terms of reference from the Board providing the appropriate delegated powers to the committees allowing them to fulfil their responsibilities. Matters of significance at individual academies are escalated through appropriate procedures to these Committees, and there is the possibility some schools could be escalated further on up to the Board for consideration.

**STRATEGIC REPORT** (continued)

**Principal risks and uncertainties** (continued)

Key areas focused upon and those that pose the largest risks and uncertainties are outlined within the Trust's Strategic Risk Register and are regularly reviewed and updated, with the key areas outlined below:

- ◆ Quality of Leadership;
- ◆ Quality of Teaching;
- ◆ Quality of Provision;
- ◆ Long Term Financial Viability;
- ◆ Staff Engagement; and
- ◆ Compliance to include, Safeguarding, Health and Safety, Financial, Data Protection and Employment.

***Financial viability***

The Trust is heavily reliant on continued government funding at levels that take account of above average pay and pension increases and general inflation. The recent government announcement confirming the further delay in the move to a 'Hard National Formula' will have an impact on individual and groups of academies as the per pupil funding increases due to be seen by many, will be delayed. In addition, if unfunded, the recently introduced increases to the TPS employer pension contribution rates and proposed 2.75% teachers pay award to take effect from September 2019, would add additional pressure on academy budgets.

To ensure individual academies remain financially viable and work within their scarce resources and the approved reserves policy levels, strong support and guidance is provided to academies throughout the financial year, with additional levels of support provided during the budget planning process. The introduction of the Head of Procurement and Contracts and the work to secure Trust-wide contracts is assisting to mitigate some price rises. For academies where additional income generation or expenditure efficiencies are not sufficient to set a balanced budget, they are requested to undertake an organisational change process and review curriculum delivery.

The short, medium and long-term impact of Brexit for academies, especially those in the south of England remains a financial concern. However, academies are updated on local and national press releases by both their Local Authority and the Trust.

As the majority of the income received by academies is driven by pupil numbers, any continued year on year reductions would have an impact on the academies' ability to set a balanced budget. Improving the educational outcomes for pupils and their Ofsted judgements is key to maintaining pupil number levels, alongside increased marketing to ensure large variations in numbers are kept to a minimum. Where reductions in pupil numbers are beyond the Trust's control, discussions with Local Authority pupil place planning teams are arranged to explore options for the future.

**STRATEGIC REPORT (continued)**

**Principal risks and uncertainties (continued)**

***Educational outcomes***

The risk of academies achieving below floor performance results and/or worsening Ofsted judgements could have an impact on both the financial viability and reputation of the Trust. Mitigating actions include, ensuring accurate assessment data is fully analysed, leadership within academies is fully focused on pedagogy and fully engaged with the implementation of a standardised assessment and tracking system.

A further risk to the educational outcomes for pupils is the inability to recruit and retain high quality teachers within the Trust. The mitigating actions are: to ensure the already successful SCITT programme continues to grow in size and produce a steady intake of Newly Qualified Teachers; to further enhance the training and development offered through the Trust's Teaching School; to provide ongoing professional development plans and opportunities for all levels of staff and in line with the newly agreed Union Facilities Time Agreement; and to continue to work positively to agree fair and affordable pay awards.

***Other areas considered***

Other areas considered include:

- ◆ Safeguarding and child protection – the Trust has in place child protection, health and safety and disciplinary policies to deliver a safe and secure environment where children can be inspired to learn and thrive.
- ◆ Governance and challenge – the academic progress and attainment of children may not meet the expectations of parents and the regulator. This is mitigated by the active involvement of Local Governing Bodies supported by intensive monitoring from the Educational Executive.
- ◆ Internal controls – the Trust currently outsources the finance internal audit function to ensure a fully independent view of internal controls with the auditing model being designed to safeguard the Trust's assets and ensure proper accounting records are maintained.
- ◆ Liquidity – the Trust may not undertake borrowing without approval of the Secretary of State and so manages its cash resources to meet the needs of the academies, and engages the services of Link Asset Services to review all new and existing leases to ensure compliance.

## **PLANS FOR THE FUTURE**

### **SCITT and Teaching School Alliance**

In 2019/20, the TSA will continue to focus on supporting schools to improve teaching and learning across the Trust for both the primary and secondary phases. This includes strengthening the SLE pool, developing lead teachers to enhance school-to-school support and using external expertise to support conferences. As part of the Trust's well-being strategy, the TSA will support the well-being team to implement any professional development required. A key priority will be the new and enhanced model for coaching which will also include aiming towards EMCC (European Mentoring and Coaching Council) coaching accreditation. We will also be exploring the potential for online learning.

Our partnership with Ambition Institute will continue this year with over 100 applications for NPQs this year. The NQT programme looks to be even more popular this year with approximately 90 NQTs signed up for the sessions.

The SCITT programme aims to continue to develop in size and quality over the forthcoming year, focussing on meeting subject recruitment needs in secondary schools and developing a primary programme to incorporate more regional training sessions. Three new partner secondary schools have requested to work with SCITT enhancing the geographical coverage of the programme. The new website launched in 2019 will be complemented by increased social media advertising to target the recruitment drive for 2020.

### **Secondary academic performance**

In 2018 we launched our new Secondary Strategy which is aimed at improving outcomes across our secondary schools through standardisation of exam boards, assessment and teaching approaches. Within the strategy, we have identified key target schools and linked their development to our Teaching School Alliance, strong practice currently within the Trust, and external expertise. Although this is a long-term strategy, the impact on English and maths (the core focus of 2018/19) is evident with 11 of our 14 schools showing improvement since 2018.

### **Primary academic performance**

In 2018, we launched our new Primary Strategy, which is aimed at improving collaboration and creating a greater consistency and rigour with use of standardised tests, pedagogical approaches bespoke to each setting and greater emphasis on shared expertise. Although this is a long-term strategy, the impact in stretching the children in achieving higher levels in all year groups is starting to be seen, with an average of 20% achieving greater depth in reading; maths was 16% and writing was 15%.

### **Conversions**

Cleeve Meadow School opened on 1 September 2019. The financial statements for the year ending 31 August 2020 will disclose the assets and liabilities realised by the Trust when the building fully opens in February 2020.

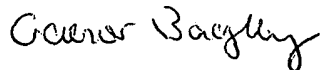
**Trustees' report (incorporating a strategic report) Year ended 31 August 2019**

**AUDITORS**

Insofar as the Trustees are aware:

- ♦ There is no relevant audit information of which the Trust's auditor is unaware
- ♦ The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Trustees' report, incorporating a strategic report, was approved by order of the Board of Trustees and signed on its behalf by:



Gaenor Bagley  
Chair of Trustees

Date: 16 December 2019

### **Scope of responsibility**

As Trustees, we acknowledge we have overall responsibility for ensuring that The Kemnal Academies Trust ('TKAT' or 'the 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 has delegated the day-to-day responsibility to the Chief Executive Officer, 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 agreements between The Kemnal Academies Trust and the Secretary of State for Education. The CEO is 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 eight times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

<b>Board members</b>	<b>Number of meetings attended</b>	<b>Out of a possible</b>
John Atkins CBE, Chairman	7	8
Dr Karen Roberts, Chief Executive Officer	7	7
Peter Baines	8	8
Gaenor Bagley	8	8
John Harrison (appointed 9 May 2019)	1	3
Aruna Mehta	4	8
Elaine Thomas	8	8
Timothy Young (appointed 14 May 2019)	2	3

### **Governance review**

As one of the largest Multi-Academy Trusts in the UK, TKAT recognises the need for strong governance at all levels within the organisation. At a corporate level, the Trust regularly reviews the skills of the Board and works to ensure that there is sufficient knowledge and experience to ensure standards are maintained and driven in both the educational and corporate areas.

There have been two new Trustees appointed to the Board this year. They were recruited to strengthen the educational experience of the Board, as the Trustees prepared for the planned resignation of the Chair at the end of 2018/19.

Specific training, including a detailed induction plan was made available for the newly appointed Trustees, including meetings with key staff and visits to academies. The Trustees as a whole were kept up to date with changing guidance and were provided with updated guidance and regulatory documents as they were released. The Board undertook a strategic development session in the first weeks of 2019/20 to bring the Board together as a whole with the new Trustees, and inform future working and development.

## **Governance statement 31 August 2019**

### **Governance review (continued)**

The Board has undertaken informal reviews of skills and composition throughout the year, whilst actively succession planning and identifying any skills gaps. This process, along with continuing self evaluation will be embedded during 2019/20.

Following changes to the committee structure in 2017/18, the process of reviewing the effectiveness of the Board continued. Further changes were identified to improve effectiveness and impact. The changes embedded well and Trustees are confident there is an appropriate share of responsibilities and knowledge. The work of the committees is considered at each Board meeting, giving Trustees the opportunity to evaluate the impact of and actions taken by the committees. Trustees have also each been allocated a region and have visited the schools and met with key staff to improve their understanding of strengths and challenges specific to the region. The DfE have continued to attend Performance and Risk Committee meetings providing valuable two-way communication.

The format and content of information provided to the Board is continually under review to ensure that it is both relevant and easy to understand. Particular work has been undertaken on further enhancing the pack of financial information provided to Trustees. The Trustees remain satisfied that they are getting the information they need in a timely and appropriate manner.

Governance in individual academies is supported by a Trust-wide intranet which covers key areas including Governance as well as access to useful resource materials, guidance and templates. This is continually reviewed and updated to ensure it reflects current good practice and requirements.

Appropriate courses are offered throughout the academic year on a regional basis as, including induction courses, governors discipline panels, Ofsted framework, and support for individual new Chairs and Clerks.

The structure of local governance is continually reviewed, and where appropriate, has been strengthened by regional models of governance, and Executive Local Governing Bodies (LGBs) overseeing more than one academy. Where appropriate, governance has been returned to single LGBs. Recruitment of local governors has been supported centrally.

Local Governing Bodies are encouraged to undertake regular skills audits. All Local Governing Bodies complete an annual impact statement, which is published on school websites and reviewed by the Trust Board.

Reviews of governance are undertaken by the Governance Team on request and in the event of weaknesses being identified.

### **Sub-Committees**

The Audit Committee is a committee of the main Board of Trustees. Its purpose is to support the Board in the discharge of its responsibilities for financial systems and operational controls at both TKAT and all its academies. Karen Roberts attends the meeting to report to Trustees as the Accounting Officer.

## Governance statement 31 August 2019

### Sub-Committees (continued)

Attendance at meetings in the year was as follows:

Committee member	Number of meetings attended	Out of a possible
Peter Baines, Committee Chair	4	4
Aruna Mehta	3	4
John Atkins CBE	4	4
Gaenor Bagley	4	4

The Finance Committee is a committee of the main Board of Trustees. Its purpose is to support the Board in the discharge of its responsibilities for financial scrutiny and oversight.

Attendance at meetings in the year was as follows:

Committee member	Number of meetings attended	Out of a possible
Peter Baines, Committee Chair	5	5
Dr Karen Roberts, Chief Executive Officer (observer)	5	5
Aruna Mehta	3	5
John Atkins CBE	5	5
Gaenor Bagley	5	5

The Board met eight times throughout the year in addition to utilising both the Audit and Finance Committees, to provide assurance that effective financial oversight of the Trust was maintained during the 2018/19 year.

The Board continued its two additional committees, the Remuneration and Nomination Committee (renamed at the end of 2018/19 as the HR Committee, extending its remit to encompass a wider HR perspective) and the Performance & Risk Committee.

The Remuneration and Nomination Committee consisted of John Atkins CBE, Aruna Mehta and Elaine Thomas and is responsible for reviewing remuneration and succession planning of the Chief Executive Officer. In 2018/19 the HR Committee's Terms of Reference were reviewed to also encompass a wider HR perspective for 2019/20. The Remuneration and Nomination Committee met three times during the 2018/19 financial year.

The Performance and Risk Committee consisted of John Atkins CBE, Aruna Mehta, Elaine Thomas, Gaenor Bagley and Karen Roberts and supports the Trust in the discharge of its responsibilities to provide a high standard of education and duty of care to every student in its academies, looking at both educational performance and the effectiveness of the Trust's procedures for monitoring risks to the operational stability of the Trust, ensuring that strategies are in place to mitigate those risks at TKAT centrally and its constituent academies. The Performance and Risk Committee met five times during the 2018/19 academic year.



### **Review of value for money**

The Trust continues to seek and deliver efficiencies through the negotiation, and the rationalisation of its supply chain, with both the Trust and individual academies seeing the financial benefits in the 2018/19 financial year. These benefits will increase further into 2019/20 as the work of the Head of Procurement and Contracts gathers momentum and further Trust-wide procurements take place. The regional hub model introduced in September 2017 continues to provide opportunities for efficiencies as Headteachers recognise the savings that can be realised from the sharing of key support staff.

To ensure the Trust maximised its savings opportunities, the procurement activity in the first few months of the year was to review the procedures, policy and strategy, along with an extensive examination of the key areas of spend within the Trust. This highlighted insurance, energy and catering as key to delivering relatively quick savings. Insurance and energy were procured on a Trust-wide basis with significant savings being realised, and having put into place the new TKAT Catering Supplier Framework Agreements, the regional procurement of this area is well underway. In addition to the larger spend areas, lower level regional and individual academy procurements took place throughout the year, with all savings being monitored via the newly implemented savings tracker database, with regular updates being shared with the Finance Committee and Board.

The Trust has employed a Director of Enterprise, with their three primary areas of focus being: to maximise pupil numbers; increase the external use of academy buildings and land through leases and lettings; and to secure external grant funding for individual academies, regions or the Trust as a whole.

Following the extensive review and monitoring of individual academies' cash flow forecasts and the financial strength of the Trust, an investment of surplus cash funds into a 32-day account were deposited for the first time in January 2019, with the interest earned being made available to reinvest into services for the benefit of the academies. Additional deposit options are being explored for the 2019/20 financial year, with fixed term deposits potentially being added to secure higher levels of interest.

As highlighted above, not only has the introduction of the regional hub model allowed academies to share best practice, resources, both educational and back office, and create greater opportunities for school-to-school support, whilst realising the financial benefits of reduced travel time and costs at the centre, it has also significantly increased opportunities for staff within regions to grow in their careers, that longer term will improve the Trust's staff retention rates.

The SCITT and Teaching School provisions continue to be successful and along with delivering a surplus to the Trust, the key benefit is the steady annual flow of new teachers into the academies. This significantly saves on the cost of recruitment and also the high costs of supply cover for hard to place teaching subjects. Added to that, new and existing staff have access to an increased range of in-house educational and corporate services training courses and where capacity permits, these courses are also being marketed to non-TKAT schools. The benefits of this provision have been that it has reduced the reliance on costly external providers and also generated external income for the Trust.

**Review of value for money (continued)**

Where academies have struggled with capacity, the Trust has continued to centralise some low-level financial processes, to generate income to the centre and reduce costs within individual academies, this is primarily linked to the purchase ledger and pensions admin.

The Trust continues to use the services of Link Asset Services to provide leasing and financing advice and this has ensured that leases are verified as fully compliant operating leases, hence avoiding any potentially expensive termination costs, and also some academies have used the option to take up the benefits of their national framework rates for the financing of equipment.

Other examples of regional and Trust-wide purchasing that have generated cost reductions are as follows:

- ◆ Cleaning contracts across two secondary academy sites from different regions;
- ◆ IT hardware savings from Dell with discounts in excess of 60%; and
- ◆ Energy Third Party Intermediary (TPI) across the Trust.

Into 2019/20 the key areas of focus will be the continuation of academy catering, supply teachers, education supplies and IT, along with the drive to further reduce the Trust's supplier base.

The Trust currently benefits from in-excess of £4m of SCF funding to enhance its academy facilities, and being such a significant area of spend, it is exploring the option of bringing the project management of the work in-house. This should not only achieve better value for money over the summer delivery period, but also provide a valuable resource throughout the whole academic year to assist academies with their estates management and planning.

All Corporate Centre budget holders have been tasked with efficiency savings targets, and to assist in meeting these key areas of spend (for example, internal audit function, legal, IT will be reviewed) with options appraisals on potential efficiency savings shared with the Finance Committee.

In delivering against our key aim, to improve educational standards in all schools within the Trust, we have focused on providing the highest quality and bespoke school-to-school support to allow each academy to move into their next phase of development. In utilising a combination of high quality central and school-based resources a culture of sharing best practice is being achieved, without the requirement for such a large volume of external consultancy. This has assisted with a reduction in staff turnover and created opportunities for future leaders, both leading to expenditure reductions.

**Review of value for money (continued)**

In addition to assisting academies to work within their scarce resources by delivering the above, the Trust continues to provide additional training in three key areas of finance, budgeting, forecasting and cash flow management. Aligned with the training is the rollout of the standardised monthly outturn monitoring tool and cashflow forecasting template. These two key financial returns have assisted the Finance Committee and Board to make informed high-level financial decisions and ensure the short and medium term needs of all academies can be addressed.

The Trust has commenced the use of an Integrated Curriculum Financial Planning database, along with the newly distributed Schools Resources Management Self Assessment Toolkit (SRMSA) and academies continue to use the Benchmarking Toolkit. In addition, the Trust is extensively reviewing its curriculum modelling for the 2020/21 budgeting round.

**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 Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Kemnal 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 Trustees has reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the Trust's significant risks that has been in place for the period 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 Trustees.

**The risk and control framework**

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

- ◆ comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Trustees;
- ◆ regular reviews by the Finance Committee of reports which disclose financial performance against the forecasts and major purchase plans, capital works and expenditure programmes;
- ◆ setting targets to measure financial and other performance;

**The risk and control framework** (continued)

- ◆ clearly defined purchasing (asset purchase or capital investment) guidelines;
- ◆ delegation of authority and segregation of duties; and
- ◆ identification and management of risks.

The Board of Trustees has considered the need for a specific internal audit function and has engaged Crowe UK as its internal auditor. The internal auditor's role includes giving advice on internal controls and risk mitigation and duly performs a range of checks on the Trust's financial systems. In particular, the checks carried out in the current period included:

- ◆ A comprehensive internal audit programme including wider financial compliance requirements in addition to the sample-based review and testing of financial systems and controls;
- ◆ A rigorous audit report review process ensuring a consistent approach when issuing academies with recommendations;
- ◆ An established follow up programme whereby each academy is contacted following their internal audit to offer an opportunity to discuss all findings and recommendations made;
- ◆ The introduction of small focus groups offering refresher training sessions on internal controls encompassing academy financial systems and procedures;
- ◆ Development of new internal training guides and aids following on from the identification of consistent weaknesses highlighted as part of the internal audit programme; and
- ◆ On a quarterly basis, the internal auditor reports to the Board of Trustees through the Audit Committee on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.

The appointed internal auditors conducted audits as per their agreed schedule of work and via the Trust's Group Accountant, reported all findings to the Audit Committee on a termly basis. Any recurring weaknesses of internal control were escalated to the Chair of the Audit Committee, with follow up actions and support structures implemented to mitigate any further risks.

During the period 1 September 2018 to 31 August 2019 there were no material control issues identified.

**Review of effectiveness**

As Accounting Officer, the Chief Executive Officer 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 internal auditor;
- ◆ the work of the external auditor;

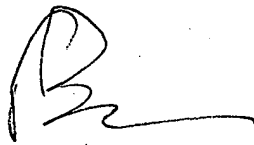
**Governance statement** 31 August 2019

**Review of effectiveness** (continued)

- ♦ the work of the executive managers within the Trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Audit 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 Trustees and signed on their behalf by:



Peter Baines  
Trustee and Chair of Audit Committee



Dr Karen Roberts  
Accounting Officer

Date: 16 December 2019

**Statement on regularity, propriety and compliance 31 August 2019**

As Accounting Officer for The Kemnal Academies Trust ('the Trust'), I have considered my responsibility to notify the Trust's Board of Trustees, Audit and Finance Committees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the Trust, under the Funding Agreements in place between the 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 Trust's Board of Trustees are able to identify any material irregular or improper use of funds by the Trust, or material non-compliance with the terms and conditions of funding under the Trust's funding agreements 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.



Dr Karen Roberts  
Accounting Officer

Date: 16 December 2019

## Statement of Trustees' responsibilities Year to 31 August 2019

The Trustees of The Kemnal Academies Trust ('the Trust') (who are also the Directors of the Trust for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with the Academies Accounts Direction published by the Education and Skills Funding Agency (ESFA), 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 Trust and of its income and expenditure for that period. In preparing these financial statements, the Trustees are required to:

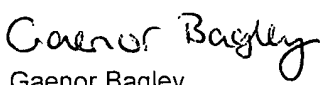
- ♦ select suitable accounting policies and then apply them consistently;
- ♦ observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019;
- ♦ make judgments and estimates that are reasonable and prudent;
- ♦ state whether applicable United Kingdom Accounting Standards 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 Trust will continue in operation.

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

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the 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 Board of Trustees and signed on its behalf by:

  
Gaenor Bagley  
Chair of Trustees

Date: 16 December 2019

## **Independent auditor's report on the financial statements 31 August 2019**

### **Independent auditor's report to the members of The Kemnal Academies Trust**

#### **Opinion**

We have audited the financial statements of The Kemnal Academies Trust (the 'charitable company') for the year ended 31 August 2019 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the notes to the financial statements. 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 2018 to 2019.

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 2019 and of its income and expenditure for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006; and
- ◆ have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2018 to 2019.

#### **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.



## **Independent auditor's report on the financial statements 31 August 2019**

### **Other information (covering the reference and administrative details, the report of the Trustees and strategic report and the governance statement)**

The Trustees are responsible for the other information. The other information comprises the information included in the annual report and financial statements 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, which is also the directors' report for the purposes of company law and includes the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the Trustees' report, which is also the directors' report for the purposes of company law and includes 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 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.

## **Independent auditor's report on the financial statements 31 August 2019**

### **Responsibilities of Trustees**

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

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

### **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.

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 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.



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

17 December 2019

## **Independent reporting accountant's report on regularity 31 August 2019**

### **Independent reporting accountant's assurance report on regularity to The Kemnal Academies 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 2018 to 2019, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Kemnal Academies Trust (the '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 The Kemnal 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 The Kemnal Academies Trust and the ESFA those matters we are required to state in a report for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Kemnal Academies Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

### **Respective responsibilities of the Kemnal Academies Trust's Accounting Officer and the reporting accountant.**

The Accounting Officer is responsible, under the requirements of The Kemnal Academies Trust's funding agreements with the Secretary of State for Education dated 26 March 2013 and November 2016, 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 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.

## Independent reporting accountant's report on regularity 31 August 2019

### Approach (continued)

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the 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 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 year 1 September 2018 to 31 August 2019 have 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

17 December 2019

## Statement of financial activities Year ended 31 August 2019

(Including Income and Expenditure Account)

	Notes	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £000	Total funds 2019 £000	Total funds 2018 £000
<b>Income from:</b>						
Donations and capital grants	1	—	(540)	7,888	7,348	8,888
Charitable activities						
· Funding for the Trust's educational operations	2	1,028	129,278	—	130,306	127,935
· Teaching School	27	—	1,105	—	1,105	752
Other trading activities	3	2,090	—	—	2,090	1,848
Investments and interest receivable	4	—	37	—	37	12
Other sources	5	—	7,316	—	7,316	9,124
<b>Total income</b>		<b>3,118</b>	<b>137,196</b>	<b>7,888</b>	<b>148,202</b>	<b>148,559</b>
<b>Expenditure on:</b>						
Charitable activities						
· Trust's educational operations	7	279	138,504	12,788	151,571	147,624
· Teaching School	27	—	978	—	978	798
<b>Total expenditure</b>	6	<b>279</b>	<b>139,482</b>	<b>12,788</b>	<b>152,549</b>	<b>148,422</b>
<b>Net income / (expenditure) before transfers</b>		<b>2,839</b>	<b>(2,286)</b>	<b>(4,900)</b>	<b>(4,347)</b>	<b>137</b>
Transfers between funds	17	(3,061)	(5,328)	8,389	—	—
<b>Net (expenditure) / income before other recognised gains and losses</b>		<b>(222)</b>	<b>(7,614)</b>	<b>3,489</b>	<b>(4,347)</b>	<b>137</b>
Actuarial (losses) / gains on defined benefit pension scheme	24	—	(16,452)	—	(16,452)	13,282
<b>Net movement in funds</b>		<b>(222)</b>	<b>(24,066)</b>	<b>3,489</b>	<b>(20,799)</b>	<b>13,419</b>
<b>Reconciliation of funds</b>						
Total fund balances brought forward at 1 September 2018		8,395	(35,286)	259,673	232,782	219,363
<b>Total fund balances carried forward at 31 August 2019</b>		<b>8,173</b>	<b>(59,352)</b>	<b>263,162</b>	<b>211,983</b>	<b>232,782</b>


All of the Trust's activities derived from continuing operations during the above two financial periods.

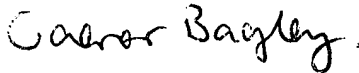
All recognised gains and losses are included in the above statement of financial activities.

# Balance sheet 31 August 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
<b>Fixed assets</b>					
Tangible fixed assets	13		259,521		256,122
<b>Current assets</b>					
Debtors	14	5,728		5,722	
Cash at bank and in hand		16,462		17,729	
		22,190		23,451	
<b>Liabilities</b>					
Creditors: amounts falling due within one year	15	(9,595)		(10,097)	
<b>Net current assets</b>			12,595		13,354
<b>Total assets less current liabilities</b>			272,116		269,476
Creditors: amounts falling due after more than one year	16		(392)		(535)
<b>Net assets excluding pension scheme liabilities</b>			271,724		268,941
Defined benefit pension scheme liabilities	24		(59,741)		(36,159)
<b>Net assets including pension scheme liabilities</b>			211,983		232,782
<b>Funds of the Trust:</b>					
<b>Restricted funds</b>					
Restricted fixed asset funds	17	263,162		259,673	
Restricted general funds	17	389		873	
Pension reserve	17	(59,741)		(36,159)	
			203,810		224,387
<b>Unrestricted funds</b>					
Unrestricted general funds	17		8,173		8,395
<b>Total funds</b>			211,983		232,782

The financial statements on pages 35 to 72 were approved by the Board of Trustees of The Kemnal Academies Trust (Company Registration Number 07348231) and signed on its behalf by:

  
Peter Baines  
Trustee and Chair of Audit Committee

  
Gaenor Bagley  
Chair of Trustees

Date: 16 December 2019

# Statement of cash flows Year ended 31 August 2019

	Note	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>			
Net cash used in operating activities	20	(1,425)	(4,117)
<b>Cash flows from investing activities:</b>			
Interest received		37	12
Purchase of tangible fixed assets		(13,271)	(9,815)
Capital grants from DfE and other capital income received		6,187	5,160
Insurance proceeds for capital items		7,311	9,377
<b>Net cash provided by investing activities</b>		<b>264</b>	<b>4,734</b>
<b>Cash transferred on new schools joining the Trust:</b>			
Cash transferred on conversion		8	566
<b>Net cash provided by new schools joining the Trust</b>		<b>8</b>	<b>566</b>
<b>Cash flows from financing activities</b>			
Loan repayments		(114)	(62)
<b>Net cash used in financing activities</b>		<b>(114)</b>	<b>(62)</b>
<b>Change in cash and cash equivalents in the year</b>		<b>(1,267)</b>	<b>1,121</b>
Cash and cash equivalents as at 1 September 2018		17,729	16,608
<b>Cash and cash equivalents at 31 August 2019</b>	21	<b>16,462</b>	<b>17,729</b>

## **Principal accounting policies 31 August 2019**

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

### **Basis of preparation of financial statements**

The financial statements of the 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 2018 to 2019 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

The financial statements are presented in Sterling and rounded to the nearest thousand pounds.

### **Subsidiary**

The Kemnal Academies Trust shares Members and Trustees with The Kemnal Consultancy Ltd (Company Registered Number 06651917). For the purposes of these accounts, the Trust has not consolidated the results of the subsidiary as their inclusion is not considered material for the purpose of giving a true and fair view.

### **Going concern**

In July 2019, the Board of Trustees were presented with both the individual academies and the overall Trust's net reserves position for the coming three years to August 2022. The reserves position included no increases in income linked to the implementation of the National Funding Formula (NFF), however, did include an annual 1% increase to GAG income, the continuation of the Teachers Pay Grant and the addition of a Teachers Pensions Grant in line with the rates provided by the ESFA. Inflationary increases had been applied to all relevant overheads. Staff pay awards were also budgeted at a sustainable, affordable level of 2% for all three years, without the need for additional income. The Board of Trustees has a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties that would impact upon these resources. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

### **Income**

All income is recognised once the Trust has entitlement to the income, it is probable that the income will be received, and the amount of income receivable can be measured reliably.

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 entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.



## Principal accounting policies 31 August 2019

### **Income (continued)**

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

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

Donations are recognised on a receivable basis where receipt is probable and the amount can be reliably measured.

Other income, including the hire of facilities, is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

Where assets are received by the Trust on the conversion of a Local Authority maintained school to an academy, the transferred assets are measured at fair value and recognised in the balance sheet at the point when the risk and rewards of ownership pass to the Trust. An equal amount of income is recognised as a transfer on conversion within income from donations and capital grants. (See 'conversion to an academy Trust' below).

Recognition of insurance income has been based on work carried out as at 31 August 2018 and specifically highlighted in the appropriate income note.

### **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. All expenditure is inclusive of irrecoverable VAT.

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.

Expenditure on charitable activities are costs incurred on the Trust's educational operations, including support costs and those costs relating to the governance of the Trust appointed to charitable activities.

### **Fund accounting**

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

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

## Principal accounting policies 31 August 2019

### **Fund accounting** (continued)

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

### **Tangible fixed assets**

All assets costing more than £5,000 are capitalised 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 funds in the statement of financial activities.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of these assets, less their estimated residual value, over their expected useful lives on the following bases:

- |                                |                              |
|--------------------------------|------------------------------|
| • Freehold property            | - 1% - 10%                   |
| • Long term leasehold property | - 2% - 25%                   |
| • Motor vehicles               | - 20%                        |
| • Fixtures and fittings        | - 20%                        |
| • Computer equipment           | - 25%                        |
| • Leasehold land               | - Over the life of the lease |

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

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

Properties developed under a Private Finance Initiative (PFI) scheme are excluded from the balance sheet where the Trust is not directly party to the PFI agreement itself and rather the Local Authority has directly contracted with the PFI contractor, and the Trust in turn has contracted with the Local Authority to make financial contributions in respect of the premises.

## **Principal accounting policies 31 August 2019**

### **Fixed asset transfers from predecessor schools**

Where fixed assets are transferred to the Trust from the predecessor schools, these have been included at fair value determined in accordance with a professional valuation as at date of the transfer, conducted by an RICS Register Valuer. Land and buildings for which the Trust has the rights and responsibilities of ownership, but which are held under a long-term lease arrangement, are recorded within leasehold buildings. Similarly, for any land and buildings transferred on conversion by a Church body and held under a licence to occupy, the Trust deems that it has adequate control over the land and buildings and these properties are therefore recorded within leasehold buildings.

### **Leases**

Rentals under operating leases are charged to the statement of financial activities on a straight line basis over the lease term.

### **Taxation**

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

### **Cash at bank and in hand**

Cash at bank and in hand includes cash held only.

### **Liabilities and provisions**

Liabilities and provisions 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 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 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.

### **Financial instruments**

The Trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the 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. Prepayments are not financial instruments.

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

## Principal accounting policies 31 August 2019

### **Financial instruments (continued)**

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost. 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 other financial instruments.

### **Pensions benefits**

Retirement benefits to employees of the 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 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. 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 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 is also recognised in the statement of financial activities incorporating income and expenditure account 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.

### **Conversion to an academy Trust**

The conversion from a state-maintained school to an academy status involves the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration to the Trust. The substance of the transfer is that of a gift and it has been accounted for on that basis.

## Principal accounting policies 31 August 2019

### **Conversion to an academy Trust (continued)**

The assets and liabilities transferred on conversion have been valued at their fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to the Trust. 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 included as a donation - transfer from local authority on conversion in the statement of financial activities and analysed under unrestricted funds, restricted general funds and restricted fixed asset funds.

### **Agency arrangements**

The Trust acts as an agent in distributing 16-19 bursary funds from the ESFA. Payments received from the 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.

### **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 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 the notes to the financial statements, 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.

The net book value of tangible fixed assets is based on the original cost (or valuation) at the point of recognition net of provision for depreciation. The depreciation provision to date is based on the Trustees' assessment of the estimated useful economic lives of such assets.

**Critical accounting estimates and areas of judgment (continued)**

***Critical areas of judgment:***

The Trustees have considered the accounting treatment of land and buildings utilised by the Trust, in particular in relation to Pluckley Primary Academy. The leasehold of the land and buildings utilised by the academy is held by the Diocese of Canterbury. A subsequent supplementary agreement has been reached between the Diocese of Canterbury, Secretary of State and the Trust stating that the land is available for the Trust to use for the purpose of operating the school. Whilst the leasehold title to the property used by the academy is not held by the Trust, the Trustees consider that the use of the land and buildings should be recognised in the balance sheet in order to reflect the value of its anticipated continued use. Land and buildings occupied under this arrangement have therefore been recognised in long term leasehold land and buildings. On initial recognition, the valuation of the land and buildings was determined by an expert valuer on an existing use basis.

The Trustees have made the decision to only recognise income in respect of costs incurred to date regarding the rebuild project at The Academy, Selsey. The current estimate of total insurance monies to be received has been disclosed as a contingent asset in the notes to the financial statements.

## Notes to the financial statements 31 August 2019

### 1. Income from donations and capital grants

	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	Total funds 2019 £'000	Total funds 2018 £'000
<b>2019</b>					
Donations	—	194	481	675	408
DfE / ESFA capital grants	—	—	5,634	5,634	5,150
Other capital grants	—	—	72	72	10
	—	194	6,187	6,381	5,568
Transfer of existing academy into the academy Trust (note 22)	—	(734)	1,701	967	3,320
	—	(540)	7,888	7,348	8,888
<b>2018</b>					
Donations	—	193	215	408	408
DfE / ESFA capital grants	—	—	5,150	5,150	5,150
Other capital grants	—	—	10	10	10
	—	193	5,375	5,568	5,568
Transfer of net assets from Local Authority on conversion (note 22)	566	(1,911)	4,665	3,320	3,320
	566	(1,718)	10,040	8,888	8,888

### 2. Income from charitable activities: Funding for the Trust's educational operations

	Unrestricted funds £'000	Restricted funds £'000	2019 Total funds £'000	2018 Total funds £'000
<b>2019</b>				
<b>DfE/ESFA grants</b>				
General Annual Grants (GAG)	—	109,071	109,071	108,035
Start-up grants	—	170	170	163
Other DfE/ESFA revenue grants	—	12,383	12,383	11,228
	—	121,624	121,624	119,426
<b>Other government grants</b>				
Local authority grants	—	6,620	6,620	6,302
	—	6,620	6,620	6,302
<b>Other funding for the Trust's educational operations</b>				
Trips and activities	—	1,034	1,034	1,225
Catering	1,028	—	1,028	982
	1,028	1,034	2,062	2,207
	1,028	129,278	130,306	127,935

## Notes to the financial statements 31 August 2019

### 2. Income from charitable activities:

#### Funding for the Trust's educational operations (continued)

	Unrestricted funds 2018 £'000	Restricted funds 2018 £'000	2018 Total funds £'000
<b>2018</b>			
<b>DfE/ESFA grants</b>			
General Annual Grants (GAG)	—	108,035	108,035
Start-up grants	—	163	163
Other DfE/ESFA revenue grants	—	11,228	11,228
	—	119,426	119,426
<b>Other government grants</b>			
Local authority grants	—	6,302	6,302
	—	6,302	6,302
<b>Other funding for the Trust's educational operations</b>			
Trips and activities	—	1,225	1,225
Catering	982	—	982
	982	1,225	2,207
	982	126,953	127,935

All grants received are used to fulfil the Trust's primary objective. Grant income is duly recognised within the financial statements when the Trust becomes entitled to the grant and not on actual receipt of the monies. Within the Trust, 1 of its 44 academies (2018: 1 of 43 academies) was funded on an estimated pupil number basis and this academy is subject to annual ESFA pupil number assessment which may result in a funding top up or clawback if applicable.

### 3. Income from other trading activities

	Unrestricted funds	
	2019 £'000	2018 £'000
Letting	903	900
Academy's shop	276	308
Other income	911	640
	2,090	1,848

### 4. Income from investments and interest receivable

	Restricted funds	
	2019 £'000	2018 £'000
Bank interest	37	12
	37	12



## Notes to the financial statements 31 August 2019

### 5. Income from other sources

	Restricted funds	
	2019 £'000	2018 £'000
Insurance claims	7,316	9,124
	<b>7,316</b>	<b>9,124</b>

Insurance claims income includes insurance monies received of £7,311,000 (2018: £8,800,000) in respect of the rebuild project at The Academy, Selsey following the major fire which occurred in August 2016. The rebuild was completed during 2018/19.

### 6. Expenditure

	Staff costs (note 9) £'000	Premises £'000	Other costs £'000	Total 2019 £'000	Total 2018 £'000
<b>Educational operations (including Teaching School)</b>					
Direct costs (note 7)	86,525	11,507	7,918	105,950	101,383
Support costs (note 7)	22,129	11,315	13,155	46,599	47,039
<b>Total 2019</b>	<b>108,654</b>	<b>22,822</b>	<b>21,073</b>	<b>152,549</b>	<b>148,422</b>
<b>Total 2018</b>	<b>105,521</b>	<b>21,916</b>	<b>20,985</b>	<b>148,422</b>	

## Notes to the financial statements 31 August 2019

### 7. Expenditure on charitable activities:

#### Trust's educational operations (Including Teaching School)

	2019 £'000	2018 £'000
<b>Direct costs</b>		
Wages and salaries (including supply staff and restructuring)	68,603	67,316
National insurance and apprenticeship levy	7,307	6,444
Pension contributions	10,615	10,436
Depreciation and impairment	11,507	9,224
Educational supplies	3,209	3,446
Examination fees	1,237	1,120
Staff development	479	424
Educational consultancy	1,820	1,738
Trips and activities	1,173	1,235
	<b>105,950</b>	<b>101,383</b>
<b>Support costs</b>		
Wages and salaries (including supply staff and restructuring)	12,717	12,750
National insurance and apprenticeship levy	992	1,364
Pension contributions	2,993	2,845
Local Government Pension Scheme service and admin cost adjustment	5,427	4,366
Local Government Pension Scheme interest cost	969	1,079
Recruitment	232	352
Catering	3,163	2,989
Maintenance of premises and equipment	5,035	6,821
Furniture and equipment	3,229	2,895
ICT Equipment and licences	1,077	1,503
Cleaning	1,240	1,323
Rent and rates	3,051	2,907
Utilities	2,587	2,293
Insurance	835	820
Printing, postage, stationery	240	369
Security and transport	107	123
Bank interest and charges	24	37
Loss on disposal of tangible fixed assets	66	57
Other support costs	1,611	1,252
Governance costs	1,004	894
	<b>46,599</b>	<b>47,039</b>
	<b>152,549</b>	<b>148,422</b>

## Notes to the financial statements 31 August 2019

### 7. Expenditure on charitable activities:

#### Trust's educational operations (including Teaching School) (continued)

Included within maintenance of premises and equipment is expenditure of £1.2m (2018 - £1.1m) relating to costs incurred with the rebuild project at The Academy, Selsey which includes hiring equipment for mobile classrooms. The capital expenditure has been appropriately allocated to the restricted fixed asset funds and is included within tangible fixed assets as an asset under construction. The corresponding income is included as part of the income from other sources (see note 5).

Included within governance costs are any costs associated with the strategic as opposed to day-to-day management of the Trust's activities. These costs will include any employee benefits for Trusteeship, the cost of Trust employees involved in meetings with Trustees, the cost of any administrative support provided to the Trustees, and costs relating to constitutional and statutory requirements including audit and preparation of statutory financial statements.

### 8. Net income / (expenditure)

	2019 £'000	2018 £'000
<b>This is stated after charging:</b>		
Depreciation and impairment of tangible fixed assets:		
- owned by the Trust	11,507	9,224
External auditors' remuneration – audit and assurance	107	102
External auditors' remuneration – other services	6	—
Loss on disposal of fixed assets	66	57
Operating lease rentals	5,372	5,232

### 9. Staff costs

	2019 £'000	2018 £'000
Wages and salaries	78,084	77,138
Social security costs	7,921	7,458
Pension costs	19,035	17,647
Apprenticeship levy	378	350
	<b>105,418</b>	<b>102,593</b>
Supply teacher costs	2,960	2,361
Staff restructuring costs	276	567
	<b>108,654</b>	<b>105,521</b>
<b>Staff restructuring costs comprise:</b>		
Redundancy payments	84	378
Severance payments	192	189
	<b>276</b>	<b>567</b>

## Notes to the financial statements 31 August 2019

### 9. Staff costs (continued)

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

	2019 No.	2018 No.
Teachers	1,260	1,308
Administration and support	1,761	1,942
Management	116	105
	<b>3,137</b>	<b>3,355</b>
	2019 FTE	2018 FTE
Teachers	1,148	1,192
Administration and support	1,193	1,223
Management	113	103
	<b>2,454</b>	<b>2,518</b>

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

	2019 No.	2018 No.
In the band £60,001 - £70,000	49	33
In the band £70,001 - £80,000	15	13
In the band £80,001 - £90,000	10	6
In the band £90,001 - £100,000	7	7
In the band £100,001 - £110,000	3	3
In the band £110,001 - £120,000	1	2
In the band £120,001 - £130,000	3	2
In the band £130,001 - £140,000	—	1
In the band £140,001 - £150,000	1	—
In the band £170,001 - £180,000	—	1
In the band £190,001 - £200,000	1	—

#### Non-statutory / non-contractual staff severance payments:

Included within staff restructuring costs are non-statutory/non-contractual severance payments totalling £96,448 (2018: £127,317). Individually, the payments were: £46,100, £30,619, £6,651, £5,425, £4,372 and £3,281.

#### Key Management Personnel:

The key management personnel of the Trust comprise the Trustees and the Senior Leadership Team as listed on page 1. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the Trust was £998,335 (2018: £861,634).

## Notes to the financial statements 31 August 2019

### 10. Trustees' remuneration and expenses

One Trustee (2018: one Trustee) has been paid remuneration or has received other benefits from an employment with the Trust. The individual only receives remuneration in respect of services provided undertaking the role as academy staff under her contract of employment, and not in respect of her role as a Trustee. The remuneration and other benefits receivable by this individual were as follows:

	2019 £'000	2018 £'000
Dr Karen Roberts (CEO and Trustee)		
Remuneration	170 – 175	170 – 175
Salary in lieu of pension contribution	15 – 20	—
Employer's pension contribution	10 – 15	25 – 30
Total	205 – 210	205 – 210

During the year ended 31 August 2019, travel and subsistence expenses totalling £2,468 were reimbursed or paid directly to three Trustees (2018: £2,371 to four Trustees).

### 11. Trustees' and Officers' insurance

In accordance with normal commercial practice, the Trust has purchased insurance to protect Trustees and Officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The insurance provides cover up to £500,000 on any one claim and the cost for the year ended 31 August 2019 was £2,111 (2018 - £2,111).

### 12. Central services

The Trust has provided the following central services to its academies during the year:

- ♦ Educational - Strategic direction and Intervention;
- ♦ Non Education - Strategic direction and Intervention;
- ♦ Human Resources;
- ♦ Estates, Health and Safety Advice;
- ♦ Financial Services including Internal Audit; and
- ♦ Legal Services.

The Trust charges individual academies for these services at 4.0% (2018: 3.5%) of the school's GAG funding allocation.

## Notes to the financial statements 31 August 2019

### 12. Central services (continued)

The actual amounts charged for the year were as follows:	2019 £'000	2018 £'000
Bridgemary School	127	100
Broadfield Primary Academy	90	83
Chichester High School	262	240
Cleeve Park School	196	168
Dame Janet Primary Academy	76	71
Debden Park High School	208	174
Drapers Mills Primary Academy	82	80
East Wickham Primary Academy	105	96
Front Lawn Primary Academy	84	77
Gray's Farm Primary Academy	76	63
Havant Academy	91	78
Heybridge Primary Academy	40	31
Hilltop Primary Academy	92	74
Horizon Primary Academy	37	32
Hylands School	157	143
Kemnal Technology College	127	120
King Harold School	128	110
Maldon Primary School	38	36
Miltoncross Academy	175	155
Napier Community Primary & Nursery Academy	85	73
Newlands Primary School	66	60
Northdown Primary School	64	62
Orchards Academy	108	91
Ore Village Primary Academy	52	42
Pebsham Primary Academy	31	27
Pluckley Church of England Primary School	18	17
Portfield Primary Academy	39	31
Rainham High School for Girls	322	273
Royal Park Primary Academy	66	56
Salvestone Primary School	58	57
Seal Primary Academy	55	49
Seymour Primary School	84	78
Shenstone School	56	44
Smarden Primary School	19	16
Stapleford Abbots Primary Academy	25	23
Tangmere Academy	33	28
The Academy, Selsey	75	67
The Bewbush Academy	91	81
The Mill Primary Academy	65	57
The Oaks Primary School	62	52
Thomas Bennett Community College	206	183
Welling Academy	316	279
Weyfield Primary Academy	53	56
Willow Brook Primary School and Nursery	35	—
	<b>4,275</b>	<b>3,733</b>

## Notes to the financial statements 31 August 2019

### 13. Tangible Fixed Assets

	Freehold property £'000	Long-term leasehold property £'000	Assets under construction £'000	Computer equipment £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>							
At 1 September 2018	72,368	221,476	9,188	1,350	96	1,083	305,561
Donated assets on transfer	—	1,690	—	8	—	3	1,701
Additions	1,243	4,790	6,247	685	13	293	13,271
Disposals	—	—	—	(340)	(50)	(2)	(392)
Transfer of assets under construction	—	11,273	(15,435)	358	—	3,804	—
At 31 August 2019	73,611	239,229	—	2,061	59	5,181	320,141
<b>Depreciation</b>							
At 1 September 2018	13,297	35,031	—	649	67	395	49,439
Charge for the year	2,173	8,618	—	428	10	278	11,507
Disposals	—	—	—	(275)	(49)	(2)	(326)
At 31 August 2019	15,470	43,649	—	802	28	671	60,620
<b>Net book value</b>							
At 31 August 2019	58,141	195,580	—	1,259	31	4,510	259,521
At 31 August 2018	59,071	186,445	9,188	701	29	688	256,122

#### Land

Where land is owned (or occupied under terms of a long lease), subject to a legally binding restriction as to its use, it is initially recognised at a value determined with a professional valuation which takes account of the restrictions on use.

#### Buildings

In accordance with the requirements of FRS 102, specialist buildings transferred from the predecessor schools are initially recognised at their depreciated replacement cost at the time of the transfer and non-specialised buildings (such as school cottages) are recognised at market value. Depreciation on transferred buildings is charged on a straight-line basis over the estimated remaining useful life.

The Academy, Selsey suffered a major fire in August 2016 which resulted in a large portion of the buildings being lost to fire damage. The rebuild was concluded in the year ended 31 August 2019 and the amounts previously reflected as expended on assets under construction have been transferred into the appropriate class of tangible fixed assets as shown in the above table.

### 14. Debtors

	2019 £'000	2018 £'000
Trade debtors	273	180
Other debtors	1,988	2,649
Prepayments and accrued income	1,564	815
VAT Recoverable	1,903	2,078
	<b>5,728</b>	<b>5,722</b>

## Notes to the financial statements 31 August 2019

### 15. Creditors: Amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	2,621	2,715
Taxation and social security	2,377	2,319
ESFA abatement of GAG	—	69
Local Authority creditor	9	2
Loans (see note 16)	146	117
Accruals and deferred income (see below)	3,899	4,812
Other creditors	543	63
	<b>9,595</b>	<b>10,097</b>

	2019 £'000	2018 £'000
<b>Deferred income (included above)</b>		
Deferred income at 1 September 2018	1,579	1,530
Resources deferred during the year	(1,579)	1,579
Amounts released from previous years	2,052	(1,530)
<b>Deferred income at 31 August 2019</b>	<b>2,052</b>	<b>1,579</b>

Deferred income held at 31 August 2019 largely related to 2019/20 Universal Infant Free School Meals income payable from the ESFA and local authority income relating to the 2019/20 year.

### 16. Creditors: Amounts falling due after more than one year

	2019 £'000	2018 £'000
Loans	392	535
	<b>392</b>	<b>535</b>

Loans included within short and long-term creditors comprise the following:

- ◆ £10,447 from West Sussex County Council which is provided on the following terms; the loan shall be repaid within 9 years and is interest free.
- ◆ £91,494 from Bexley County Council which is provided on the following terms; the loan shall be repaid within 10 years and the repayment shall be free of interest unless there is a default on payment in which case interest on the balance outstanding will be at the rate of 4% above the base rate of National Westminster Bank for the time being in force.
- ◆ £324,336 from Bexley County Council which is provided on the following terms, the loan shall be repaid by 2029/2030 at an interest rate of 3%.
- ◆ £23,549 from Bexley County Council which is provided on the following terms, the loan shall be repaid by 2027/2028 at an interest rate of 3%.



## Notes to the financial statements 31 August 2019

### 16. Creditors: Amounts falling due after more than one year (continued)

- ♦ £45,534 to Salix Finance Limited for an energy efficiency project, the loan will be repaid by 2025/2026 and is interest free.
- ♦ £19,231 to Salix Finance Limited for an energy efficiency project, the loan will be repaid by 2022/2023 and is interest free.
- ♦ £20,875 to Salix Finance Limited for an energy efficiency project, the loan will be repaid by 2026/2027 and is interest free.

### 17. Funds

	Balance at 1 September 2018 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2019 £'000
<b>Unrestricted funds</b>					
Unrestricted general funds	8,395	3,118	(279)	(3,061)	8,173
<b>Restricted general funds</b>					
General Annual Grant (GAG)	369	109,071	(112,685)	3,245	—
Other DfE/ ESFA	5	12,553	(12,546)	—	12
Voluntary funds	449	1,034	(1,173)	—	310
Other government grants	50	6,620	(4,277)	(2,326)	67
Other income funds	—	8,652	(2,405)	(6,247)	—
Pension reserve	(36,159)	(734)	(6,396)	(16,452)	(59,741)
	<u>(35,286)</u>	<u>137,196</u>	<u>(139,482)</u>	<u>(21,780)</u>	<u>(59,352)</u>
<b>Restricted fixed asset funds</b>					
Unspent capital grants	3,550	481	(200)	2,214	6,045
DfE/ ESFA capital grants	11,620	5,634	(1,539)	—	15,715
Donation on conversion	228,841	1,701	(10,731)	—	219,811
Other donations from Local Authority	6,474	—	(318)	—	6,156
Local Authority grants	—	72	—	(72)	—
Insurance income	9,188	—	—	6,247	15,435
	<u>259,673</u>	<u>7,888</u>	<u>(12,788)</u>	<u>8,389</u>	<u>263,162</u>
<b>Total restricted funds</b>	<u>224,387</u>	<u>145,084</u>	<u>(152,270)</u>	<u>(13,391)</u>	<u>203,810</u>
<b>Total funds</b>	<u>232,782</u>	<u>148,202</u>	<u>(152,549)</u>	<u>(16,452)</u>	<u>211,983</u>

#### *Restricted general funds*

Restricted general funds represent the balance of funds available from revenue grants received from local/central government and other donors, the application of which is limited to the conditions imposed by the grantor / donor. The principal funding received from the government is the General Annual Grant (GAG) provided by the Education and Skills Funding Agency. Under the funding agreements with the Secretary of State, the Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2019.

**17. Funds (continued)**

*Restricted fixed asset funds*

This fund equates to the net book value of the Trust's tangible fixed assets plus any capital funding received from central/local government and other donors which has not been expended by the balance sheet date. The capital funding may be used to complete capital projects or undertaken for maintenance works on existing tangible fixed assets.

The Trust previously included unspent Devolved Formula Capital (DFC) funding within its usable fund balances. From 2018/19, the Trust has elected to include any such unspent DFC funding as part of the balance carried forward on its restricted fixed asset funds, in line with the capital nature of the income. As a result of this election, a total of £983,000 brought forward as at 1 September 2018 has been transferred from unrestricted revenue reserves to the restricted fixed assets fund.

The fund balance includes the carrying value of school buildings (and other tangible fixed assets) inherited by the Trust where a school has converted or joined the Trust from another Academy Trust, and the carrying value of all other assets donated to the Trust.

The insurance income balance included within restricted fixed asset funds represents the cumulative insurance proceeds utilised to fund the rebuild of The Academy, Selsey following the major fire which occurred in August 2016.

*Unrestricted funds*

The unrestricted general funds represent monies which may be applied for any purpose within The Kemnal Academies Trust's objects.

*Transfers between funds*

Transfers from either restricted general funds or unrestricted funds to the restricted fixed asset funds are made where revenue reserves are required to finance the purchase of tangible fixed assets. Transfers from restricted fixed assets fund to either restricted general funds or unrestricted funds are made where capital income has been spent on repairs and maintenance of existing fixed assets. In addition, an in-year transfer has been made to reallocate unspent DFC funding as described above.

# Notes to the financial statements 31 August 2019

## 17. Funds (continued)

### Comparative information for the year to 31 August 2018:

	Balance at 1 September 2017 £'000	Income £'000	Expenditure £'000	Transfers in/out £'000	Gains/ (Losses) £'000	Balance at 31 August 2018 £'000
<b>Unrestricted funds</b>						
Unrestricted general funds	5,489	3,222	(316)	—	—	8,395
<b>Restricted general funds</b>						
General Annual Grant (GAG)	(35)	108,035	(110,382)	2,751	—	369
Other DfE/ ESFA	—	11,410	(13,933)	2,528	—	5
Voluntary funds	459	1,225	(1,235)	—	—	449
Other government grants	—	6,453	(3,102)	(3,301)	—	50
Other income funds	1,844	10,085	(1,112)	(10,817)	—	0
Pension reserve	(42,085)	(1,911)	(5,445)	—	13,282	(36,159)
	(39,817)	135,297	(135,209)	(8,839)	13,282	(35,286)
<b>Restricted fixed asset funds</b>						
Unspent capital grants	2,768	1,026	(244)	—	—	3,550
DfE/ ESFA capital grants	9,867	4,124	(3,513)	1,142	—	11,620
Donation on conversion	233,085	4,665	(8,909)	—	—	228,841
Other donations from Local Authority	6,490	215	(231)	—	—	6,474
Local Authority grants	—	10	—	(10)	—	—
Insurance income	1,481	—	—	7,707	—	9,188
	253,691	10,040	(12,897)	8,839	—	259,673
<b>Total restricted funds</b>	213,874	145,337	(148,106)	—	13,282	224,387
<b>Total funds</b>	219,363	148,559	(148,422)	—	13,282	232,782

## Notes to the financial statements 31 August 2019

### 17. Funds (continued)

#### Total funds analysis by academy:

Fund balances at 31 August 2019 were allocated as follows:

	2019 £'000	2018 £'000
Bridgemary School	436	449
Broadfield Primary Academy	994	899
Chichester High School	(1,157)	(1,169)
Cleeve Park School	451	479
Dame Janet Primary Academy	451	435
Debden Park High School	853	858
Drapers Mills Primary Academy	37	182
East Wickham Primary Academy	374	360
Front Lawn Primary Academy	315	204
Gray's Farm Primary Academy	387	304
Havant Academy	(552)	(261)
Heybridge Primary Academy	187	196
Hilltop Primary Academy	330	556
Horizon Primary Academy	108	109
Hylands School	319	257
Kemnal Technology College	(161)	54
King Harold School	1,020	1,139
Maldon Primary School	(143)	(13)
Miltoncross Academy	153	337
Napier Community Primary & Nursery Academy	259	125
Newlands Primary School	359	322
Northdown Primary School	98	200
Orchards Academy	152	35
Ore Village Primary Academy	2	(34)
Pebsham Primary Academy	134	100
Pluckley Church of England Primary School	70	70
Portfield Primary Academy	(111)	(113)
Rainham High School for Girls	1,475	1,290
Royal Park Primary Academy	233	234
Salvestone Primary School	192	194
Seal Primary Academy	(69)	(99)
Seymour Primary School	355	387
Shenstone School	716	530
Smarden Primary School	67	29
Stapleford Abbots Primary Academy	(134)	(81)
Tangmere Academy	93	139
The Academy, Selsey	213	304
The Bewbush Academy	640	609
The Mill Primary Academy	198	208
The Oaks Primary School	417	428
Thomas Bennett Community College	(1,064)	(504)
Welling Academy	449	603
Weyfield Primary Academy	1,001	834
Willow Brook Primary School and Nursery	23	—
The Kemnal Academies Trust	(1,608)	(1,917)
<b>Total before fixed asset fund and pension reserve</b>	<b>8,562</b>	<b>9,268</b>
Restricted fixed asset funds	263,162	259,673
Pension reserve	(59,741)	(36,159)
<b>Total funds</b>	<b>211,983</b>	<b>232,782</b>

## Notes to the financial statements 31 August 2019

### 17. Funds (continued)

#### Academies carrying a net deficit:

The following academies are carrying cumulative net deficits as at 31 August 2019:

Name of Academy	Amount of deficit £'000
Chichester High School	(1,157)
Havant Academy	(552)
Kemnal Technology College	(161)
Maldon Primary School	(143)
Portfield Primary Academy	(111)
Seal Primary Academy	(69)
Stapleford Abbots Primary Academy	(134)
Thomas Bennett Community College	(1,064)
The Kemnal Academies Trust	(1,608)
	<u>(4,999)</u>

The Trust is taking the following action to return the above academies to a net surplus position:

#### Chichester High School:

This school was originally a separate Boys and Girls school, having merged, the costs involved in the relocation and integration into one school were considerable. The costs were not only linked to logistical issues but were also due to the need to undertake a large staff restructuring. Following the merger, a 5-year recovery plan was originally agreed by the Board in 2016, this plan was extended by a year as a result of the delays in the government's move towards the new National Funding Formula. One of the benefits of amalgamation was the freeing up of outbuildings, so to mitigate against some of the delay in increased funding, the academy agreed some long-term leases of excess buildings on site and reviewed all high cost expenditure areas. The academy restructured its Senior Leadership Team in the 2018-19 financial year to ensure they met the required outturn position, and ended the year with a small in-year surplus. For 2019-20 financial year, the academy budget was set as an in-year surplus of £577k that reflected that a number of ongoing staffing issues have now been resolved, massively reducing the reliance on expensive supply costs

**17. Funds (continued)**

**Academies carrying a net deficit: (continued)**

**Havant Academy:**

This is a secondary school that historically suffered from very low pupil numbers, whilst also being located within a very challenging area. In addition, to enable them to move from a 'Requires Improvement' Ofsted rating the school has had to invest heavily in the quality of teaching and learning. They are now rated as a 'Good' school and it is anticipated that that improved rating, along with the addition of the new Executive Headteacher, who already has a strong presence in the local community and responsibility for primary schools in the area, will ensure a larger proportion of those students make Havant their first preference school. The academy was forecasting to end the 2018-19 financial year with a cumulative deficit of £661k, again primarily due to the published budget containing £435k of expected PNA funding that the academy had not realised was due to cease as per their SFA. In addition, there were a number of ongoing HR cases, being covered by supply staff and a higher than anticipated level of cross charges for leadership support. As expected the pupil numbers were strong in September 2019, and the staffing issues resolved. Those positive areas along with the ongoing increases to GAG funding should ensure they remain on target to meet their agreed recovery plan.

**Kemnal Technology College:**

This all-boys academy has suffered from a significant drop in pupil numbers in recent years. The Trust has provided a loan of £180k to allow the Headteacher to employ additional teaching staff, whilst addressing some of the issues with existing staff.

From September 2019, the school became co-ed and following a strategic meeting to discuss the financial concerns at the academy, in order to enhance the learning experience for the new year 7 pupils and existing year 8 pupils, it was agreed that staff from a neighbouring TKAT primary academy would support in the curriculum planning and delivery of teaching and learning. In addition, it was agreed that a continued package of capital works would take place to further enhance an area of the academy to form a Key Stage 3 area.

An extensive programme of summer capital works was successfully completed and the academy welcomed 115 Year 7 students (67 boys and 48 girls) at the beginning of September, 25 pupils higher than budgeted. The appointment of an experienced Headteacher with a track record of working with scarce resources whilst delivering positive outcomes should ensure the academy meet their agreed plan. The Local Authority forecast pupil numbers for October 2020 are considerably higher than budgeted, giving confidence to the Trustees the academy will become financially viable into the future.

**17. Funds (continued)**

**Academies carrying a net deficit: (continued)**

**Maldon Primary School:**

This school is a one form entry primary that prior to conversion in September 2017 had consistently underperformed educationally whilst suffering from very volatile pupil numbers, primarily as a result of the Local Authority moving the Pupil Admission Number (PAN) annually. This had put additional pressure on the financial position of the school, mainly as staff had to be retained due to the annual variations in Reception Year intake numbers. Following conversion in September 2017, the PAN was fixed at 30, however, it will take a number of years for this to move through the school. Added to the volatility in pupil numbers, the previously identified sponsor had employed 11 teaching assistants, many of whom were found to be surplus to requirement, leading to a full staff restructuring process, with one-off exit costs being incurred of circa £100,000. The academy have changed the leadership structure, dealt with the historical staffing issues and employed a business manager, which has significantly improved the financial controls and disciplines, so although they ended the 2018-19 financial year in a deficit position, this was a strategically agreed deficit. The 2019-20 budget was set with an in-year surplus and to-date the academy are on track to meet their budget.

**Portfield Primary Academy:**

Prior to conversion this small one form entry primary was not a popular choice for parents and suffered from low pupil numbers as a result. Not only were the pupil number intakes low, but also varied greatly from year to year, making staffing structures difficult to plan, this was the primary cause of the cumulative deficit position. The Board agreed a 5-year recovery plan at the start of the 2016-17 financial year. Currently the academy is ahead of the plan and is due to get out of a deficit position a year early. The pupil numbers are buoyant, with most year groups full, with waiting lists. To further reduce overhead costs the business manager continues to supporting other TKAT academies.

**Seal Primary Academy:**

Seal is a small rural school, historically managing to work within a tight financial budget, recent changes within the school have taken place that have left the school in a short-term deficit position. To address the financial shortfall, the school had been sharing a Business Manager from another TKAT academy close by. The Board agreed a recovery plan set with an in-year surplus for each of the next 4 years and if achieved will take them back into a cumulative surplus position by the end of the third year. The business manager had been away from the academy for a long period of time, having recently returned, the academy can now push forward with the required organisation changes required to ensure they recover the £69k cumulative. This level of deficit is not cause for concern for the Trust.

**17. Funds (continued)**

**Academies carrying a net deficit: (continued)**

**Stapleford Abbotts Primary Academy:**

This academy is a small one form entry primary that converted to TKAT in August 2017 from Essex County Council, it was governed by an Interim Executive Board (IEB) and on conversion had numerous Educational, Safeguarding and Health and Safety issues that had to be addressed. This resulted in a significant deficit position in 2017-18 financial year of £110k, this has reduced to an in-year deficit of £24k for 2018-19, however, having made significant improvements over the course of the year in the areas highlighted above, financially the academy remains a concern, as a result of the small, but volatile pupil numbers. A 5-year plan has been put into place and agreed with the Board to address the overspend position, with staff cost reductions and the implementation of a sharing of site management costs being key to its delivery. It is likely that the financial recovery will cover the full 5 years set.

**Thomas Bennett Community College:**

Thomas Bennett Community College had suffered from year on year pupil number reductions, despite assurances from the Local Authority that numbers were due to rise. High staff numbers and costs added to increasing PFI costs and the constraints of the contract have contributed to a cumulative deficit position, this is despite previous staffing restructures taking place. A new full time Headteacher was appointed in January 2019, with the impact of the appointment quickly being realised. The August 2019 GCSE results were much improved, added to this the successful work with parents, and the community, have ensured a massive rise in first preference applications and the real possibility that the Local Authority could approach the trust with a view to expansion to meet demand in the area. The academy had an in-year deficit, however, this was agreed to allow the appointment of key senior education staff whilst existing staffing issues were addressed. A full curriculum review was completed, along with a whole school reorganisation change process that took effect from September 2018. The Board agreed a six-year recovery plan, with all years showing increasing in-year surpluses. The pupil numbers that underpinned that plan were exceeded in October 2019 and are due to increase rapidly.

**The Kemnal Academies Trust:**

The Trust's cumulative deficit position is directly linked to historically low levels of Central Cost Contributions (CCC's). At the end of the 2016/17 financial year the Trust undertook a full review of its staffing structures and delivery model to ensure the full recovery of the financial deficit. The recovery plan included the move to a new regional hub model and the agreed increases in CCC's from 3.0% to 3.5% in 2017/18 and a further increase to 4.0% in 2018/19. The first two years of the recovery plan were met and exceeded, with contributions also being made from the Trust's successful SCITT and Teaching School offer. The Trust is currently looking at staffing structures, with a view to build additional capacity within the educational support team. To afford the increase in staffing costs, it is likely that the CCC's will have to rise again for the 2020-21 financial year.



## Notes to the financial statements 31 August 2019

### 18. Analysis of net assets between funds

	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	Total funds 2019 £'000	Total funds 2018 £'000
<b>At 31 August 2019</b>					
Tangible fixed assets	—	—	259,521	259,521	256,122
Current assets	8,173	10,376	3,641	22,190	23,451
Current liabilities	—	(9,595)	—	(9,595)	(10,097)
Non-current liabilities	—	(392)	—	(392)	(535)
Pension scheme liability	—	(59,741)	—	(59,741)	(36,159)
	<u>8,173</u>	<u>(59,352)</u>	<u>263,162</u>	<u>211,983</u>	<u>232,782</u>

	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	Total funds 2018 £'000
<b>At 31 August 2018</b>				
Tangible fixed assets	—	—	256,122	256,122
Current assets	8,395	11,505	3,551	23,451
Creditors due within one year	—	(10,097)	—	(10,097)
Creditors due in more than one year	—	(535)	—	(535)
Pension scheme liability	—	(36,159)	—	(36,159)
	<u>8,395</u>	<u>(35,286)</u>	<u>259,673</u>	<u>232,782</u>

## 19. Analysis of expenditure by academy

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

	Teaching and Educational Support Staff costs £'000	Other Support Staff Costs £'000	Educational Supplies £'000	Other Costs excluding dep'n £'000	Total 2019 £'000	Total 2018 £'000
Bridgemary School	2,174	715	187	704	3,780	3,649
Broadfield Primary Academy	1,762	357	78	432	2,629	2,668
Chichester High School	4,566	1,241	213	1,511	7,531	7,720
Cleeve Park School	3,970	1,183	116	1,026	6,295	5,702
Dame Janet Primary Academy	1,663	610	54	388	2,715	2,777
Debden Park High School	4,145	604	82	2,204	7,035	6,690
Drapers Mills Primary Academy	2,066	557	50	422	3,095	3,223
East Wickham Primary Academy	2,083	698	94	519	3,394	3,177
Front Lawn Primary Academy	1,809	504	87	420	2,820	2,695
Gray's Farm Primary Academy	1,540	298	57	392	2,287	2,138
Havant Academy	1,769	549	74	556	2,948	2,631
Heybridge Primary Academy	828	200	18	244	1,290	1,215
Hilltop Primary Academy	1,831	295	53	386	2,565	2,504
Horizon Primary Academy	787	203	46	180	1,216	1,149
Hylands School	2,477	974	84	879	4,414	4,721
Kemnal Technology College	2,275	631	75	830	3,811	4,089
King Harold School	2,201	606	51	705	3,563	3,632
Maldon Primary School	885	219	21	219	1,344	1,508
Miltoncross Academy	3,217	603	248	1,218	5,286	5,031
Napier Community Primary & Nursery Academy	1,630	431	77	384	2,522	2,511
Newlands Primary School	1,192	399	26	302	1,919	2,122
Northdown Primary School	1,479	343	44	301	2,167	2,134
Orchards Academy	2,134	575	46	531	3,286	3,129
Ore Village Primary Academy	1,217	223	36	283	1,759	1,727
Pebsham Primary Academy	731	157	17	162	1,067	1,170
Pluckley Church of England Primary School	288	74	9	144	515	565
Portfield Primary Academy	832	208	28	204	1,272	1,184
Rainham High School for Girls	6,294	1,293	227	1,382	9,196	8,710
Royal Park Primary Academy	1,426	314	104	453	2,297	2,241
Salmestone Primary School	1,173	251	41	287	1,752	1,887
Seal Primary Academy	1,141	266	37	252	1,696	1,835
Seymour Primary School	1,617	196	110	563	2,486	2,440
Shenstone School	2,820	631	58	421	3,930	3,412
Smarden Primary School	297	102	13	114	526	544
Stapleford Abbots Primary Academy	429	148	13	157	747	919
Tangmere Academy	695	136	26	181	1,038	975
<b>Total carried forward</b>	<b>67,443</b>	<b>16,794</b>	<b>2,600</b>	<b>19,356</b>	<b>106,193</b>	<b>104,424</b>

## Notes to the financial statements 31 August 2019

### 19. Analysis of expenditure by academy (continued)

	Teaching and Educational Support Staff costs £'000	Other Support Staff Costs £'000	Educational Supplies £'000	Other Costs excluding dep'n £'000	Total 2019 £'000	Total 2018 £'000
Total brought forward	67,443	16,794	2,600	19,356	106,193	104,424
The Academy, Selsey	1,444	370	45	358	2,217	2,402
The Bewbush Academy	1,930	406	64	447	2,847	2,963
The Mill Primary Academy	1,479	290	64	407	2,240	2,042
The Oaks Primary School	1,345	219	21	347	1,932	1,796
Thomas Bennett Community College	4,311	482	93	1,739	6,625	6,313
Welling Academy	6,202	896	186	2,306	9,590	9,441
Weyfield Primary Academy	863	296	29	297	1,485	1,725
Willow Brook Primary School and Nursery	659	317	27	159	1,162	—
The Kemnal Academies Trust	849	2,059	80	3,763	6,751	8,092
	86,525	22,129	3,209	29,179	141,042	139,198

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

	2019 £'000	2018 £'000
Net (expenditure) / income for the year (as per statement of financial activities)	(4,347)	137
Adjustments for:		
Depreciation charge (note 13)	11,507	9,224
Investment income and interest receivable (note 4)	(37)	(12)
Transfer of cash on conversion (note 22)	(8)	(566)
Donation of building and equipment	(1,701)	(4,665)
Loss on disposal of fixed assets	66	57
Increase in debtors	(6)	(2,054)
(Decrease) increase in creditors	(531)	366
Capital grants from DfE and other capital income	(6,187)	(5,160)
Insurance proceeds for capital items (note 5)	(7,311)	(8,800)
Defined benefit pension scheme obligation inherited (note 22)	734	1,911
Defined benefit pension scheme service cost adjustment (note 24)	5,427	4,366
Defined benefit pension scheme finance cost (note 24)	969	1,079
Net cash used in operating activities	(1,425)	(4,117)

### 21. Analysis of cash and cash equivalents

	2019 £'000	2018 £'000
Cash at bank and in hand	16,462	17,729
	16,462	17,729

## 22. Transfer of existing academy joining the Academy Trust

On 1 September 2018, Willow Brook Primary School and Nursery joined The Kemnal Academies Trust and all the operations and assets and liabilities were transferred to The Kemnal Academies Trust from The Collaborative Academies 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 of existing academy into the Academy Trust (see note 1).

The following tables set out the fair values of the identifiable assets and liabilities transferred:

	Value reported by transferring Trust £'000	Fair value adjustment £'000	Transfer in recognised £'000
Tangible fixed assets			
. Leasehold property (note 13)	3,678	(1,988)	1,690
. Computer equipment (note 13)	8	—	8
. Furniture and equipment (note 13)	3	—	3
Current assets			
. Stock	2	—	2
. Debtors due in less than one year	12	—	12
. Cash	8	—	8
Current liabilities			
. Creditors due in less than one year	(22)	—	(22)
Pensions			
. LGPS pension scheme assets	383	—	383
. LGPS pension scheme liabilities	(1,117)	—	(1,117)
Net assets	2,955	(1,988)	967

## 23. Capital commitments

At 31 August 2019 the Trust had capital commitments as follows:

	2019 £'000	2018 £'000
Contracted for but not provided in these financial statements	3,641	12,203
	3,641	12,203

#### 24. Pension commitments

The Trust's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and various Local Government Pension Schemes (LGPS) for non-teaching staff, which are managed by 9 different Local Authorities (Kent, Essex, West Sussex, East Sussex, Bromley, Bexley, Surrey, Portsmouth and Hampshire County Councils). The TPS and the various LGPS are all multi-employer defined benefit pension schemes.

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

Contributions amounting to £1,053,215 were payable to the schemes at 31 August 2019 (2018 – £1,030,142) and are included within creditors.

##### *Teachers' Pension Scheme*

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

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 under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The Academy Trust is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the Trust has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The Trust has set out above the information available on the plan and the implications for the Trust in terms of the anticipated contribution rates.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (DfE) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196 billion, giving a notional past service deficit of £22 billion.

**24. Pension commitments (continued)**

***Teachers' Pension Scheme (continued)***

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). The Department for Education has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019/20 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The employer's pension costs paid to TPS in the period amounted to £8,009,373 (2018 - £7,908,832).

***Local Government Pension Scheme***

The LGPS is a funded defined benefit scheme, with assets held in separate Trustee-administered funds. The total contribution made for the year ended 31 August 2019 as referenced in the actuarial reports were £7,028,000 (2018 - £6,693,000), of which employer's contributions totalled £5,528,000 (2018 - £5,242,000) and employees' contributions totalled £1,500,000 (2018 - £1,451,000). The agreed contribution rates for future years are 14.1% - 24.1% for employers and 5.5% - 12.5% for employees.

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

<b>Principal actuarial assumptions:</b>	<b>2019</b>	<b>2018</b>
Discount rate for scheme liabilities	1.9%	2.7%
Rate of increase in salaries	3.4%	3.5%
Rate of increase for pensions in payment / inflation	2.2%	2.2%
Inflation assumption (CPI)	2.2%	2.2%

## Notes to the financial statements 31 August 2019

### 24. Pension commitments (continued)

#### *Local Government Pension Scheme (continued)*

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

<b>Mortality assumptions:</b>	<b>2019 Years</b>	<b>2018 Years</b>
<i>Retiring today</i>		
Males	21.2 – 23.5	22.1 – 24.1
Females	23.5 – 26.2	24.4 – 27.2
<i>Retiring in 20 years</i>		
Males	22.1 – 26.2	23.8 – 26.2
Females	24.9 – 28.5	26.3 – 29.4

<b>Sensitivity analysis:</b>	<b>At 31 August 2019 £'000</b>	<b>At 31 August 2018 £'000</b>
Discount rate +0.1 %	(3,512)	1,993
Discount rate -0.1 %	3,572	1,660
Mortality assumption - 1 year increase	4,737	2,178
Mortality assumption - 1 year decrease	(4,652)	2,524

The Trust's share of the assets in the schemes were:

<b>Asset allocation:</b>	<b>At 31 August 2019 £'000</b>	<b>At 31 August 2018 £'000</b>
Equities	49,353	43,582
Corporate bonds	17,721	14,744
Property	7,387	6,616
Cash and other liquid assets	2,582	8,724
Other	8,211	—
<b>Total market value of assets</b>	<b>85,254</b>	<b>73,666</b>

The actual return on scheme assets was £5,505,000 (2018: £4,038,000).

<b>Amounts charged to the statement of financial activities:</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Current and past service costs	(10,876)	(9,544)
Administration costs	(70)	(64)
Net Interest cost	(969)	(1,079)
Benefit changes, gain (loss) on curtailment and gain (loss) on settlement	(9)	—
	<b>(11,924)</b>	<b>(10,687)</b>

## Notes to the financial statements 31 August 2019

### 24. Pension commitments (continued)

#### *Local Government Pension Scheme (continued)*

	2019 £'000	2018 £'000
<b>Changes in the present value of defined benefit obligations:</b>		
At 1 September 2018	109,825	104,794
Transfer into scheme upon conversion	1,117	3,315
Current service cost	8,552	9,495
Past service costs	2,324	49
Interest cost	3,089	2,760
Employee contributions	1,500	1,451
Actuarial loss (gain)	19,870	(10,924)
Benefits paid	(1,312)	(1,115)
Plan introductions, benefit changes, curtailments and settlements	30	—
<b>At 31 August 2019</b>	<b>144,995</b>	<b>109,825</b>

	2019 £'000	2018 £'000
<b>Changes in the fair value in the Trust's share of scheme assets</b>		
At 1 September 2018	73,666	62,710
Transferred in on existing academies joining the Trust	383	1,404
Interest income	2,120	1,681
Actuarial gain	3,418	2,357
Employer contributions	5,528	5,242
Employee contributions	1,500	1,451
Benefits paid	(1,312)	(1,115)
Plan introductions, benefit changes, curtailments and settlements	21	—
Administration costs	(70)	(64)
<b>At 31 August 2019</b>	<b>85,254</b>	<b>73,666</b>

### 25. Operating lease and similar commitments

At 31 August 2019 the total of the Trust's future minimum lease payments under non-cancellable operating leases were as follows:

	2019 £'000	2018 £'000
<b>Amounts payable:</b>		
Within 1 year	512	595
Between 1 and 5 years	512	751
After more than 5 years	36	53
<b>Total commitment</b>	<b>1,060</b>	<b>1,399</b>



## 25. Operating lease and similar commitments (continued)

In addition to the above, four of the properties occupied by the Trust were developed and financed through Private Finance Initiative (PFI) agreements between the PFI contractor and the relevant Local Authority. These properties are not included on the Trust's balance sheet. However, The Trust is subject to secondary agreements with the relevant Local Authority which requires the Trust to make annual contributions towards facilities management. At 31 August 2019, the total of future minimum commitments under such agreements were as follows:

	2019 £'000	2018 £'000
<b>Amounts payable:</b>		
Within 1 year	4,729	4,580
Between 1 and 5 years	18,915	18,319
After more than 5 years	31,344	41,715
<b>Total commitment</b>	<b>54,988</b>	<b>64,614</b>

## 26. Related party transactions

Owing to the nature of the 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 the Trustees have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the Academies Financial Handbook and with the Trust's financial regulations and normal procurement procedures relating to connected and related party transactions. The following related party transactions took place in the financial period.

Trustees / Member	Declaration of interest for The Kemnal Academies Trust	Relationship	Commercial value per annum
Dr Karen Roberts (Chief Executive Officer and Trustee)	Ms D Roberts - School Health Co ordinator at Rainham School for Girls	Sister	Standard terms of employment

Other related party transactions are disclosed within notes 10 and 11 to the financial statements.

## Notes to the financial statements 31 August 2019

### 27. Teaching School trading account

	2019 £'000	2018 £'000
<b>Income</b>		
Direct income	1,303	983
<b>Total income (inclusive of inter-Trust charges)</b>	<b>1,303</b>	<b>983</b>
Less: inter-Trust charges	(198)	(231)
<b>Total income as per statement of financial activities</b>	<b>1,105</b>	<b>752</b>
<b>Expenditure</b>		
Direct costs		
. Direct staff costs	676	444
. Staff development	7	130
. Other direct costs	414	133
	<b>1,097</b>	<b>707</b>
Other costs		
. Support staff costs	60	194
. Recruitment and support	9	11
. Other support costs	7	8
<b>Total expenditure (inclusive of inter-Trust charges)</b>	<b>1,173</b>	<b>920</b>
Less: inter-Trust charges	(195)	(122)
<b>Total expenditure as per statement of financial activities</b>	<b>978</b>	<b>798</b>
Add: sundry expenditure	4	109
<b>Surplus for all services</b>	<b>130</b>	<b>63</b>
Teaching School's balance at 1 September 2018	118	55
<b>Teaching School's balance at 31 August 2019</b>	<b>248</b>	<b>118</b>

### 28. Agency arrangements

The Trust distributes 16-19 bursary funds to students as an agent for ESFA. In the year ended 31 August 2019, the Trust received £158,375 and disbursed £120,898 from the fund. An amount of £37,477 is included in other creditors relating to undistributed funds.

### 29. Post balance sheet events

Cleeve Meadow School, a free school providing special education, opened to pupils on 1 September 2019. The school is currently co-located on the site of Cleeve Park School and is using the facilities of Cleeve Park School until construction on its own building is complete (which is due for completion in February 2020).