
ARNOLD ACADEMY
(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

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ARNOLD ACADEMY
(A Company Limited by Guarantee)

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ARNOLD ACADEMY
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REFERENCE AND ADMINISTRATIVE DETAILS

Members	O Flack C J Barbour S Kelly S Oxley
Governor	O Flack, Community Trustee C J Barbour, Community Trustee, Chair from 1 September 2018 ¹ S Kelly, Headteacher ¹ C A Hewitt, Staff Trustee (resigned 31 July 2019) Rev A Johnson, Community Trustee ¹ S Oxley, Parent Trustee to July 2019, Community Trustee from August 2019 ¹ P M Johnson, Parent Trustee ¹ E Prentice, Staff Trustee (resigned 12 November 2018) ¹ R Shah, Parent Trustee (resigned 21 January 2019) J Breeze, Community Trustee ¹ D Bastiani, Staff Trustee (appointed 3 December 2018) ¹ G Dunger, Parent Trustee (appointed 1 April 2019) ¹ ¹ Members of the Resources Committee
Company registered number	07670723
Company name	Arnold Academy
Principal and registered office	Arnold Academy Hexton Road Barton-Le-Clay Bedfordshire MK45 4JZ
Company secretary	Mrs K Wildey
Senior management team	S Kelly, Headteacher Mrs C McManus, Deputy Headteacher Mrs R Bradford, Assistant Headteacher Mr S Rudkin, Assistant Headteacher Mrs K Wildey, Business Manager Mrs A Wright, Key Stage 2 Leader

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REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Independent auditors	Streets Audit LLP Chartered Accountants Statutory Auditors Potton House Wyboston Lakes Great North Road Wyboston Bedfordshire MK44 3BZ
Bankers	Lloyds TSB Bank Plc Central Milton Keynes Buckinghamshire MK9 3EH
Solicitors	Anthony Collins Solicitors LLP 134 Edmund Street Birmingham B3 2ES

ARNOLD ACADEMY
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GOVERNORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2019

The Governors present their annual report together with the financial statements and auditors' report of the charitable company for the year 1 September 2018 to 31 August 2019. The annual report serves the purposes of both a Governors' report and a directors' report under company law.

Structure, governance and management

a. Constitution

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

The Governors act as trustees for the charitable activities of the Academy and are also Directors of the charitable company for the purposes of company law. The charitable company is known as Arnold Academy.

Details of the governors who served during the year except as noted are included in the Reference and Administrative details on page 1.

Members of the Academy Trust are appointed by the Secretary of State or from within the Governors to include the Chair of the Governors, the Vice Chair, the Headteacher, the Chair of the Resources/Finance Committee and the Chair of the Teaching and Learning Committee.

b. 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.

c. Governors' indemnities

Each member's liability is limited by an indemnity pursuant to the provisions of the Companies Act 2006 in respect of negligence, default, breach of duty or breach of trust in relation to the affairs of the Academy Trust.

d. Method of recruitment and appointment or election of Governors

A Governor's term of office shall be 4 years, but this time limit will not apply to the Headteacher, however any Governor may be re-appointed or re-elected.

Vacancies are advertised in local parish newsletters, on academy social media and parent updates. Parent governor nominations are supported by two other parents of children on role. Community governors are determined on the skill set required to match the responsibilities of the role. Elections are held where there is more than one applicant for the vacancy.

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GOVERNORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Structure, governance and management (continued)

e. Policies adopted for the induction and training of Governors

During the year under review the Governors held three Full Governing Body meetings. In addition the Resources Committee met on three occasions and the Teaching and Learning Committee on three occasions. Additional meetings were held by the Head Teachers performance management committee and chairs committee.

There were two new Governing Body Appointments for the year ending 31 August 2019. All governors are provided with copies of the policies, procedures, minutes, accounts, budgets, plans and other documents they need to undertake their role as governors. New Governors are required to attend a Governor Training course run by the Local Education Authority or such other provider the service to which the Academy subscribes. The Governing Body also continues to hold an informal business meeting at the beginning of the academic year in order to agree roles/responsibilities and to set out the formal meeting dates for the forthcoming year.

f. Organisational structure

The management structure of the Academy now consists of the Headteacher, one Deputy, two Assistant Heads, Key Stage 2 Leader and Business Manager.

The 'Pastoral Hub', staffed by non-teachers, has continued to be very successful and has enabled the Head and Deputy Head to concentrate more time on their strategic and operational roles and providing back up and a degree of succession planning. The assistant heads are responsible for "Teaching, Learning and Standards" and "Behaviour, Attendance and Pastoral" respectively. The overall structure remains the same, consisting of three levels: The Members of the Academy, The Governors and the Senior Leadership Team. The aim of the structure is to devolve responsibility and encourage involvement in decision making at all levels and avoid undue bureaucracy or replication of works and roles.

The Members have delegated their powers to the Governors who are responsible for setting general policy, adopting an annual plan and budget, monitoring the Academy by the use of budgets and making decisions about the direction of the Academy, capital expenditure and senior staff appointments.

Some spending control is devolved to department heads and to the office manager, but the senior managers can authorise expenditure within agreed limits and budgets but capital or other significant expenditure requires authorisation by the Resources committee of the Governors subject to the Academy's best value policy.

The Senior Leadership Team is responsible for the day to day operation of the Academy, in particular organising the teaching staff, facilities and pupils.

g. Arrangements for setting pay and remuneration of key management personnel

The pay scales for key management personnel are set in accordance with the school group size defined as per DfE guidelines. The Headteacher's performance is reviewed with the support of an independent external consultant who advises the Headteacher's performance management committee, which reports to the FGB. The performance of the rest of the senior leadership team is reviewed by the Headteacher, who reports findings and makes recommendations to the full governing body.

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GOVERNORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Structure, governance and management (continued)

h. Trade union facility time

Relevant union officials

Number of employees who were relevant union officials during the year	2
Full-time equivalent employee number	2

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	2
1%-50%	-
51%-99%	-
100%	-

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

Total cost of facility time	-
Total pay bill	-
Percentage of total pay bill spent on facility time	- %

Paid trade union activities

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

Arnold Academy is a member of the Harlington Area Schools Trust (HAST) which consists of 13 local schools operating within one 'pyramid' feeding Harlington Upper School. The arrangement is voluntary and is not, at the present time, a federation or multi-academy trust.

Arnold Academy PTA is a separate registered charity which holds fundraising events for the Academy Trust.

There are no other subsidiary companies or associated organisations.

Objectives and activities

a. Objects and aims

The principal objective and activity of the Academy Trust is the operation of Arnold Academy to provide education for pupils of different abilities between the ages of 9 and 13 and to advance for the public benefit education in the United Kingdom.

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GOVERNORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Objectives and activities (continued)

b. Objectives, strategies and activities

The main objectives for the Academy for the year ended 31st August 2019 are summarised below:

Strategies and activities The Academy's main strategy is encompassed in its mission statement which is "the best we can be in all that we do" To this end the activities include:

- delivering an outstanding educational experience for all pupils through excellent teaching, inventive curricular experiences and modern facilities
- identifying and overcoming barriers to learning through early intervention enabling every child to achieve their potential
- engaging parents, carers and support networks in effective communication to enhance the holistic approach to learning
- establishing sustainable cross phase partnerships that enable schools to pool resources and raise overall standards
- celebrating with the wider community all the achievements of Arnold Academy.

c. Public benefit

The Academy has a strategy to support the local community by offering its premises and facilities to community groups for their use where possible and economic to do so. These opportunities have been further enhanced by the opening of a new sports hall in the autumn of 2018.

d. Equal opportunities policy

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

e. Employee involvement and employment of the disabled

Lifts, ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to all the main areas of the Academy. It is a policy of the Academy to support recruitment and retention of the students and employees with disabilities. The Academy does this by adapting the physical environment, by making support resources available and through training and career development.

The Academy Trust has implemented a number of detailed policies in relation to all aspects of personnel matters including:

- Equal Opportunities Policy
- Volunteers' Policy
- Health & Safety Policy

In accordance with the Academy Trust's Equal Opportunities Policy, the Academy Trust has long established fair employment practices in the recruitment, selection, retention and training of disabled staff.

Full details of these policies are available from the Academy Trust's offices.

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GOVERNORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Strategic report

Achievements and performance

a. Key performance indicators

The eighth year as an Academy has been very successful and has built on the strong performance of previous years. Structures and practice are effectively embedded and continue to achieve outcomes in learning that are improving year on year and remain significantly above local and national benchmarks. Pupil progress over the four years at Arnold remains strong for all groups of pupils. The most recent Key Stage 2 SAT results remained amongst the highest in the local authority and significantly above national and local averages. The new intake number at year five has again been strong and there has been a steady increase in the number of pupils throughout the year as new pupils have been attracted following successful results across the year groups. As of 31st August 2019 there are 689 on roll.

The academy benefitted from the completion of substantial building works and re-modelling, now providing outstanding facilities to include a new sports hall, additional classrooms, IT suite and a new autistic provision (Chiltern). The opening of the new facilities was celebrated in September 2018 which also coincided with 60th anniversary of the school.

The Academy was also successful in its bids to the Condition Improvement Fund. Two projects are now almost complete, total value £760,000:-

- Replacement of all flat roofs
- Distribution Works – to improve, update and extend the Academy's heating system.

Both projects will be enormously beneficial, preventing water leakage and consequential damage, gains in energy efficiency and a reduction in energy cost.

Rigorous processes have been fully embedded into performance management procedures for all staff. Additionally, the new curriculum and assessment procedures have been fully adopted and embraced. Year 5 pupils continue to be benchmarked at the start of the academic year so that their progress can be tracked more accurately throughout their time at Arnold.

The Academy continues to ensure that raising standards and improving enrichment remain high on the agenda. In particular, the transition into and out of the school is well managed, ensuring pupils are happy and that their academic and personal development is not adversely affected. In all these respects new targets and increased rigour of teaching and assessment ensure that standards and achievements continue to improve.

The academy's independent school improvement partner, Paul Hussey, completed a summary review of the year and reported:-

'From the data in the Central Bedfordshire School Cluster Report, Arnold Academy (AA) KS2 outcomes are commendable. 77% of pupils reached the expected standard or better in Reading, Writing and Maths combined. This is much higher than National (65%) and the LA (61%).

The FFT Aspire data for Lower attainers shows a +3.8 value added figure for Reading and a +6.8 value added figure for Maths. It also shows a +5% value added figure for R, W, M combined at KS2. The success at supporting the low prior attainers to reach the expected standard is commendable. The school knows that not as many high prior attainers reached the higher standard in each subject as they might have expected and is putting measures in place to accelerate the progress of these pupils.

KS2 data shows that Arnold Academy is the best performing Middle School in the LA.

The school has also been successful in improving attendance – which at 96% meets their target. The 6.9% persistent absence rate is also low for the sector.

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GOVERNORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Strategic report (continued)

Achievements and performance (continued)

An excellent year for KS2 pupils and staff at Arnold Academy.'

b. Going concern

The Board of Governors has prepared the accounts on a going concern basis, but is in formal talks regarding a proposed transfer into a multi academy trust. The Governors' assessment of going concern is based on the expectation that the school will continue to operate, either as a stand alone company or as part of a multi-academy trust. The Governors do not consider that any changes would be needed to the values of the school's assets or liabilities as a result of the proposed transfer.

Financial review

a. Reserves policy

The Governors review the reserve levels of the Academy termly. This review examines the income and expenditure streams against the forecasts to match commitments etc, and to identify or forecast any potential shortfall. As a minimum, a reserve to provide sufficient working capital to cover delays between spending and receipt of income from the applicable streams and to provide a cushion for unexpected expenditure and emergencies is retained. The Academy will continue to keep reserves at this level subject to constant and on-going review. At 31 August 2019 the Academy held fund balances of £380,742, comprising £134,324 restricted funds and £246,418 unrestricted funds. The trust also has restricted fixed asset fund amounting to £7,611,184.

b. Investment policy

All cash balances held by the academy remain in the academy bank account and are fully committed to the budget for the following year, therefore, the academy does not currently require an Investment Policy.

c. Principal risks and uncertainties

We have been encouraged by recent government pledges on education spending. However with a fluctuating political situation it is impossible to make any clear commitments based on government policy. Levels of school funding have been a significant threat, with the academy having to make year-on-year real terms cuts to expenditure in all areas. On a local level, whilst the HAST pyramid remains strong, Central Bedfordshire Council has a clearly stated aim to move to two-tier. There is also ongoing housebuilding in the immediate and surrounding area, with a large increase expected in the next decade. However, a projected increase in pupil numbers and the significant investment in the fabric of the academy means that the school would be able to adapt to any potential changes of school structure.

The issue of school funding remains the critical long term risk to the academy; real terms and actual funding per pupil remain uncertain. This, coupled with increasing staff costs caused by unfunded pay rises, incremental pay increases, changes to national insurance contributions and changes to employer pension contributions mean that the academy continues to find it increasingly challenging to maintain the high standards it has set and the successes it has achieved.

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GOVERNORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Strategic report (continued)

Financial review (continued)

d. General information

Most of the Academy's income is obtained from the ESFA, the use of which is restricted to particular purposes. Any grants or other sources of income are shown in the statement of financial activities.

During the year ended 31st August 2019, expenditure totalled £4,056,863, versus income of £4,096,426. However, these figures include CIF income of £765,272 and costs of £333,589. As in previous years, operating activities have required the utilisation of accumulated reserves carried over from the previous year. In response to 'year on year' reduced funding, all expenditure remains under constant review. In particular, natural staff turnover and retirements have enabled the school to continue to review staffing levels, re-structuring existing staff to back fill key roles and where possible, recruiting strategically to reduce costs. The Governors are aware that payroll costs are a high percentage of income received, partly due to nationally agreed annual pay rises and increased pension contributions but also due to valued and experienced staff, the majority of which are now on the Upper Pay Scales.

Fundraising

The Academy benefits from the PTA's fundraising activities, designed to provide funds for specific projects such as additional equipment for the playground, additional books for the library, further work stations in Food & Technology Classroom. The Academy also asks for small parental contributions towards design, technology and art activities.

Plans for future periods

The Regional Schools Commissioner agreed to the academy's significant change request and the number on roll will increase to 720 by September 2020. The additional pupils are forward funded by the local authority meaning the academy is not disadvantaged by a funding lag. The increase in numbers allows for some efficiencies and economies of scale.

Work is ongoing within the HAST group of schools towards the formation of a multi academy trust. The academy governors and trustees are strong advocates of the MAT and the Academy has taken an 'early adopter' role within the new organisation, together with five other schools from within the pyramid. As previously stated, the aim is to start the MAT early in 2020, with consultation events with staff, parents and stakeholders to take place in 2019/20.

In respect to teaching & learning, the academy continues to look for opportunities to improve the level of performance of its pupils at all levels and to develop and support the school ethos and values learning. The Academy will remain open to alternative routes of income generation which would aid the Academy in achieving its aims and mission statement.

The Academy continually updates its development plan to react to changes on all levels to benefit its pupils and wider community.

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GOVERNORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Disclosure of information to auditors

Insofar as the Governors are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Governors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Governors' Report, incorporating a strategic report, was approved by order of the board of Governors, as the company directors, on 2 December 2019 and signed on its behalf by:



O Flack
Chair of Resources Committee



S Kelly
Headteacher and Accounting Officer

ARNOLD ACADEMY
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GOVERNANCE STATEMENT

Scope of responsibility

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

The board of Governors has delegated the day-to-day responsibility to the Headteacher, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Arnold Academy and the Secretary of State for Education. They are also responsible for reporting to the board of Governors any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Governors' Report and in the Statement of Governors' Responsibilities. The board of Governors has formally met 3 times during the year.

Attendance during the year at meetings of the board of Governors was as follows:

Governor	Meetings attended	Out of a possible
O Flack	2	3
C J Barbour	1	3
S Kelly, Headteacher and Accounting Officer	3	3
C A Hewitt	3	3
Rev A Johnson	3	3
S Oxley	3	3
P M Johnson	3	3
E Prentice	0	0
R Shah	0	1
J Breeze	3	3
D Bastiani	3	3
G Dunger	1	2

Mrs K Wildey (Business Manager) also attends meetings of the Board of Governors and Mrs E Prentice attend as Clerk to the Governors.

Governance reviews:

The Board of Governors started to review their roles and responsibilities in 2017/18, in line with the new OFSTED framework and this continued in 2018/19. Self evaluation forms have been used to assess the governors' areas of interest and expertise and it was agreed that they would attend some of the weekly staff meetings to increase Governor involvement in the running of the school.

The Resources Committee is a sub-committee of the main board of Governors. Its purpose is to monitor, evaluate and review policy and performance in relation to financial management, comply with reporting and regulatory requirements, receive reports from the Responsible Officer and auditors and draft the annual budget.

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GOVERNANCE STATEMENT (CONTINUED)

Governance (continued)

Attendance at Resources Committee during the year was as follows:

Governor	Meetings attended	Out of a possible
S Oxley	3	3
P M Johnson	3	3
J Breeze	1	3
G Dunger	1	1
Rev A Johnson	3	3
S Kelly	3	3
C J Barbour	1	3
D Bastiani	2	2

Mrs K Wildey (Business Manager) and D Childs (Site Agent) also attend meetings of the Board of Resources Committee.

Review of value for money

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

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

Improving educational outcomes remains a key priority for Arnold Academy. We are committed to each pupil achieving their potential through academic achievement; additional curricular activities and an extensive variety of enrichment opportunities, contributing to the development of the whole person and help them prepare for transition to the upper school.

Targeted Improvement: Arnold Academy continues to use robust tracking methodology for monitoring achievement and is continually reviewing how data can inform staff, enabling them to support and extend pupils learning. Using skilled staff we have a number of intervention techniques that allow us to focus on pupil's learning needs; encouraging innovation and creativity to meet those needs.

Focus on individual pupils: Arnold Academy offers a comprehensive support system and a specialist learning provision. Where appropriate, pupils benefit from one-to one mentoring; small group working and assistance from external specialist agency resources. The Academy rewards excellence and promotes positive behaviour. Achievement is celebrated and all pupils are encouraged to stretch their abilities by trying new activities, developing confidence and leaderships skills.

Collaboration: As a leading member of HAST (Harlington Area Schools' Trust) the Academy works closely with its partner lower schools, middle school and the upper school. Regular meetings of staff at all levels ensure the sharing of good practice and the seamless transition for pupils between schools. One of the core aims for the proposed MAT is to enable an even closer working relationship on the curriculum moving forward.

Quantifying Improvements: All pupils are mapped and tracked via our comprehensive data management system. Results are readily identifiable so that improvement or intervention measures can be quickly deployed.

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GOVERNANCE STATEMENT (CONTINUED)

Review of value for money (continued)

Financial governance and oversight: The resources committee and full governing body (FGB) receive regular (termly) written financial reports based upon the monthly reported income and expenditure. The FGB approves the school budget that has been previously discussed and approved by the resources committee. It is well understood the need to balance expenditure against income, ensuring the Academy Trust remains a going concern. The FGB receives and approves the school's annual accounts and external Auditors Report. The academy has a responsible officer who visits the school termly; tests the financial data and provides a written report to the FGB, which is minuted at the resources committee. The academy has an appropriate 'delegation of authority' in place, ensuring the expenditure is transparent.

Better Purchasing: All contracts and services are routinely reviewed in line with best practise and re-negotiated when appropriate to maintain best value. The Academy obtains three quotes on large expenditure and where this is not achievable, the reasons documented. Arnold Academy continues to be a member of a purchasing consortium, thus maximising leverage on group purchasing. All staff continually look for competitive pricing and use various procurement tools and economies of scale etc. As part of HAST, we routinely benchmark our financial performance against other schools in order to evidence 'good value for money' principles. Again the MAT will provide more opportunities to be a purchasing consortium.

Better Income Generation: Arnold Academy continues to explore all revenue stream opportunities, through the effective hire of its premises and resources to local clubs and sport teams. In addition the school is regularly hired by both educational and non-educational organisations.

Reviewing Controls and Managing Risks: Produced monthly, financial monitoring reports are regularly reviewed by both the Business Manager and Headteacher. In addition, they are presented termly to the FGB. Any significant variances are reported to the FGB and Trustees and where appropriate, remedial action taken. The school's finance department maintains a cash-flow spreadsheet, ensuring timely expenditure, when compared against monthly income received from the ESFA. The Academy does not have large 'cash at bank' balances that require an investment strategy.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Arnold Academy 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 Governors has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of Governors is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the year 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 Governors.

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GOVERNANCE STATEMENT (CONTINUED)

The risk and control framework

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

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

The board of Governors has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Governors have appointed Mrs S Baker, an independent reviewer, to carry out a programme of internal checks.

The reviewer's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems. In particular the checks carried out in the current period included procurement, testing purchasing, invoices, payments, authorisation limits, bank reconciliations and staff salaries.

On a termly basis, the reviewer reports to the board of Governors through the resources committee on the operation of the systems of control and on the discharge of the Governors' financial responsibilities.

Mrs S Baker delivered the schedule of work as planned, provided details of financial reconciliations for VAT which were adopted by the academy.

Review of effectiveness

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

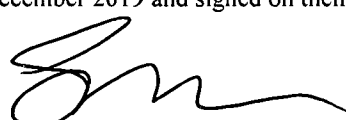
- the work of the reviewer;
- the work of the external auditors;
- the financial management and governance self-assessment process;
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the resources 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 Governors on 2 December 2019 and signed on their behalf by:



O Flack
Chair of Resources Committee



S Kelly
Headteacher and Accounting Officer


ARNOLD ACADEMY
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

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

I confirm that I and the Academy Trust board of Governors are able to identify any material irregular or improper use of all funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's funding agreement and the Academies Financial Handbook 2018.

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


S Kelly
Accounting Officer
Date: 20 DECEMBER 2019

ARNOLD ACADEMY
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STATEMENT OF GOVERNORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2019

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

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

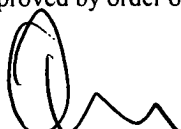
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the board of Governors on 2 December 2019 and signed on its behalf by:



O Flack
Chair of Resources Committee

ARNOLD ACADEMY
(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
ARNOLD ACADEMY**

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

ARNOLD ACADEMY
(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
ARNOLD ACADEMY (CONTINUED)**

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Academy Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Governors' 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 Governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

ARNOLD ACADEMY
(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
ARNOLD ACADEMY (CONTINUED)**

Responsibilities of trustees

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

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



Linda J Lord BSc BFP FCA TEP (Senior Statutory Auditor)

for and on behalf of
Streets Audit LLP
Chartered Accountants
Statutory Auditors
Potton House
Wyboston Lakes
Great North Road
Wyboston
Bedfordshire
MK44 3BZ

Date: 11 DECEMBER 2019

ARNOLD ACADEMY
(A Company Limited by Guarantee)

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO ARNOLD
ACADEMY AND THE EDUCATION & SKILLS FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 24 October 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Arnold Academy 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 Arnold Academy and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Arnold Academy and ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Arnold Academy and ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Arnold Academy's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Arnold Academy's funding agreement with the Secretary of State for Education dated 8 July 2011 and the Academies Financial Handbook, extant from 1 September 2018, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2018 to 2019. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2018 to 31 August 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2018 to 2019 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw our conclusions included:


- Review of the academy's systems and controls to ensure effective design
- Confirmation of satisfactory operation of controls during the year, including authorisation of invoices, payments and salary adjustments
- Review of a sample of expenses focussing on those areas considered to include transactions of a greater risk
- Review of the reports from internal scrutiny work undertaken during the year
- Discussions with the finance team

ARNOLD ACADEMY
(A Company Limited by Guarantee)

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO ARNOLD
ACADEMY AND THE EDUCATION & SKILLS FUNDING AGENCY (CONTINUED)**

Conclusion

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



Linda J Lord BSc BFP FCA TEP

Streets Audit LLP

Date: 11 DECEMBER 2019

ARNOLD ACADEMY
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE
ACCOUNT)
FOR THE YEAR ENDED 31 AUGUST 2019**

		Unrestricted funds 2019 £	Restricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £	<i>Total funds 2018 £</i>
	Note					
Income from:						
Donations and capital grants	3	124,121	27,803	804,800	956,724	116,050
Charitable activities	4	-	3,133,387	-	3,133,387	2,928,952
Other trading activities	5	5,931	-	-	5,931	9,702
Investments	6	384	-	-	384	554
Total income		130,436	3,161,190	804,800	4,096,426	3,055,258
Expenditure on:						
Raising funds	7	121,875	-	-	121,875	84,679
Charitable activities	8	-	3,227,365	707,623	3,934,988	3,414,759
Total expenditure		121,875	3,227,365	707,623	4,056,863	3,499,438
Net movement in funds before other recognised gains/(losses)		8,561	(66,175)	97,177	39,563	(444,180)
Other recognised gains/(losses):						
Actuarial losses on defined benefit pension schemes	23	-	(275,000)	-	(275,000)	231,000
Net movement in funds		8,561	(341,175)	97,177	(235,437)	(213,180)
Reconciliation of funds:						
Total funds brought forward		237,857	(446,501)	7,514,007	7,305,363	7,518,543
Net movement in funds		8,561	(341,175)	97,177	(235,437)	(213,180)
Total funds carried forward		246,418	(787,676)	7,611,184	7,069,926	7,305,363

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

The notes on pages 26 to 49 form part of these financial statements.

ARNOLD ACADEMY
(A Company Limited by Guarantee)
REGISTERED NUMBER: 07670723

BALANCE SHEET
AS AT 31 AUGUST 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	14	7,168,374	7,480,734
		<u>7,168,374</u>	<u>7,480,734</u>
Current assets			
Debtors	15	466,631	146,075
Cash at bank and in hand		769,294	787,006
		<u>1,235,925</u>	<u>933,081</u>
Creditors: amounts falling due within one year	16	(346,132)	(572,452)
Net current assets		<u>889,793</u>	<u>360,629</u>
Total assets less current liabilities		<u>8,058,167</u>	<u>7,841,363</u>
Creditors: amounts falling due after more than one year	17	(66,241)	-
Net assets excluding pension liability		<u>7,991,926</u>	<u>7,841,363</u>
Defined benefit pension scheme liability	23	(922,000)	(536,000)
Total net assets		<u><u>7,069,926</u></u>	<u><u>7,305,363</u></u>

ARNOLD ACADEMY
(A Company Limited by Guarantee)

BALANCE SHEET (CONTINUED)
AS AT 31 AUGUST 2019

	Note	2019 £	2018 £
Funds of the Academy Trust			
Restricted funds:			
Fixed asset funds	18	7,611,184	7,514,007
Restricted income funds	18	134,324	89,499
Restricted funds excluding pension asset	18	7,745,508	7,603,506
Pension reserve	18	(922,000)	(536,000)
Total restricted funds	18	6,823,508	7,067,506
Unrestricted income funds	18	246,418	237,857
Total funds		7,069,926	7,305,363

The financial statements on pages 22 to 49 were approved by the Governors, and authorised for issue on 2 December 2019 and are signed on their behalf, by:



O Flack
Chair of Resources Committee



S Kelly
Headteacher and Accounting Officer

The notes on pages 26 to 49 form part of these financial statements.

ARNOLD ACADEMY
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Net cash (used in)/provided by operating activities	20	(27,012)	2,874,165
Cash flows from investing activities	21	9,300	(2,487,419)
Change in cash and cash equivalents in the year		(17,712)	386,746
Cash and cash equivalents at the beginning of the year		787,006	400,260
Cash and cash equivalents at the end of the year	22	<u>769,294</u>	<u>787,006</u>

The notes on pages 26 to 49 form part of these financial statements

ARNOLD ACADEMY
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies

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

1.1 Basis of preparation of financial statements

The financial statements of the Academy Trust, which is a public benefit entity under FRS 102, have been prepared under the historic cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2018 to 2019 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

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

1.2 Going concern

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

1.3 Income

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

• **Grants**

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

General Annual Grant is recognised in full in the Statement of Financial Activities in the year for which it is receivable and any abatement in respect of the year is deducted from income and recognised as a liability.

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

• **Donations**

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

ARNOLD ACADEMY
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies (continued)

1.3 Income (continued)

- **Other income**

Other income, including the hire of facilities, is recognised in the year it is receivable and to the extent the Academy Trust has provided the goods or services.

1.4 Expenditure

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

- **Expenditure on raising funds**

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

- **Charitable activities**

These are costs incurred on the Academy Trust's educational operations, including support costs and costs relating to the governance of the Academy Trust apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

1.5 Interest receivable

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

1.6 Taxation

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

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

ARNOLD ACADEMY
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies (continued)

1.7 Tangible fixed assets

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

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

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

Depreciation is provided on the following bases:

Freehold property	- over the remaining useful life of 25.78 years
Plant and machinery	- 20% per annum straight line
Fixtures, fittings and equipment	- 15% or 20% per annum straight line

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

1.8 Liabilities

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

ARNOLD ACADEMY
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies (continued)

1.9 Financial instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 15. Prepayments are not financial instruments. Amounts due to the Academy Trust's wholly owned subsidiary are held at face value less any impairment. Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 16 and 17. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument. Amounts due to the Academy Trust's wholly owned subsidiary are held at face value less any impairment.

1.10 Operating leases

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

1.11 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

ARNOLD ACADEMY
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies (continued)

1.12 Fund accounting

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

Designated funds comprise unrestricted funds that have been set aside by the Governors for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

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

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

Investment income, gains and losses are allocated to the appropriate fund.

2. Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions:

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

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

ARNOLD ACADEMY
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

3. Income from donations and capital grants

	Unrestricted funds 2019 £	Restricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £	Total funds 2018 £
Donations	19,917	27,803	-	47,720	29,173
Government grants	-	-	804,800	804,800	12,370
School fund income	104,204	-	-	104,204	74,507
	<u>124,121</u>	<u>27,803</u>	<u>804,800</u>	<u>956,724</u>	<u>116,050</u>
<i>Total 2018</i>	<u>89,233</u>	<u>14,447</u>	<u>12,370</u>	<u>116,050</u>	

4. Funding for the Academy Trust's educational operations

	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
DfE/ESFA grants			
General Annual Grant	2,521,293	2,521,293	2,431,250
Other DfE/ESFA grants	179,546	179,546	160,214
Local authority grants	309,462	309,462	213,170
Catering	117,868	117,868	100,062
Consultancy and other income	2,987	2,987	20,953
Study books	2,231	2,231	3,303
	<u>3,133,387</u>	<u>3,133,387</u>	<u>2,928,952</u>

ARNOLD ACADEMY
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

5. Income from other trading activities

	Unrestricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Hire of facilities	5,931	5,931	9,702

6. Investment income

	Unrestricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Interest received	384	384	554

7. Expenditure

	Staff Costs 2019 £	Premises 2019 £	Other 2019 £	Total 2019 £	Total 2018 £
Expenditure on raising voluntary income:					
Direct costs	-	-	121,875	121,875	84,679
Educational operations:					
Direct costs	2,326,894	-	131,156	2,458,050	2,269,451
Allocated support costs	497,294	419,734	559,910	1,476,938	1,145,308
	2,824,188	419,734	812,941	4,056,863	3,499,438
<i>Total 2018</i>	2,697,882	209,772	591,784	3,499,438	

ARNOLD ACADEMY
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

8. Analysis of expenditure on charitable activities

Summary by fund type

	Restricted funds 2019 £	Total funds 2019 £	<i>Total funds 2018 £</i>
Educational operations	3,934,988	3,934,988	3,414,759

9. Analysis of expenditure by activities

	Activities undertaken directly 2019 £	Support costs 2019 £	Total funds 2019 £	<i>Total funds 2018 £</i>
Educational operations	2,458,050	1,476,938	3,934,988	3,414,759
<i>Total 2018</i>	<i>2,269,451</i>	<i>1,145,308</i>	<i>3,414,759</i>	

Analysis of direct costs

	Educational operations 2019 £	Total funds 2019 £	<i>Total funds 2018 £</i>
Staff costs	2,315,777	2,315,777	2,217,244
Educational Supplies	50,472	50,472	52,052
Agency staff costs	11,117	11,117	155
Restorative Practice	80,684	80,684	-
	2,458,050	2,458,050	<i>2,269,451</i>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

9. Analysis of expenditure by activities (continued)

Analysis of support costs

	Educational operations 2019 £	Total funds 2019 £	<i>Total funds 2018 £</i>
Net interest cost on pension	14,000	14,000	18,000
Staff costs	497,294	497,294	480,523
Depreciation	312,360	312,360	222,015
Staff development	6,917	6,917	9,545
Technology	64,855	64,855	59,170
Recruitment and support	7,975	7,975	12,023
Maintenance of premises and Equipment	32,429	32,429	22,928
Cleaning	3,154	3,154	2,231
Rent and rates	28,493	28,493	22,661
Energy costs	28,416	28,416	38,986
Insurance	23,878	23,878	18,011
Security and transport	4,451	4,451	2,480
Catering	55,535	55,535	51,554
Other costs	25,217	25,217	23,480
Expansion costs	22,146	22,146	64,100
LED Project	-	-	81,527
CIF costs	333,589	333,589	-
Governance costs	16,229	16,229	16,074
	<u>1,476,938</u>	<u>1,476,938</u>	<u>1,145,308</u>

10. Net income/(expenditure)

Net income/(expenditure) for the year includes:

	2019 £	<i>2018 £</i>
Depreciation of tangible fixed assets	312,360	222,015
Gain on disposal of fixed assets	(2,985)	-
Fees paid to auditors for:		
- audit	7,425	7,210
- other services	5,146	5,555

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**NOTES TO THE FINANCIAL STATEMENTS
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11. Staff costs

a. Staff costs

Staff costs during the year were as follows:

	2019 £	2018 £
Wages and salaries	2,156,605	2,041,727
Social security costs	188,169	181,265
Pension costs	468,297	474,775
	<u>2,813,071</u>	<u>2,697,767</u>
Agency staff costs	11,117	115
	<u>2,824,188</u>	<u>2,697,882</u>
	2019 £	2018 £
Severance payments	7,656	-
	<u>7,656</u>	<u>-</u>

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

There was one non-statutory/non contractual severance payment made to one individual during the year amounting to £7,656 (2018 no severance payments were made).

c. Staff numbers

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

	2019 No.	2018 No.
Management	6	7
Teaching staff	30	30
Support Staff	60	62
	<u>96</u>	<u>99</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

11. Staff costs (continued)

c. Staff numbers (continued)

The average headcount expressed as full-time equivalents was:

	2019	<i>2018</i>
	No.	<i>No.</i>
Management	6	<i>7</i>
Teaching staff	28	<i>28</i>
Support staff	36	<i>34</i>
	<hr/> 70 <hr/>	<hr/> <i>69</i> <hr/>

d. Higher paid staff

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

	2019	<i>2018</i>
	No.	<i>No.</i>
In the band £60,001 - £70,000	1	<i>-</i>
In the band £70,001 - £80,000	-	<i>1</i>
In the band £80,001 - £90,000	1	<i>-</i>
	<hr/> 1 <hr/>	<hr/> <i>1</i> <hr/>

e. Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management 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 academy trust was £426,728 (2018 - £411,229).

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**NOTES TO THE FINANCIAL STATEMENTS
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12. Governors' remuneration and expenses

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

		2019 £	2018 £
S Kelly, Headteacher	Remuneration	85,000 - 90,000	80,000 - 85,000
	Pension contributions paid	10,000 - 15,000	10,000 - 15,000
C A Hewitt, Staff Trustee (resigned 31 July 2019)	Remuneration	35,000 - 40,000	35,000 - 40,000
	Pension contributions paid	5,000 - 10,000	5,000 - 10,000
D Bastiani, Staff Trustee (appointed 3 December 2018)	Remuneration	35,000 - 40,000	
	Pension contributions paid	5,000 - 10,000	
E Prentice, Staff Trustee (resigned 12 November 2018)	Remuneration		10,000 - 15,000
	Pension contributions paid		0 - 5,000

During the year ended 31 August 2019, no Governor expenses have been incurred (2018 - £NIL).

13. Governors' and Officers' insurance

The Academy Trust has opted into the Department of Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business, and provides cover up to £10,000,000. It is not possible to quantify the Governors and officers indemnity element from the overall cost of the RPA scheme membership.

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14. Tangible fixed assets

	Freehold property £	Furniture and equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 September 2018	8,711,487	91,991	15,000	8,818,478
Disposals	-	-	(10,000)	(10,000)
At 31 August 2019	8,711,487	91,991	5,000	8,808,478
Depreciation				
At 1 September 2018	1,243,300	80,111	14,333	1,337,744
Charge for the year	304,100	7,593	667	312,360
On disposals	-	-	(10,000)	(10,000)
At 31 August 2019	1,547,400	87,704	5,000	1,640,104
Net book value				
At 31 August 2019	7,164,087	4,287	-	7,168,374
At 31 August 2018	7,468,187	11,880	667	7,480,734

15. Debtors

	2019 £	2018 £
Due within one year		
Trade debtors	460	5,882
Prepayments and accrued income	391,261	42,159
VAT recoverable	74,910	98,034
	466,631	146,075

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

16. Creditors: Amounts falling due within one year

	2019 £	2018 £
Other loans	10,191	-
Trade creditors	248,728	10,420
Accruals and deferred income	87,213	562,032
	<u>346,132</u>	<u>572,452</u>

At the balance sheet date the academy trust was holding £24,307 (2018 £19,088) received in advance of school trips and £3,413 (2018 £4,283) received in advance for catering income.

During the year the academy was awarded a Salix loan totalling £81,527 (awarded by the ESFA in connection with the academy's CIF funding). £10,191 of the loan is repayable within one year.

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

	2019 £	2018 £
Other loans	<u>66,241</u>	<u>-</u>

The aggregate amount of liabilities payable or repayable wholly or in part more than five years after the reporting date is:

	2019 £	2018 £
Payable or repayable by instalments	25,477	-
	<u>25,477</u>	<u>-</u>

The academy was awarded a Salix loan of £81,527 from the ESFA. The loan is repayable in half yearly instalments of £5,095. £25,477 is repayable after more than five years.

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**NOTES TO THE FINANCIAL STATEMENTS
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18. Statement of funds

	Balance at 1 September 2018 £	Income £	Expenditure £	Gains/ (Losses) £	Balance at 31 August 2019 £
Unrestricted funds					
Designated funds					
School funds	50,647	104,204	(121,875)	-	32,976
General funds					
General Funds	187,210	26,232	-	-	213,442
Total Unrestricted funds	237,857	130,436	(121,875)	-	246,418
Restricted general funds					
General Annual Grant (GAG)	89,499	2,502,873	(2,483,364)	-	109,008
Other DfE/ESFA grants	-	197,966	(197,966)	-	-
Local authority grants	-	203,462	(203,462)	-	-
Catering	-	117,868	(117,868)	-	-
Donations and other income	-	16,274	(16,274)	-	-
PTA Donation	-	14,516	(14,516)	-	-
Study books	-	2,231	(2,231)	-	-
Restorative Practice	-	106,000	(80,684)	-	25,316
Pension reserve	(536,000)	-	(111,000)	(275,000)	(922,000)
	(446,501)	3,161,190	(3,227,365)	(275,000)	(787,676)

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**NOTES TO THE FINANCIAL STATEMENTS
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18. Statement of funds (continued)

	Balance at 1 September 2018 £	Income £	Expenditure £	Gains/ (Losses) £	Balance at 31 August 2019 £
Restricted fixed asset funds					
Fixed Asset Reserve	7,480,734	-	(312,360)	-	7,168,374
DfE/ESFA Capital Grants	-	39,528	(39,528)	-	-
Expansion Project	33,273	-	(33,273)	-	-
CIF Works	-	765,272	(322,462)	-	442,810
	<u>7,514,007</u>	<u>804,800</u>	<u>(707,623)</u>	<u>-</u>	<u>7,611,184</u>
Total Restricted funds	<u>7,067,506</u>	<u>3,965,990</u>	<u>(3,934,988)</u>	<u>(275,000)</u>	<u>6,823,508</u>
Total funds	<u>7,305,363</u>	<u>4,096,426</u>	<u>(4,056,863)</u>	<u>(275,000)</u>	<u>7,069,926</u>

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

Designated Funds

School Fund: The Academy maintains a separate school fund which includes income and expenditure relating to school trips and other fundraising activities.

General Funds

The Academy's general fund represents income and expenditure relating to activities undertaken by the academy as part of its charitable activities. The Academy can use these funds for any purpose.

Restricted Funds

The Academy received a number of grants during the year for the purpose of providing educational services to its pupils. These funds included grants from the ESFA for the General Annual Grant (GAG) and Pupil Premium. These grants have been used for staff costs, educational resources and general costs incurred in the running of the Academy. The PTA donated £10,000 during the year which was used towards the cost of ICT purchases for the new building.

Pension Reserve - As stated in note 23 the Academy is a participating employer in two defined benefit pension schemes. The liabilities relating to Arnold Academy can only be determined for one of these schemes. A separate reserve has been included to show the impact of the changes in valuation of this pension scheme.

Restricted Fixed Asset Funds

Assets which are capitalised in the accounts are represented by a separate fund within the Restricted Fixed Assets reserves. The Academy continued to receive income from Devolved Formula Capital grant which was used to fund the expansion work at the school.

In 2016/17 the Academy was awarded £2,752,000 by Central Bedfordshire Council to fund the refurbishment of existing classrooms and the construction of new facilities as part of a planned expansion in pupil numbers, of which £33,273 remained unspent at 31 August 2018. These funds were fully utilised during the year.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

18. Statement of funds (continued)

In 2018/19 the Academy was awarded CIF funding totalling £765,272 for roofing and distribution works. Work commenced over the summer holiday and will be completed in the forthcoming year, hence the balance of £442,810 will be fully utilised in 2019/20.

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

18. Statement of funds (continued)

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

	<i>1 September 2017 £</i>	<i>Income £</i>	<i>Expenditure £</i>	<i>Transfers in/out £</i>	<i>31 August 2018 £</i>
Unrestricted funds					
Designated funds					
School funds	60,265	75,061	(84,679)	-	50,647
General funds					
General Funds	162,782	24,428	-	-	187,210
Total Unrestricted funds	223,047	99,489	(84,679)	-	237,857
Restricted general funds					
General Annual Grant (GAG)	133,744	2,431,251	(2,475,496)	-	89,499
Other DfE/ESFA grants	-	160,214	(160,214)	-	-
Local authority grants	-	213,170	(213,170)	-	-
Catering	-	100,062	(100,062)	-	-
Donations and other income	-	20,953	(20,953)	-	-
PTA Donation	-	14,447	(14,447)	-	-
Study books	-	3,302	(3,302)	-	-
Pension reserve	(626,000)	-	(141,000)	231,000	(536,000)
	(492,256)	2,943,399	(3,128,644)	231,000	(446,501)
Restricted fixed asset funds					
Fixed Asset Reserve	5,205,074	-	(222,015)	-	7,480,734
DfE/ESFA Capital Grants	-	12,370	-	-	-
Expansion Project	2,582,678	-	(64,100)	-	33,273
	7,787,752	12,370	(286,115)	-	7,514,007
Total Restricted funds	7,295,496	2,955,769	(3,414,759)	231,000	7,067,506
Total funds	7,518,543	3,055,258	(3,499,438)	231,000	7,305,363

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

19. Analysis of net assets between funds

Analysis of net assets between funds - current year

	Unrestricted funds 2019 £	Restricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £
Tangible fixed assets	-	-	7,168,374	7,168,374
Current assets	246,418	346,836	642,671	1,235,925
Creditors due within one year	-	(146,271)	(199,861)	(346,132)
Creditors due in more than one year	-	(66,241)	-	(66,241)
Provisions for liabilities and charges	-	(922,000)	-	(922,000)
Total	246,418	(787,676)	7,611,184	7,069,926

Analysis of net assets between funds - prior year

	<i>Unrestricted funds 2018 £</i>	<i>Restricted funds 2018 £</i>	<i>Restricted fixed asset funds 2018 £</i>	<i>Total funds 2018 £</i>
Tangible fixed assets	-	-	7,480,734	7,480,734
Current assets	237,857	295,974	399,250	933,081
Creditors due within one year	-	(206,475)	(365,977)	(572,452)
Provisions for liabilities and charges	-	(536,000)	-	(536,000)
Total	237,857	(446,501)	7,514,007	7,305,363

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**NOTES TO THE FINANCIAL STATEMENTS
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20. Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2019 £	2018 £
Net income/(expenditure) for the year (as per Statement of Financial Activities)	39,563	(444,180)
Adjustments for:		
Depreciation	312,360	222,015
Interest receivable	(6,315)	(10,256)
Defined benefit pension scheme cost less contributions payable	111,000	141,000
(Increase)/decrease in debtors	(320,556)	2,504,789
(Decrease)/increase in creditors	(160,079)	460,797
Profit on sale of fixed assets	(2,985)	-
Net cash (used in)/provided by operating activities	(27,012)	2,874,165

21. Cash flows from investing activities

	2019 £	2018 £
Dividends, interest and rents from investments	6,315	10,256
Purchase of tangible fixed assets	-	(2,497,675)
Proceeds from the sale of tangible fixed assets	2,985	-
Net cash provided by/(used in) investing activities	9,300	(2,487,419)

22. Analysis of cash and cash equivalents

	2019 £	2018 £
Cash in hand	769,294	787,006
Total cash and cash equivalents	769,294	787,006

23. Pension commitments

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

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NOTES TO THE FINANCIAL STATEMENTS
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23. Pension commitments (continued)

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

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pension Scheme

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

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

Valuation of the Teachers' Pension Scheme

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

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

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 September 2019.

The employer's pension costs paid to TPS in the year amounted to £228,483 (2018 £221,770).

A copy of the valuation report and supporting documentation is on the [Teachers' Pensions website](#).

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

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**NOTES TO THE FINANCIAL STATEMENTS
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23. Pension commitments (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2019 was £177,000 (2018 £165,000), of which employer's contributions totalled £140,000 (2018 £129,000) and employees' contributions totalled £37,000 (2018 £36,000). The agreed contribution rates for future years are 21.7 per cent for employers and variable per cent for employees.

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

Principal actuarial assumptions

	2019	2018
	%	%
Rate of increase in salaries	2.5	2.6
Rate of increase for pensions in payment/inflation	2.2	2.3
Discount rate for scheme liabilities	1.9	2.8

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

	2019	2018
	Years	Years
<i>Retiring today</i>		
Males	20.7	22.4
Females	23.2	24.5
<i>Retiring in 20 years</i>		
Males	21.7	24.0
Females	24.7	26.2

Sensitivity analysis

	2019	2018
	£000	£000
Discount rate -0.1%	55	51
CPI rate +0.1%	49	46
Salary increase rate +0.1%	6	5

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**NOTES TO THE FINANCIAL STATEMENTS
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23. Pension commitments (continued)

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

	At 31 August 2019 £	<i>At 31 August 2018 £</i>
Equities	1,012,000	738,000
Corporate bonds	228,000	178,000
Property	138,000	115,000
Cash and other liquid assets	68,000	242,000
Total market value of assets	1,446,000	1,273,000

The actual return on scheme assets was £38,000 (2018 £28,000).

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

	2019 £	<i>2018 £</i>
Current service cost	(228,000)	(252,000)
Past service cost	(9,000)	-
Interest income	37,000	28,000
Interest cost	(51,000)	(46,000)
Total amount recognised in the Statement of Financial Activities	(251,000)	(270,000)

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

	2019 £	<i>2018 £</i>
At 1 September	1,809,000	1,693,000
Current service cost	228,000	252,000
Interest cost	51,000	46,000
Employee contributions	37,000	36,000
Actuarial losses/(gains)	273,000	(201,000)
Benefits paid	(40,000)	(17,000)
Past service costs	9,000	-
At 31 August	2,367,000	1,809,000

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NOTES TO THE FINANCIAL STATEMENTS
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23. Pension commitments (continued)

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

	2019 £	2018 £
At 1 September	1,273,000	1,067,000
Interest income	37,000	28,000
Actuarial (losses)/gains	(2,000)	30,000
Employer contributions	140,000	129,000
Employee contributions	37,000	36,000
Benefits paid	(40,000)	(17,000)
At 31 August	1,445,000	1,273,000

24. Members' liability

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

25. Related party transactions

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

During the year the following related party transactions took place.

Mr S Kelly, Headteacher, Trustee and Accounting Officer of Arnold Academy is also a Trustee of Arnold Academy PTA, an independent registered charity outside the control of the Academy. During this year Arnold Academy PTA donated £14,516 (2018 £20,953) to Arnold Academy. There were no amounts due to or from Arnold PTA at the balance sheet date (2018 £nil). Mr S Kelly abstains from any decisions about donations made by Arnold Academy PTA to the school, to avoid any potential conflict of interest.

Mr O Flack, a Trustee at Arnold Academy is also a Trustee of the Harlington Area Schools Trust (HAST), an independent charitable company. Arnold Academy is also a member of HAST. During the year, Arnold Academy received income totalling £7,356 (2018 £20,953). At the balance sheet date HAST owed Arnold Academy £nil (2018 £5,445).

Rev A Johnson, a Trustee at Arnold Academy is also a Trustee of the Barton Le Clay Education Trust, an independent charitable company. During the year, Arnold Academy received income totalling £500 (2018 £500). There were no amounts due to or from Barton Le Clay Educational Trust at the balance sheet date (2018 £nil).