
ARNOLD ACADEMY
(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

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ARNOLD ACADEMY
(A Company Limited by Guarantee)

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REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 AUGUST 2018

Members

O Flack
C J Barbour
S Kelly
S Oxley (appointed 9 October 2017)

Governors

O Flack, Chair until 1 September 2018¹
C J Barbour, Community Trustee, Chair from 1 September 2018
S Kelly, Headteacher¹
C A Hewitt, Staff Trustee
Rev A Johnson, Community Trustee¹
S Oxley, Parent Trustee¹
P M Johnson, Parent Trustee¹
E Prentice, Staff Trustee¹
R Shah, Parent Trustee
J Breeze, Community Trustee (appointed 1 September 2017)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, Head Teacher
Mrs C McManus, Deputy Head Teacher
Mrs R Moss, Assistant Head Teacher (resigned April 2018)
Mrs R Bradford, Assistant Head Teacher
Mrs K Wildey, Business Manager
Mrs A Wright, Key Stage 2 Leader
Mr S Rudkin, Acting Assistant Head Teacher (appointed April 2018)

Independent auditors

Streets Audit LLP, Potton House, Wyboston Lakes, Great North Road, Wyboston, Bedfordshire, MK44 3BZ

ARNOLD ACADEMY
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY TRUST, ITS GOVERNORS AND
ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2018**

Advisers (continued)

Bankers

Lloyds TSB Bank Plc, Central Milton Keynes, Buckinghamshire, MK9 3EH

Solicitors

Anthony Collins Solicitors LLP, 134 Edmund Street, Birmingham, B3 2ES

ARNOLD ACADEMY
(A Company Limited by Guarantee)

GOVERNORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2018

The Governors present their annual report together with the financial statements and auditor's report of the charitable company for the 1 September 2017 to 31 August 2018. 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 Principal, 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 2018

e. POLICIES AND PROCEDURES 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 Headteacher's performance management committee and chairs committee.

There was one new Governing Body appointments for year ending 31 August 2018. 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. All new Governors are required to attend a Governors Training course run by the Local Education Authority or such other provider the service to which the Academy subscribes. The Governing Body also introduced an informal business meeting in September 2016 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, a Key Stage 2 leader & Business Manager. The 'Pastoral Hub', staffed by non-teachers, has been 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.

The Senior Leadership Team at Arnold Academy consists of the headteacher, one deputy head, two assistant heads, a Key Stage 2 leader & Business Manager. 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 students.

g. PAY POLICY FOR 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. 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 2018

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. CONNECTED ORGANISATIONS, INCLUDING RELATED PARTY RELATIONSHIPS

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 connected 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 2018

b. 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

In setting our objectives and planning our activities, the Governors have given careful consideration to the Charity Commission's general guidance on 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.

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 2018

Strategic report

Achievements and performance

a. KEY PERFORMANCE INDICATORS

The seventh year as an Academy has been its most successful yet 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. This resulted in the school being over-subscribed in three out of four year groups. As of 31st August 2018 there were 625 children on roll.

The academy underwent substantial building works and re-modelling in this academic year and now provides some of the best facilities in the county. The main project was the construction of a new sports hall, with associated facilities. The project also provided: additional classrooms, IT suite, two science labs, pupil dining space, staffroom, extended playground, extended car park and a new autistic provision (Chiltern). The new facilities were open on 1st September 2018 and a celebration occurred at the end of September to mark the opening and 60th anniversary of the school.

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 Academy.

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 effected. In all these respects new targets and increased rigour of teaching and assessment ensure that standards and achievements continue to improve.

In July 2018 the academy's independent school improvement partner, Paul Hussey, completed a summary review of the year and reported to governors:

'In my view, the school continues to improve rapidly. The achievements of the past year should be celebrated. The expansion of the school is going well and will allow the school to meet the needs of the pupils even better than it does at present. It has been a successful year for the school and I commend this progress to staff and Governors.'

b. GOING CONCERN

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

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

Financial review

a. FINANCIAL REVIEW

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, the academy's income totalled £3,055,258 (2017 £5,636,241, which included a grant of £2,752,000) from Central Bedfordshire Council towards the costs of expanding pupil capacity at the academy). Expenditure totalled £3,499,438 (2017 £3,386,906) in the year, of which £64,100 (2017 £169,322) was in respect of refurbishment for the expansion project, £123,000 (2017 £89,000) related to the Academy's Local Government Pension Scheme and £222,015 (2017 £222,349) was the depreciation charge for the year. The Academy has reduced its accumulated GAG reserve from £133,744 to £89,499, primarily to fund an LED lighting project across the school, and expects to use some of this reserve in the forthcoming year to support the cost of growing pupil numbers which is not fully funded by Central Bedfordshire Council.

The Academy also recognised Devolved Formula Capital income of £12,370 which was used to finance the school expansion works, leaving a nil balance at the year end. The restricted fixed asset fund for the expansion project includes a balance of £33,273 from Central Bedfordshire Council funds which will be used in the forthcoming year for the completion of new buildings on the existing site.

At 31 August 2018, the net book value of fixed assets was £7,480,734. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy.

The Academy monitors all areas of expenditure, being aware that there are constant pressures on the Academy's grant funding. In particular, natural staff turnover and retirements have enabled us 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. Although these elements are beyond the Academy's control, the senior leadership team have been having meetings to discuss the staff salaries costs.

b. 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, the reserves should 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. The Academy will continue to keep reserves at this level subject to constant and on-going review.

The academy held fund balances at 31 August 2018, excluding pension deficit, of £7,841,363 comprising Restricted Fixed Asset Funds of £7,514,007, Restricted Funds of £89,499 and Unrestricted Funds of £237,857.

c. 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.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

d. PRINCIPAL RISKS AND UNCERTAINTIES

The direction of government education policy is a significant risk to the school. Levels of school funding remain 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, the future of the three tier system within Central Bedfordshire remains uncertain. However, a projected increase in pupil numbers and a potential 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 continues to decline. 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 will find it increasingly challenging to maintain the high standards it has set and the successes it has achieved.

Fundraising

The Academy does not undertake significant fundraising activities. The Academy does ask for small parental contributions towards design, technology and art activities.

Plans for future periods

a. FUTURE DEVELOPMENTS

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

Discussions are ongoing within the HAST group of schools as to their response to the government's white paper 'Education Excellence Everywhere', which advocates all schools becoming academies and forming multi-academy trusts. The academy governors and trustees are strong advocates of the MAT and propose that Arnold takes an 'early adopter' role within the new organisation. Timelines are yet to be determined.

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 students and wider community.

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GOVERNORS' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

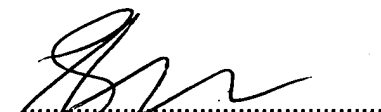
DISCLOSURE OF INFORMATION TO AUDITORS

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 the steps that ought to have been taken as a Governor in order to be aware of any relevant audit information and to establish that the charitable company's 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 3 December 2018 and signed on its behalf by:


.....
C J Barbour, Chair


.....
S Kelly, Headteacher

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, Chair until 1 September 2018	3	3
C J Barbour, Community Trustee, Chair from 1 September 2018	2	3
S Kelly, Headteacher	3	3
C A Hewitt, Staff Trustee	3	3
Rev A Johnson, Community Trustee	1	3
S Oxley, Parent Trustee	3	3
P M Johnson, Parent Trustee	3	3
E Prentice, Staff Trustee	2	3
R Shah, Parent Trustee	1	3
J Breeze, Community Trustee	3	3

Mrs K Wildey (Business Manager) also attends meetings of the Board of Governors.

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.

Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
O Flack, Community Trustee	2	3
S Kelly, Headteacher	3	3
Rev A Johnson, Community Trustee	1	2
S Oxley, Parent Trustee & Chair	3	3
P M Johnson, Parent Trustee	2	3
E Prentice, Staff Trustee	2	3
J Breeze, Community Trustee	2	3

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

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GOVERNANCE STATEMENT (continued)

Governance reviews:

During the year, the Board of Governors started to review their roles and responsibilities, in line with the new OFSTED framework. Self evaluation forms were distributed to all Governors and to assess their areas of interest and expertise. Governors agreed that they would attend some of the weekly staff meetings to increase Governor involvement in the running of the school.

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.

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.

The Accounting Officer for the Academy Trust has delivered improved value for money during the year by:

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 for external specialist agency resource. 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 practise and the seamless transition for pupils between schools.

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.

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.

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GOVERNANCE STATEMENT (continued)

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.

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 Governors 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 ongoing 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 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

CAPACITY TO HANDLE RISK

The Board of 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 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of 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 Resources 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 and authorisation limits.

On a termly basis, the reviewer reports to the Board of Governors through the finance and general purposes committee on the operation of the systems of control and on the discharge of the Board of Governors' financial responsibilities.


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:

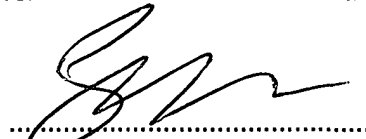
- the work of the reviewer;
- the work of the external auditors;
- the financial management and governance self-assessment process;
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

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 3 December 2018 and signed on their behalf, by:



C J Barbour
Chair of Governors



S Kelly
Accounting Officer

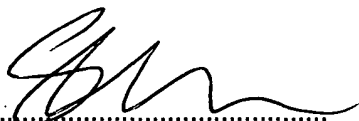
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

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

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

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



.....
S Kelly
Accounting Officer

Date: 3 December 2018

ARNOLD ACADEMY
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STATEMENT OF GOVERNORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2018

The Governors (who act as trustees of Arnold Academy for the purposes of charity law and 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 Annual Accounts Direction issued 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:

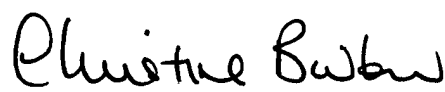
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the 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 3 December 2018 and signed on its behalf by:



.....
C J Barbour
Chair of Governors

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 for the year ended 31 August 2018 which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, 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 FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

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 Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy Trust and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

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 2018 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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**

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 Auditor's report thereon. Our opinion on the financial statements does not cover the 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 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' remunerations specified by law 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**

RESPONSIBILITIES OF TRUSTEES

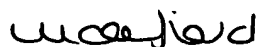
As explained more fully in the Statement of Governors' Responsibilities, the Governors (who are also the directors of the Academy Trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for 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's or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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



Linda J Lord FCA BSc 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: 6 December 2018

ARNOLD ACADEMY
(A Company Limited by Guarantee)

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO ARNOLD ACADEMY AND THE EDUCATION AND SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 24 October 2018 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Arnold Academy during the year 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to 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 the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Arnold Academy and the 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 2016, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

APPROACH

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

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

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

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

ARNOLD ACADEMY
(A Company Limited by Guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO ARNOLD
ACADEMY AND THE EDUCATION AND SKILLS FUNDING AGENCY (continued)**

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 focusing on those nominal codes considered to include transactions of a greater risk;
- Review of the reports from internal scrutiny work undertaken during the year.
- Discussion with the Finance Team.

CONCLUSION

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



Linda J Lord FCA BSc TEP

Streets Audit LLP
Chartered Accountants
Statutory Auditors
Potton House
Wyboston Lakes
Great North Road
Wyboston
Bedfordshire
MK44 3BZ

Date: 6 December 2018

ARNOLD ACADEMY
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2018**

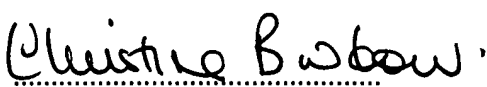
	Note	Unrestricted funds 2018 £	Restricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £	Total funds 2017 £
INCOME FROM:						
Donations and capital grants	2	89,233	14,447	12,370	116,050	2,847,759
Charitable activities	3	-	2,928,952	-	2,928,952	2,777,528
Other trading activities	4	9,702	-	-	9,702	9,949
Investments	5	554	-	-	554	1,005
TOTAL INCOME		99,489	2,943,399	12,370	3,055,258	5,636,241
EXPENDITURE ON:						
Raising funds	6	84,679	-	-	84,679	76,663
Charitable activities	7	-	3,128,644	286,115	3,414,759	3,310,243
TOTAL EXPENDITURE	6, 7	84,679	3,128,644	286,115	3,499,438	3,386,906
NET BEFORE OTHER RECOGNISED GAINS AND LOSSES						
		14,810	(185,245)	(273,745)	(444,180)	2,249,335
Actuarial gains on defined benefit pension schemes	20	-	231,000	-	231,000	224,000
NET MOVEMENT IN FUNDS		14,810	45,755	(273,745)	(213,180)	2,473,335
RECONCILIATION OF FUNDS:						
Total funds brought forward		223,047	(492,256)	7,787,752	7,518,543	5,045,208
TOTAL FUNDS CARRIED FORWARD		237,857	(446,501)	7,514,007	7,305,363	7,518,543

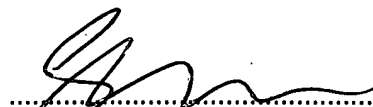
ARNOLD ACADEMY
(A Company Limited by Guarantee)
REGISTERED NUMBER: 07670723

BALANCE SHEET
AS AT 31 AUGUST 2018

	Note	£	2018 £	£	2017 £
FIXED ASSETS					
Tangible assets	13		7,480,734		5,205,074
CURRENT ASSETS					
Debtors	14	146,075		2,650,864	
Cash at bank and in hand		787,006		400,260	
		<u>933,081</u>		<u>3,051,124</u>	
CREDITORS: amounts falling due within one year	15	(572,452)		(111,655)	
NET CURRENT ASSETS			<u>360,629</u>		<u>2,939,469</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>7,841,363</u>		<u>8,144,543</u>
Defined benefit pension scheme liability	20		(536,000)		(626,000)
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u><u>7,305,363</u></u>		<u><u>7,518,543</u></u>
FUNDS OF THE ACADEMY					
Restricted income funds:					
Restricted income funds	16	89,499		133,744	
Restricted fixed asset funds	16	7,514,007		7,787,752	
Restricted income funds excluding pension liability		<u>7,603,506</u>		<u>7,921,496</u>	
Pension reserve		(536,000)		(626,000)	
Total restricted income funds			<u>7,067,506</u>		<u>7,295,496</u>
Unrestricted income funds	16		237,857		223,047
TOTAL FUNDS			<u><u>7,305,363</u></u>		<u><u>7,518,543</u></u>

The financial statements on pages 22 to 48 were approved by the Governors, and authorised for issue, on 3 December 2018 and are signed on their behalf, by:


C Barbour
Chair of Governors


S Kelly
Headteacher

ARNOLD ACADEMY
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Net cash provided by operating activities	18	<u>2,874,165</u>	<u>31,603</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		10,256	10,954
Purchase of tangible fixed assets		<u>(2,497,675)</u>	<u>-</u>
Net cash (used in)/provided by investing activities		<u>(2,487,419)</u>	<u>10,954</u>
Change in cash and cash equivalents in the year		386,746	42,557
Cash and cash equivalents brought forward		<u>400,260</u>	<u>357,703</u>
Cash and cash equivalents carried forward		<u><u>787,006</u></u>	<u><u>400,260</u></u>

ARNOLD ACADEMY
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

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 historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Arnold Academy constitutes a public benefit entity as defined by 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.

ARNOLD ACADEMY
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.3 Income

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

Grants are included in the Statement of Financial Activities incorporating Income and Expenditure Account on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the Balance Sheet. Where income is received in advance of entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

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

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

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

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

ARNOLD ACADEMY
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.4 Expenditure

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

Expenditure on raising funds 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.

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

Grants payable are charged in the year when the offer is made except in those cases where the offer is conditional, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to conditions which have not been met at the year end are noted as a commitment, but not accrued as expenditure.

All expenditure is inclusive of irrecoverable VAT.

1.5 Tangible fixed assets and depreciation

All assets costing more than £1,000 are capitalised and are carried at cost, net of depreciation and any provision for impairment.

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

ARNOLD ACADEMY
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	over the remaining useful life of 25.78 years
Fixtures, fittings and equipment	-	15% or 20% per annum straight line
Motor vehicles	-	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 incorporating Income and Expenditure Account.

1.6 Operating leases

Rentals under operating leases are charged to the Statement of Financial Activities incorporating Income and Expenditure Account on a straight line basis over the lease term.

1.7 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 Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.8 Debtors

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

1.9 Cash at Bank and in hand

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

ARNOLD ACADEMY
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.10 Liabilities and provisions

Liabilities and provisions are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the Academy Trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.11 Financial instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 14. Prepayments are not financial instruments. Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised costs as detailed in note 15. 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 instruments.

1.12 Pensions

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

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

ARNOLD ACADEMY
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

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

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

1.13 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 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.

ARNOLD ACADEMY
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

1. ACCOUNTING POLICIES (continued)

1.14 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 (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 August 2018 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2018 £	Restricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £	Total funds 2017 £
Donations	14,726	14,447	-	29,173	9,312
Government grants	-	-	12,370	12,370	19,528
Local Authority Capital Grant	-	-	-	-	2,752,000
School fund income	74,507	-	-	74,507	66,919
	89,233	14,447	12,370	116,050	2,847,759
<i>Total 2017</i>	<i>66,919</i>	<i>9,312</i>	<i>2,771,528</i>	<i>2,847,759</i>	

ARNOLD ACADEMY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
DfE/ESFA grants				
General Annual Grant	-	2,431,250	2,431,250	2,399,937
Other DfE/EFA grants	-	160,214	160,214	129,726
	-	2,591,464	2,591,464	2,529,663
Other government grants				
Local authority grants	-	213,170	213,170	137,977
	-	213,170	213,170	137,977
Other funding				
Catering	-	100,062	100,062	97,210
Consultancy and other income	-	20,953	20,953	9,793
Study books	-	3,303	3,303	2,885
	-	124,318	124,318	109,888
	-	2,928,952	2,928,952	2,777,528
Total 2017	-	2,777,528	2,777,528	

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Hire of Facilities	9,702	-	9,702	9,949
Total 2017	9,949	-	9,949	

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

5. INVESTMENT INCOME

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Bank interest received	554	-	554	1,005
<i>Total 2017</i>	1,005	-	1,005	

6. EXPENDITURE

	Staff costs 2018 £	Premises 2018 £	Other costs 2018 £	Total 2018 £	Total 2017 £
Expenditure on raising voluntary income (school trips)	-	-	84,679	84,679	76,663
Educational operations:					
Direct costs	2,217,359	-	52,092	2,269,451	2,214,683
Support costs	480,523	209,772	455,013	1,145,308	1,081,305
	2,697,882	209,772	591,784	3,499,438	3,372,651
<i>Total 2017</i>	2,569,722	72,722	730,207	3,372,651	

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

7. CHARITABLE ACTIVITIES

	2018 £	2017 £
DIRECT COSTS		
Wages and salaries	1,747,051	1,705,098
National insurance	167,809	162,097
Pension cost	302,384	291,312
Educational supplies	52,052	50,266
Agency staff costs	155	5,910
	<u>2,269,451</u>	<u>2,214,683</u>
SUPPORT COSTS		
Wages and salaries	294,676	264,239
National insurance	13,456	10,642
Pension costs	172,391	130,424
Depreciation	222,015	222,349
Net interest cost on pension scheme	18,000	16,000
Staff development	9,545	6,082
Technology	59,170	69,829
Recruitment and support	12,023	14,917
Maintenance of property and equipment	22,928	40,769
Expansion refurbishment works	64,100	169,322
LED lighting project	81,527	-
Rent and rates	22,661	21,652
Cleaning	2,231	2,465
Energy costs	38,986	15,042
Insurance	18,011	17,581
Security and transport	2,480	3,516
Catering	51,554	53,659
Other costs	23,480	22,817
Governance costs - audit fees	7,210	7,000
Governance costs - non-audit fees	5,555	4,175
Governance costs - legal fees	3,309	3,080
	<u>1,145,308</u>	<u>1,095,560</u>
Total	<u><u>3,414,759</u></u>	<u><u>3,310,243</u></u>

ARNOLD ACADEMY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

8. NET INCOME/(EXPENDITURE)

This is stated after charging:

	2018	2017
	£	£
Depreciation of tangible fixed assets:		
- owned by the charity	222,015	222,349
Auditors' remuneration - audit	7,210	7,000
Auditors' remuneration - other services	5,555	4,175
Governance Internal audit costs	448	407
Operating lease rentals	12,738	12,416
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ARNOLD ACADEMY
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

9. STAFF COSTS

a. Staff costs

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	2,041,727	1,969,337
Social security costs	181,265	172,739
Operating costs of defined benefit pension schemes	474,775	421,736
	<u>2,697,767</u>	<u>2,563,812</u>
Agency staff costs	115	5,910
	<u><u>2,697,882</u></u>	<u><u>2,569,722</u></u>

b. Staff numbers

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

	2018 No.	2017 No.
Management	7	6
Teaching staff	37	28
Support Staff	63	59
	<u>107</u>	<u>93</u>

Average headcount expressed as a full time equivalent:

	2018 No.	2017 No.
Management	7	6
Teaching staff	33	28
Support staff	35	35
	<u>75</u>	<u>69</u>

c. Higher paid staff

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

	2018 No.	2017 No.
In the band £70,001 - £80,000	0	1
In the band £80,001 - £90,000	1	0

The above employee participated in the Teachers' Pension Scheme.

ARNOLD ACADEMY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

9. STAFF COSTS (continued)

d. 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) received by key management personnel for their services to the academy trust was £374,146 (2017 - £378,473).

10. GOVERNORS' AND OFFICERS' INSURANCE

The academy trust has opted into the Department for Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects trustees 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.

11. 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 other staff members under their contracts of employment, and not in respect of their role as Governors. The value of Governors' remuneration and other benefits was as follows:

		2018 £	2017 £
S Kelly (Head Teacher and trustee):	Remuneration	80,000-85,000	75,000-80,000
	Pension contributions paid	10,000-15,000	10,000-15,000
Mrs E Prentice (staff trustee):	Remuneration	10,000-15,000	10,000-15,000
	Pension contributions paid	0-5,000	0-5,000
Mrs C Hewitt (staff trustee):	Remuneration	35,000-40,000	35,000-40,000
	Pension contributions paid	5,000-10,000	5,000-10,000

During the year, no Governors received any benefits in kind or reimbursed expenses (2017 - £nil).

12. OTHER FINANCE INCOME

	2018 £	2017 £
Interest income on pension scheme assets	28,000	21,000
Interest on pension scheme liabilities	(46,000)	(37,000)
	<u>(18,000)</u>	<u>(16,000)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

13. TANGIBLE FIXED ASSETS

	Freehold property £	Fixtures, fittings and equipment £	Plant and equipment £	Total £
Cost				
At 1 September 2017	6,213,812	91,991	15,000	6,320,803
Additions	2,497,675	-	-	2,497,675
At 31 August 2018	8,711,487	91,991	15,000	8,818,478
Depreciation				
At 1 September 2017	1,036,083	66,313	13,333	1,115,729
Charge for the year	207,216	13,799	1,000	222,015
At 31 August 2018	1,243,299	80,112	14,333	1,337,744
Net book value				
At 31 August 2018	7,468,188	11,879	667	7,480,734
At 31 August 2017	5,177,729	25,678	1,667	5,205,074

14. DEBTORS

	2018 £	2017 £
Trade debtors	5,882	2,138
Other debtors	-	2,417,000
Prepayments and accrued income	42,159	183,878
Tax recoverable	98,034	47,848
	146,075	2,650,864

On 4 April 2017, Central Bedfordshire Council committed £2,752,000 to Arnold Academy, to fund the construction of new buildings and the refurbishment of some existing property in order to increase the number of pupils at the school in the future. £335,000 was paid to Arnold Academy in the year ended 31 August 2017, leaving a balance of £2,417,000 which was paid in full in the year ended 31 August 2018.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

15. CREDITORS: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	10,420	-
Accruals and deferred income	562,032	111,655
	<u>572,452</u>	<u>111,655</u>
	2018 £	2017 £
Deferred income		
Deferred income at 1 September 2017	15,219	20,373
Resources deferred during the year	23,371	15,219
Amounts released from previous years	(15,219)	(20,373)
Deferred income at 31 August 2018	<u>23,371</u>	<u>15,219</u>

Deferred income comprises receipts in advance of school trips totalling £19,088 (2017 £13,477) and receipts in advance for catering income totalling £4,283 (2017 £1,742).

ARNOLD ACADEMY
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**NOTES TO THE FINANCIAL STATEMENTS
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16. STATEMENT OF FUNDS

	Balance at 1 September 2017 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2018 £
Designated funds						
School funds	60,265	75,061	(84,679)	-	-	50,647
General funds						
General Fund	162,782	24,428	-	-	-	187,210
Total Unrestricted funds	223,047	99,489	(84,679)	-	-	237,857
Restricted funds						
General Annual Grant (GAG)	133,744	2,431,251	(2,475,496)	-	-	89,499
Other DfE/EFA 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)	2,497,675	-	7,480,734
DfE/ESFA Capital Grants	-	12,370	-	(12,370)	-	-
Expansion Project	2,582,678	-	(64,100)	(2,485,305)	-	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 of funds	7,518,543	3,055,258	(3,499,438)	-	231,000	7,305,363

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.

ARNOLD ACADEMY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

16. STATEMENT OF FUNDS (continued)

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 20 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. At 31 August 2018, the work was substantially complete and the transfer between funds represents the value of additions to fixed assets purchased during the year. The unspent grant funding is expected to be used in the forthcoming year.

ARNOLD ACADEMY
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

16. STATEMENT OF FUNDS (continued)

STATEMENT OF FUNDS - PRIOR YEAR

	<i>Balance at 1 September 2016 £</i>	<i>Income £</i>	<i>Expenditure £</i>	<i>Transfers in/out £</i>	<i>Gains/ (Losses) £</i>	<i>Balance at 31 August 2017 £</i>
School funds	69,434	67,494	(76,663)	-	-	60,265
General Fund	<u>151,828</u>	<u>10,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,782</u>
Restricted funds						
General Annual Grant (GAG)	135,962	2,399,937	(2,402,155)	-	-	133,744
Other DfE/EFA grants	-	129,726	(129,726)	-	-	-
Local authority grants	-	137,977	(137,977)	-	-	-
Catering	-	97,210	(97,210)	-	-	-
Donations and other income	-	21,415	(21,415)	-	-	-
Pension reserve	(745,000)	-	(105,000)	-	224,000	(626,000)
	<u>(609,038)</u>	<u>2,786,265</u>	<u>(2,893,483)</u>	<u>-</u>	<u>224,000</u>	<u>(492,256)</u>
Restricted fixed asset funds						
Fixed Asset Reserve	5,427,423	-	(222,349)	-	-	5,205,074
DfE/EFA Capital Grants	5,561	19,528	(25,089)	-	-	-
Expansion Project	-	2,752,000	(169,322)	-	-	2,582,678
	<u>5,432,984</u>	<u>2,771,528</u>	<u>(416,760)</u>	<u>-</u>	<u>-</u>	<u>7,787,752</u>
Total restricted funds	<u>4,823,946</u>	<u>5,557,793</u>	<u>(3,310,243)</u>	<u>-</u>	<u>224,000</u>	<u>7,295,496</u>
Total of funds	<u>5,045,208</u>	<u>5,636,241</u>	<u>(3,386,906)</u>	<u>-</u>	<u>224,000</u>	<u>7,518,543</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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17. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2018 £	Restricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £
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)
	<u>237,857</u>	<u>(446,501)</u>	<u>7,514,007</u>	<u>7,305,363</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £
Tangible fixed assets	-	-	5,205,074	5,205,074
Current assets	223,047	245,399	2,582,678	3,051,124
Creditors due within one year	-	(111,655)	-	(111,655)
Provisions for liabilities and charges	-	(626,000)	-	(626,000)
	<u>223,047</u>	<u>(492,256)</u>	<u>7,787,752</u>	<u>7,518,543</u>

18. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2018 £	2017 £
Net (expenditure)/income for the year (as per Statement of Financial Activities)	(444,180)	2,249,335
Adjustment for:		
Depreciation charges	222,015	222,349
Dividends, interest and rents from investments	(10,256)	(10,954)
Decrease/(increase) in debtors	2,504,789	(2,605,035)
Increase in creditors	460,797	70,908
Defined benefit pension scheme cost less contributions payable	123,000	89,000
Defined benefit pension scheme finance cost	18,000	16,000
Net cash provided by operating activities	<u>2,874,165</u>	<u>31,603</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

19. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Cash in hand	787,006	400,260
Total	<u>787,006</u>	<u>400,260</u>

20. PENSION COMMITMENTS

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

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 August 2018.

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

Teachers' Pension Scheme

Introduction

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

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

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NOTES TO THE FINANCIAL STATEMENTS
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20. PENSION COMMITMENTS (continued)

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 April 2019.

The employer's pension costs paid to TPS in the period amounted to £221,770 (2017 - £214,088).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx).

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £165,000 (2017 - £151,000), of which employer's contributions totalled £129,000 (2017 - £118,000) and employees' contributions totalled £36,000 (2017 - £33,000). The agreed contribution rates for future years are 20.7% for employers and varying % 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:

	2018	2017
Discount rate for scheme liabilities	2.80 %	2.50 %
Rate of increase in salaries	2.60 %	2.70 %
Rate of increase for pensions in payment / inflation	2.30 %	2.40 %

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**NOTES TO THE FINANCIAL STATEMENTS
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20. PENSION COMMITMENTS (continued)

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

	2018	2017
Retiring today		
Males	22.4	22.4
Females	24.5	24.5
Retiring in 20 years		
Males	24.0	24.0
Females	26.2	26.2

	At 31 August 2018 £	At 31 August 2017 £
Sensitivity analysis		
Discount rate -0.1%	50,600	46,200
Salary increase rate +0.1%	4,800	5,200
CPI rate +0.1%	45,600	40,600

The actuary expects that a one year increase in life expectancy would increase the Employer's Defined Benefit Obligation by around 3-5%.

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

	Fair value at 31 August 2018 £	Fair value at 31 August 2017 £
Equities	738,000	608,000
Corporate bonds	178,000	160,000
Property	115,000	96,000
Cash and other liquid assets	242,000	203,000
Total market value of assets	1,273,000	1,067,000

The actual return on scheme assets was £28,000 (2017 - £21,000).

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**NOTES TO THE FINANCIAL STATEMENTS
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20. PENSION COMMITMENTS (continued)

The amounts recognised in the Statement of Financial Activities incorporating Income and Expenditure Account are as follows:

	2018 £	2017 £
Current service cost	(252,000)	(207,000)
Interest income	28,000	21,000
Interest cost	(46,000)	(37,000)
Total	<u>(270,000)</u>	<u>(223,000)</u>
Actual return on scheme assets	<u>28,000</u>	<u>21,000</u>

Movements in the present value of the defined benefit obligation were as follows:

	2018 £	2017 £
Opening defined benefit obligation	1,693,000	1,669,000
Current service cost	252,000	207,000
Interest cost	46,000	37,000
Employee contributions	36,000	33,000
Actuarial gains	(201,000)	(239,000)
Benefits paid	(17,000)	(14,000)
Closing defined benefit obligation	<u>1,809,000</u>	<u>1,693,000</u>

Movements in the fair value of the Academy Trust's share of scheme assets:

	2018 £	2017 £
Opening fair value of scheme assets	1,067,000	924,000
Interest income	28,000	21,000
Actuarial losses/(gains)	30,000	(15,000)
Employer contributions	129,000	118,000
Employee contributions	36,000	33,000
Benefits paid	(17,000)	(14,000)
Closing fair value of scheme assets	<u>1,273,000</u>	<u>1,067,000</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

21. OPERATING LEASE COMMITMENTS

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

	2018 £	2017 £
Amounts payable:		
Within 1 year	12,065	11,774
Between 1 and 5 years	19,121	28,883
Total	<u>31,186</u>	<u>40,657</u>

22. RELATED PARTY TRANSACTIONS

Owing to the nature of the academy trust and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which Governors have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the AFH and with the trust's financial regulations and normal procurement procedures relating to connected and related party transactions.

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 Trust. During the year Arnold Academy PTA donated £13,347 (2017 £7,949) to Arnold Academy. There were no amounts due to or from Arnold PTA at the balance sheet date (2017 £nil). Mr Kelly abstains from any decisions about donations made by Arnold Academy PTA to the school, to avoid any potential conflict of interest.

Owen Flack, Chair of Governors 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 £20,953 (2017 £7,543) and paid expenses totalling £nil (2017 £706) for charitable activities. At the balance sheet date HAST owed Arnold Academy £5,445 (2017 £2,000).

23. 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.