

Registered number: 07695881

THE ROYSTON SCHOOLS ACADEMY TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

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THE ROYSTON SCHOOLS ACADEMY TRUST
(A Company Limited by Guarantee)

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THE ROYSTON SCHOOLS ACADEMY TRUST

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REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS MEMBERS, TRUSTEES AND ADVISERS FOR THE YEAR ENDED 31 AUGUST 2017

Members	P Bolton (resigned 17 July 2017) D Brynjolffssen D Graham Z Linington (resigned 31 December 2016) L Rawlings
Trustees	P Bolton, Chair of Trustees (up to 21 February 2017) (resigned 17 July 2017) C Boston, Chair of Trustees (from 21 February 2017) (appointed 14 December 2016) D Graham D Webster L Judge Z Linington, Headteacher Roysia Middle School (resigned 31 December 2016) D Brynjolffssen L Rawlings, Headteacher Greneway Middle School and Roysia Middle School C Fage J Berry R Gerstein (appointed 14 December 2016) P Umande (appointed 14 December 2016) A Brannon (appointed 14 December 2016, resigned 17 July 2017)
Company Secretary	A Merritt
Company Registered Number	07695881
Company name	The Royston Schools Academy Trust
Registered and principal office	Meridian School Garden Walk Royston Hertfordshire SG8 7JH
Accounting Officer	L Rawlings
Senior Management Team	L Rawlings, Headteacher Greneway Middle School and Roysia Middle School K Horner, Acting Headteacher Meridian School Miss Z Linington, Headteacher Roysia Middle School (up to 31 December 2016)
Independent Auditors	Price Bailey LLP Chartered Accountants Statutory Auditors Causeway House 1 Dane Street Bishop's Stortford Hertfordshire CM23 3BT
Bankers	Lloyds TSB The Cross 2 Melbourn Street Royston Hertfordshire SG8 7BL

THE ROYSTON SCHOOLS ACADEMY TRUST

(A Company Limited by Guarantee)

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2017

The Trustees present their Annual Report together with the financial statements and Auditor's Report of The Royston Schools Academy Trust (The Trust or the Charitable Company) for the year ended 31 August 2017. The Annual Report serves the purposes of both a Trustees' Report, and a Directors' Report under company law.

The Trust operates 2 middle and 1 upper school academies (the Academies or the Schools) serving a catchment area in Royston and the surrounding villages. The Academies have a combined capacity of 1,681 and had a roll of 1,051 in the 2017 census.

Structure, Governance and Management

The Trust is a company limited by guarantee and an exempt charity. The Charitable Company's Memorandum and Articles of Association are its primary governing documents. The Trustees of The Charitable Company are also the Directors for the purposes of company law. The terms Trustee and Director are interchangeable. The Charitable Company includes the following Academies:

- Greneway Middle School converted and joined the Trust on 01 November 2011
- Meridian School converted and joined the Trust on 01 November 2011
- Roysia Middle School converted and joined the Trust on 01 November 2011

The operation of the Academies and employment of staff are the responsibility of the Trustees. The Trust retains control of Academy budgets and finances, and monitors these through its Finance Committee. Throughout this report the Board of Trustees is referred to as the Main Governing Body (MGB). Each Academy has appointed Local Governing Bodies (LGB) who have delegated authority to administer their Academy within agreed budgets.

Details of the Trustees who served throughout the period are included in the Reference and Administrative Details section. Within this Report the term Trustee or Director refers to a member of the MGB and the term Governor to a member of an LGB. Details of the Trustees who served during the year are included in the Reference and Administrative Details section.

Members' Liability

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

Trustees and Officers' Indemnities

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 £5,000,000. It is not possible to quantify the Trustees and Officers indemnity element from the overall cost of the RPA scheme.

Method of Recruitment and Appointment or Election of Trustees

Trustees are appointed from the LGB of our 3 schools in accordance with the provisions detailed within the Memorandum and Articles of Association. The Chair, Vice-chair and a Parent Governor of each school's LGB represents the School on the MGB along with the School's Headteacher. Trustees are appointed for a period of 4 years. The arrangements are as set out in the Articles and Funding Agreement.

Policies and Procedures Adopted for the Induction and Training of Trustees and Governors

The Trust is committed to providing opportunities for Trustees and Governors to undertake and receive suitable training so as to enable them to perform their role effectively. To this end The Trust links with a number of local training providers. New Trustees and Governors are required to attend a training programme. The induction programme would involve a tour of the relevant Academy, meetings with students and staff and provision of policy and procedures documents that are appropriate to the role they undertake with particular emphasis on the committee work that they will undertake.

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2017

Organisational Structure

The governance of the Trust is defined in the Memorandum and Articles of Association together with the funding agreement with the Department of Education.

The MGB, which meets on at least 5 occasions per year, is responsible for setting general policy, adopting an annual budget, monitoring the Schools by the use of budgets and making major decisions about the direction of the Trust, capital expenditure and staff appointments. The Trust's Accounting Officer is a member of the MGB.

The Senior Leadership Team of each school report through their LGBs and are responsible at an executive level for implementing policies and the day to day operation of their School, in particular organising staff and resources. They are also responsible for the authorisation of spending within agreed budgets and for the appointment of staff following the vetting and safeguarding recruitment process.

The Accounting Officer has overall responsibility for the day to day financial management of the Charitable Company and has delegated responsibility for expenditure in accordance with agreed limits to specific budget holders who are each responsible for managing their own Schools and departments within the constraints of their allocated budgets. A system of financial controls is in place to manage this process.

Arrangements for Setting Pay and Remuneration of Key Management Personnel

Key management personnel include Trustees and those staff to whom the Trustees have delegated significant authority and responsibility in the day-to-day running of the Trust. The Trust has a pay policy which covers the setting of pay for teaching and support staff. The pay and remuneration of key management personnel is decided with reference to this policy and takes into account a variety of contributory factors such as experience of each staff member and pay scales for each role. In addition pay levels may be affected by nationally agreed pay awards, the ability to recruit and retain in post, all of which are in accordance with the Trust's pay policy. Whenever possible remuneration is benchmarked to establishments of a similar size and complexity.

All amendments to key management's pay and remuneration is approved by the appropriate sub-committee.

Related Parties and other Connected Charities and Organisations

Owing to the nature of the Trust's operations and the composition of the MGB being drawn from local public and private sector organisations, it is inevitable that from time to time transactions will take place with organisations in which Trustees may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Trust's financial regulations and normal procedures. Any transaction where the Trustee may have a pecuniary interest is only undertaken in accordance with the 'at cost' principle described in the Academies Financial Handbook.

The Trust is active in creating links and partnerships with other schools and organisations within the area. Our Extended Services provides support for families, pupils and professionals in all 12 schools in Royston and the surrounding area. Our Headteachers and staff are involved in groups across North Hertfordshire including Royston Area Schools Partnership, North Herts Consortium, North Herts Teaching Alliance and North Herts Schools Sports Partnership. The Upper School is an active member of the National College for Teaching and Leadership. The Middle Schools are active members of the National Middle Schools Forum.

The Trust does not have a formal sponsor.

Objectives and Activities

Objectives and Aims

The principal objective and aim of the Charitable Company is the operation of a number of Academies to provide free education and care for pupils of different abilities within its local community between the ages of 9 and 18.

Objectives, Strategies and Activities

During the year the Trust has worked towards achieving these aims by:

- raising the standard of educational achievement of all pupils;
- improving the effectiveness of the Trust by keeping the curriculum and organisational structure under continual review; and
- the Academies aim to get the best for, and from, each child. We intend to enable each child to realise his or her full academic, creative and physical potential and to develop positive social and moral values.

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2017

Public Benefit

The Trustees believe that by working towards the objects and aims of the Trust as detailed above, they have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission.

Strategic Report

Achievements and Performance

Ofsted rating

Both Greneway and Roysia had Ofsted inspection visits during the year. Both continue to be rated as "good" schools. Meridian's last inspection was in January 2015 also with a "good" school outcome.

Key Stage 2 SATs Test Results 2017

Key stage 2 covers school years 3 to 6 of which we cover years 5 and 6 (ages 9-11). It is a statutory requirement that children are tested at the end of Key Stage 2 (Year 6). The results for the Trust are:

	2017		2016	
	Trust	National	Trust	National
% of pupils reaching the expected standard:				
Reading	70	71	69	66
Grammar, Punctuation & Spelling	72	77	67	72
Writing	64	76	86	74
Maths	62	75	68	70
Reading, Writing & Maths	50	61	59	53

	2017		2016	
	Trust	National	Trust	National
Average scale score:				
Reading	104	104	103	103
Grammar, Punctuation & Spelling	104	106	103	104
Maths	102	104	103	103

GCSE Results 2017

	2017	2016
	Progress 8 score	Progress 8 score
Key Stage 2-4 Value Added	-0.41	-0.010
Grade 4 and above English	73%	N/A
Grade 4 and above Maths	72%	N/A

A Level Results

	2017	2016
Entries in which A*-B achieved	43%	37%
Entries in which A*-C achieved	68%	64%
Entries in which A*-E achieved	94%	98%
Value added	0.07	0.05

Key Performance Indicators

The Trustees receive monthly information to monitor the performance of the constituent Schools compared to financial budgets. From 9th May, 2017, a new termly report across a number of key performance indicators has been introduced which aims to improve the Trust's ability to monitor a broader set of key performance indicators across individual schools.

As funding is based on pupil numbers this is a key performance indicator. Pupil numbers for 2015 on which funding has been based were 1,099 (2014: 1,068).

In line with other educational establishments our principle cost is staffing. In 2017 staff costs were 71% of our overall costs (Budget 72%). The Trustees are confident that staffing levels are closely monitored. However, during 2017 a new process has been introduced to provide cross-Trust review before staffing decisions are made.

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2017

Going Concern

Given the nature of the Trust's financial challenges during this period, the Trustees have been working closely with the the Education and Skills Funding Agency (ESFA) to ensure that there are adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Financial Review

The principal source of funding for the Trust is the General Annual Grant (GAG) and other grants that it receives from the Education and Skills Funding Agency (ESFA). For the year ended 31 August 2017 the Trust received £6,886,296 of GAG and other income. A high percentage of this income is spent on wages and salaries and support costs to deliver the Trust's primary objective of the provision of education.

Hertfordshire operates a Fund for Small Secondary Schools in Areas of Demographic Growth which is designed to support small secondary schools and academies with surplus places which will be needed in the near future. Meridian qualified for this funding and received £327,164 in the year.

The Trust has complied throughout the year with the terms laid out in the Financial Notice to Improve which was issued in July 2014 as a result of the financial consequences of a temporary decline in pupil numbers in the area. As pupil numbers continue to be low, the Trust is at 65% of its pupil capacity, an in-year deficit of £395,697 was recorded on our GAG fund. Of the £800,000 deficit funding agreed with the Education and Skills Funding Agency the Trust drew down an additional £400,000 in the year taking the total to £750,000.

Due to the accounting rules for the Local Government Pension Scheme under FRS102, the Trust is recognising a significant pension fund deficit of £1,127,000. This does not mean that an immediate liability for this amount crystallises and such a deficit generally results in a cash flow effect in the form of increased employer contributions over a number of years.

Reserves Policy

The Trustees are aware of the requirement to balance current and future needs. Due to the temporary demographics of the area the Trust was unable to balance its budget. The additional funding secured from the ESFA enables the Trust to pursue its educational strategy outlined above for the foreseeable future.

Investment Policy

There are no investments held to meet the Trust's day-to-day requirements other than cash balances which at the year end were £293,216. These balances are held with a major UK clearing bank. These cash balances are required to meet the operational needs of the Trust. Speculative investment is not permitted.

Principal Risks and Uncertainties

There is a process established whereby the Trust works with the LGB's in maintaining risk registers identifying the major risks, to which each Academy is exposed, and identifying actions and procedures to mitigate those risks. Part of this process includes the register being approved and monitored by the MGB via the Audit Committee and the Resources Committees of each Academy with a formal review of the process undertaken on an annual basis. New Trustees have highlighted the need to strengthen Trust risk management. Additionally, the most recent annual audit highlighted an opportunity to introduce a Trust risk register. The Trustees have agreed to establish a Trust-wide risk register and undertake a full review of both existing and future risks to include actions and procedures to mitigate. The principal risks facing the Trust are outlined below; those facing the Academies at an operational level are addressed by its systems and by internal financial and other controls.

The Trustees report that the Trust's financial and internal controls conform to guidelines issued by the ESFA, and that improvements to the wider framework of systems dealing with business risk and risk management strategy continue to be made and formally documented.

It is recognised that systems can only provide reasonable but not absolute assurance that major risks have been adequately managed.

As a group of academy schools, the level of financial risk is low. Cash flows can be reliably forecast, monitored and reported. Staff costs make up the majority of expenditure and are relatively stable with contingencies in place to cover such items as sickness and maternity.

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2017

The Trustees assess the other principal risks and uncertainties facing the Trust as follows:

- each Academy within the Trust has considerable reliance on continued Government funding through the ESFA and there is no assurance that Government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms;
- failures in governance and/or management - the risk in this area arises from potential failure to effectively manage the Trust's finances, internal controls, compliance with regulations and legislation, statutory returns, etc. The Trustees continue to review and ensure that appropriate measures are in place to mitigate these risks;
- reputational - the continuing success of the individual Academies is dependent on continuing to attract applicants in sufficient numbers by maintaining the highest educational standards. To mitigate this risk Trustees ensure that student progress and outcomes are closely monitored and reviewed;
- safeguarding and child protection - the Trustees continue to ensure that the highest standards are maintained in the areas of selection and monitoring of staff, the operation of child protection policies and procedures, health & safety and discipline;
- staffing - the success of the Academies is reliant on the quality of its staff and the Trustees monitor and review policies and procedures and recruitment to ensure continued development and training of staff as well as ensuring there is clear succession planning;
- fraud and mismanagement of funds - The Trust has appointed Price Bailey to carry out independent and external checks on financial systems and records as required by the Academy Financial Handbook. All finance staff receive training to keep up to date with financial practice requirements and develop their skills in this area;
- financial instruments - the Trust only deals with bank balances, cash and trade creditors, with limited trade (and other) debtors. The risk in this area is considered to be low; and
- defined benefit pension liability - as the Government has agreed to meet the defined benefit pension liability of any Academy ceasing to exist the main risk to the Trust is an annual cash flow funding of part of the deficit. Trustees take these payments into account when setting the annual budget plan.

The Trust through its Finance and Audit Committee ensures that Contingency Plans are in place for each Academy and that the level of insurance cover is appropriate.

Plans for Future Periods

On 13 September 2017 the Trust issued a press release announcing the plan to create one "through school" in Royston. The consultation document for this was released on 20 October 2017. The changes being proposed are:

- To merge all three Schools into a through School, under a new name, with middleyears, upper years and sixth form provision. The School would admit pupils from ages 9 to 18 (years 5 to 13).
- To site the School on the current Garden Walk sites (where Greneway and Meridian Schools are currently situated).
- To deliver Sixth Form provision through a partnership between Meridian Sixth Form and The Knights Templar School Sixth Form in Baldock.
- To affect these changes for September 2018.

Funds Held as Custodian Trustee on Behalf of Others

The Trust does not hold any funds as Custodian Trustee on behalf of others.

Auditor

Insofar as the Trustees are aware:

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

The Trustees' Report, incorporating a Strategic Report, was approved by the Board of Trustees on 15/12/17 signed on the Board's behalf by:



Mrs C Boston
Chair of Trustees

THE ROYSTON SCHOOLS ACADEMY TRUST

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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

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

The Board of Trustees has delegated the day-to-day responsibility to the Headteacher of Greneway Middle School and Roysia Middle School, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Royston Schools Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

GOVERNANCE

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees has formally met 8 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
P Bolton	8	8
C Boston	4	5
D Graham	6	8
D Webster	8	8
L Judge	8	8
Z Linington	2	3
D Brynjolfssen	7	8
L Rawlings	8	8
C Fage	8	8
J Berry	6	8
R Gerstein	4	5
P Umande	4	5

The composition of the Board of Trustees has changed over the financial year 2016/17.

During the year the following trustees joined the Trust:

- R Gerstein
- P Umande
- C Boston

C Boston and P Umande Chair and Vice Chair roles respectively (February 2017).

However, during the year to account, there have been two resignations, Z Linington (Headteacher), January 2017 and P Bolton (Chair and Local Governing Body), February 2017.

The Board has recognised the following challenges throughout the period:

- Effective and Efficient Board Structure - The Trust was set up in 2011 (with Local Governing Bodies represented at Trust level)
- Financial sustainability of the Trust.

The Board undertook a self-evaluation in May 2017 and reported on this in June 2017. The Trust intends to complete a full review of its governance in line with its proposals to merge the three schools.

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GOVERNANCE STATEMENT (continued)

The Finance and Audit Committee is a sub-committee of the main Board of Trustees.

Its purpose is:

- to review the effectiveness of the Trust's internal control system established to ensure that the aims, objectives and key performance targets of the organisation are achieved in the most economic and effective;
- to review the actions and judgement of management in relation to the Trust's financial statements;
- to review external audit service and recommend appointment of external Auditor to the Board of Trustees;
- to review and select the Trust's insurance cover; and
- monitor the Trust's compliance with its Financial Notice to improve and liaise with the ESFA regarding this.

Historically, the committee operated outside of Board of Trustees meetings, however during 2016/17 with frequent Trust meetings taking place, the purpose and remit of this committee was incorporated within Board of Trustee meetings as appropriate.

The composition of the committee has changed with two resignations:

- Z Linington (December 2016)
- P Bolton (Chair of Trust/Chair of Committee) resignation (July 2017)

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
Mr P Bolton	1	1
Mr D Brynjolfsson	1	1
Mrs L Judge	1	1
Miss Z Linington	0	1
Mrs L Rawlings	1	1
Dr D Webster	1	1

REVIEW OF VALUE FOR MONEY

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

The Accounting Officer considers how the Trust's use of its resources has provided good value for money during each academic year, and reports to the Board of Trustees where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer for the Trust has delivered improved value for money during the year by:

- Sustaining educational outcomes.
- Use of resources to ensure effective education outcomes (see Ofsted Inspection outcomes, February and April 2017).
- Trust-level strategic leadership (for example, Middle Schools Headteacher appointed from January 2017) used to drive collaboration and efficiencies (for example, shared staffing/staff development opportunities) to raise standards.
- Pupil Premium - Strategy statements outline how students eligible for the Pupil Premium funding are a key focus with targeted intervention improving outcomes.
- Financial governance and oversight.
- Financial reporting and updates at regular Board of Trustee meetings ensures compliance with Financial Notice to Improve (FNTI), oversight of financial policies, systems and procedures and review of spending linked to planning with EFSA and benchmarking practice (eg. staffing, teaching group sizes).
- Trustees receive monthly management accounts from the Trust Finance and Administration Coordinator which result in action being taken to address any significant variances that may have arisen and that are likely to have a negative impact on the budget out-run.
- Demonstrating good value for money and efficient and effective use of resources.
- There are procedures across the Trust for assessing need, obtaining goods and services that provide best value in terms of suitability, efficiency, time and cost. the Trust uses competitive tendering as a process for ensuring value for money.
- Use of shared Personnel (for example, the Trust's IT Manager) to support strategic Trust-level developments and opportunities to identify and implement efficiencies (for example, collective purchasing to achieve value for money for IT hardware and software).

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GOVERNANCE STATEMENT (continued)

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Royston Schools Academy Trust for the year 1 September 2016 to 31 August 2017 and up to the date of approval of the Annual Report and financial statements.

CAPACITY TO HANDLE RISK

The Board of Trustees has reviewed the key risks to which the Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Trust's significant risks, that has been in place for the year 1 September 2016 to 31 August 2017 and up to the date of approval of the Annual Report and financial statements.

New Trustees have highlighted the need to strengthen the Trust risk management process. Additionally, the most recent annual audit highlighted an opportunity to introduce a Trust risk register. The Trustees have agreed to establish a Trust-wide risk register and undertake a full review of both existing and future risks to include actions and procedures to mitigate. The principal risks facing the Trust are outlined below; those facing the Academies at an operational level are addressed by its systems and by internal financial and other controls.

THE RISK AND CONTROL FRAMEWORK

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Trustees;
- regular reviews by the Finance and Audit 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; and
- identification and management of risks.

The work of Internal Audit was completed by:

- Meridian Upper School - Johnson Matthey.
- Greneway and Roysia Middle Schools - UHY Hacker Young.

The nature of the Internal Auditors work was to review of financial procedures and transactions against authorisation levels/procedures. Internal checks take place on an annual basis for Meridian Upper School, whilst checks for Greneway and Roysia Middle Schools take place every second year.

On an annual basis, the Internal Auditor's report to the Board of Trustees through the Finance and Audit Committee on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.

The Internal Auditors delivered their schedule of works as planned and no material control issues were identified.

New Trustees have highlighted the need to review the annual budget allocation and setting process across the schools to ensure the overall Trust's finances are balanced.

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GOVERNANCE STATEMENT (continued)

REVIEW OF EFFECTIVENESS

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

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

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

Approved by the Board of Trustees on 15/12/17 and signed on their behalf, by:


Mrs C Boston
Chair of Trustees


Mrs L Rawlings
Accounting Officer

THE ROYSTON SCHOOLS ACADEMY TRUST

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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of The Royston Schools Academy Trust I have considered my responsibility to notify the Board of Trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the Academy Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2016.

I confirm that I and the 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 2016.

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.



Mrs L Rawlings
Accounting Officer

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STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE YEAR ENDED 31 AUGUST 2017

The Trustees (who are also the Directors of the Charitable Company for the purposes of company law) are responsible for preparing the Strategic Report, the Trustees' Report and the financial statements in accordance with the Annual Accounts Requirements issued by the ESFA, United Kingdom Accounting Standards (UKGAAP) and applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company will continue in business.

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

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

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

Approved by the Board on Trustees on 15/12/17 and signed on its behalf by:



Mrs C Boston
Chair of Trustees

THE ROYSTON SCHOOLS ACADEMY TRUST

(A Company Limited by Guarantee)

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE ROYSTON SCHOOLS ACADEMY TRUST

OPINION

We have audited the financial statements of The Royston Schools Academy Trust (the Trust) for the year ended 31 August 2017 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

This Report is made solely to the 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 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 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 Trust's affairs as at 31 August 2017 and of its incoming resources and application of resources 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 2016 to 2017 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 Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our 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.

THE ROYSTON SCHOOLS ACADEMY TRUST

(A Company Limited by Guarantee)

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE ROYSTON SCHOOLS ACADEMY TRUST

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Trustees' Report, (incorporating the Strategic Report and the Directors' Report) for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' 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 Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

RESPONSIBILITIES OF TRUSTEES

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

In preparing the financial statements, the Trustees are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Trust 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. This description forms part of our Auditor's Report.

Gary Miller (Senior Statutory Auditor)
for and on behalf of
Price Bailey LLP
Chartered Accountants and Statutory Auditors
Causeway House, 1 Dane Street
Bishop's Stortford, Hertfordshire, CM23 3BT
19 December 2017

THE ROYSTON SCHOOLS ACADEMY TRUST

(A Company Limited by Guarantee)

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

In accordance with the terms of our engagement letter dated 26 October 2017 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Royston Schools Academy Trust during the year 1 September 2016 to 31 August 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

RESPECTIVE RESPONSIBILITIES OF THE ROYSTON SCHOOLS ACADEMY TRUST'S ACCOUNTING OFFICER AND THE REPORTING ACCOUNTANT

The Accounting Officer is responsible, under the requirements of The Royston Schools Academy Trust's funding agreement with the Secretary of State for Education dated 1 November 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 2016 to 2017. 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 2016 to 31 August 2017 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 2016 to 2017 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 Trust's income and expenditure.

The work undertaken to draw to our conclusions includes:

- Consideration and corroboration of the evidence supporting the Accounting Officers statement on regularity, propriety and compliance.
- Evaluation of the general control environment of the Trust, extending the procedures required for financial statements to include regularity.
- Discussions with and representations from the Accounting Officer and other key management personnel.
- An extension of substantive testing from our audit of the financial statements to cover matters pertaining to regularity, propriety and compliance in particular checking that selected items were appropriately authorised, and appropriate.

THE ROYSTON SCHOOLS ACADEMY TRUST

(A Company Limited by Guarantee)

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

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 2016 to 31 August 2017 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Reporting Accountant

Price Bailey LLP

Chartered Accountants

19 December 2017

THE ROYSTON SCHOOLS ACADEMY TRUST

(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2017**

	Note	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £	Total funds 2016 £
INCOME FROM:						
Donations and capital grants	2	20,119	199,691	5,818	225,628	786,772
Charitable activities	3	218,051	6,170,231	-	6,388,282	6,019,753
Other trading activities	4	271,914	-	-	271,914	252,034
Investments	5	472	-	-	472	813
TOTAL INCOME		510,556	6,369,922	5,818	6,886,296	7,059,372
EXPENDITURE ON:						
Charitable activities		510,556	6,754,446	689,253	7,954,255	8,006,268
TOTAL EXPENDITURE	6	510,556	6,754,446	689,253	7,954,255	8,006,268
NET EXPENDITURE BEFORE TRANSFERS		-	(384,524)	(683,435)	(1,067,959)	(946,896)
Transfers between funds	17	-	(133,483)	133,483	-	-
NET EXPENDITURE BEFORE OTHER RECOGNISED GAINS AND LOSSES		-	(518,007)	(549,952)	(1,067,959)	(946,896)
Actuarial gains/(losses) on defined benefit pension schemes	22	-	831,000	-	831,000	(673,000)
NET MOVEMENT IN FUNDS		-	312,993	(549,952)	(236,959)	(1,619,896)
RECONCILIATION OF FUNDS:						
Total funds brought forward		-	(2,341,991)	10,160,079	7,818,088	9,437,984
TOTAL FUNDS CARRIED FORWARD		-	(2,028,998)	9,610,127	7,581,129	7,818,088

THE ROYSTON SCHOOLS ACADEMY TRUST

**(A Company Limited by Guarantee)
REGISTERED NUMBER: 07695881**

**BALANCE SHEET
AS AT 31 AUGUST 2017**

	Note	£	2017 £	£	2016 £
FIXED ASSETS					
Tangible assets	13		9,532,274		10,002,657
CURRENT ASSETS					
Debtors	14	171,600		247,248	
Cash at bank and in hand		293,216		429,174	
		<u>464,816</u>		<u>676,422</u>	
CREDITORS: amounts falling due within one year	15	(538,961)		(693,991)	
NET CURRENT LIABILITIES			(74,145)		(17,569)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>9,458,129</u>		<u>9,985,088</u>
CREDITORS: amounts falling due after more than one year	16		(750,000)		(350,000)
NET ASSETS EXCLUDING PENSION SCHEME LIABILITIES			<u>8,708,129</u>		<u>9,635,088</u>
Defined benefit pension scheme liability	22	(1,127,000)		(1,817,000)	
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u><u>7,581,129</u></u>		<u><u>7,818,088</u></u>
FUNDS OF THE ACADEMY					
Restricted income funds:					
Restricted income funds	17	(901,998)		(524,991)	
Restricted fixed asset funds	17	<u>9,610,127</u>		<u>10,160,079</u>	
Restricted income funds excluding pension liability		8,708,129		9,635,088	
Pension reserve		<u>(1,127,000)</u>		<u>(1,817,000)</u>	
Total restricted income funds			<u>7,581,129</u>		<u>7,818,088</u>
TOTAL FUNDS			<u><u>7,581,129</u></u>		<u><u>7,818,088</u></u>

The financial statements on pages 17 to 37 were approved by the Trustees, and authorised for issue, on 15/12/17 and are signed on their behalf by:



Mrs C Boston
Trustee

THE ROYSTON SCHOOLS ACADEMY TRUST

(A Company Limited by Guarantee)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2017**

	Note	2017 £	2016 £
Cash flows from operating activities			
Net cash used in operating activities	19	(13,810)	(98,286)
Cash flows from investing activities:			
Interest received		472	813
Proceeds from the sale of tangible fixed assets		12,660	-
Purchase of tangible fixed assets		(135,280)	(105,133)
Net cash used in investing activities		(122,148)	(104,320)
Change in cash and cash equivalents in the year		(135,958)	(202,606)
Cash and cash equivalents brought forward		429,174	631,780
Cash and cash equivalents carried forward		293,216	429,174

THE ROYSTON SCHOOLS ACADEMY TRUST

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

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 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 2016 to 2017 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

The Royston Schools Academy Trust constitutes a public benefit entity as defined by FRS 102.

The Trust's functional and presentational currency is Pounds Sterling.

1.2 Company status

The Trust is a company limited by guarantee. Members are noted on page 1. In the event of the Trust being wound up, the liability in respect of the guarantee is limited to £10 per Member. The Trust's registered office is Meridian School, Garden Walk, Royston, Hertfordshire, SG8 7JH.

1.3 Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Department for Education 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 and include grants from DfE.

1.4 Income

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

Grants are included in the Statement of Financial Activities 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.

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.

THE ROYSTON SCHOOLS ACADEMY TRUST

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

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

All expenditure is inclusive of irrecoverable VAT.

1.6 Going concern

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

1.7 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.

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

Long Term Leasehold Land	-	125 years straight line
Long Term Leasehold Buildings	-	18-26 years straight line
Motor vehicles	-	15 years straight line
Fixtures and fittings	-	10 years straight line
Computer equipment	-	5 years 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.

1.8 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.

THE ROYSTON SCHOOLS ACADEMY TRUST

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.9 Interest receivable

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

1.10 Taxation

The Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.11 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.

1.12 Cash at Bank and in hand

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

1.13 Liabilities and provisions

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

1.14 Financial instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost 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 notes 15 and 16. 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.

THE ROYSTON SCHOOLS ACADEMY TRUST

(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.15 Pensions

Retirement benefits to employees of the 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 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 22, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/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.

1.16 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 Trustees make 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 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

THE ROYSTON SCHOOLS ACADEMY TRUST

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £	Total funds 2016 £
Donations	20,119	199,691	-	219,810	206,759
Capital grants	-	-	5,818	5,818	580,013
	<u>20,119</u>	<u>199,691</u>	<u>5,818</u>	<u>225,628</u>	<u>786,772</u>
<i>Total 2016</i>	<u>29,206</u>	<u>177,553</u>	<u>580,013</u>	<u>786,772</u>	

3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
DfE/ESFA grants				
General Annual Grant (GAG)	-	5,465,805	5,465,805	5,504,849
Other DfE / ESFA grants	-	193,003	193,003	235,548
	<u>-</u>	<u>5,658,808</u>	<u>5,658,808</u>	<u>5,740,397</u>
Other government grants				
Local Authority grants	-	511,423	511,423	85,232
	<u>-</u>	<u>511,423</u>	<u>511,423</u>	<u>85,232</u>
Other funding				
Catering income	218,051	-	218,051	194,124
	<u>218,051</u>	<u>-</u>	<u>218,051</u>	<u>194,124</u>
	<u>218,051</u>	<u>6,170,231</u>	<u>6,388,282</u>	<u>6,019,753</u>
<i>Total 2016</i>	<u>194,124</u>	<u>5,825,629</u>	<u>6,019,753</u>	

THE ROYSTON SCHOOLS ACADEMY TRUST

(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Hire of facilities	68,585	-	68,585	70,898
Rental income	19,038	-	19,038	18,552
Other income	184,291	-	184,291	162,584
	<u>271,914</u>	<u>-</u>	<u>271,914</u>	<u>252,034</u>
<i>Total 2016</i>	<u>252,034</u>	<u>-</u>	<u>252,034</u>	

5. INVESTMENT INCOME

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Bank Interest	472	-	472	813
	<u>813</u>	<u>-</u>	<u>813</u>	
<i>Total 2016</i>	<u>813</u>	<u>-</u>	<u>813</u>	

6. EXPENDITURE

	Staff costs 2017 £	Premises 2017 £	Other costs 2017 £	Total 2017 £	Total 2016 £
Provision of education:					
Direct costs	3,928,603	-	727,529	4,656,132	5,164,235
Support costs	1,583,881	583,005	1,131,237	3,298,123	2,842,033
	<u>5,512,484</u>	<u>583,005</u>	<u>1,858,766</u>	<u>7,954,255</u>	<u>8,006,268</u>
<i>Total 2016</i>	<u>5,269,451</u>	<u>1,399,678</u>	<u>1,337,139</u>	<u>8,006,268</u>	

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7. CHARITABLE ACTIVITIES

	2017 £	2016 £
Direct costs	4,656,132	5,164,235
Support costs	3,298,123	2,842,033
Total	7,954,255	8,006,268

	2017 £	2016 £
Analysis of support costs		
Support staff costs	1,583,881	779,887
Depreciation	603,865	603,297
Technology costs	100,172	103,474
Premises costs (excluding depreciation)	583,005	921,383
Other support costs	407,051	420,442
Governance costs	20,149	13,550
Total	3,298,123	2,842,033

8. NET INCOME/(EXPENDITURE)

This is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets: - owned or leased by the Trust	603,865	603,294
Auditors' remuneration - audit	8,050	8,050
Auditors' remuneration - non-audit	8,150	5,500

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9. STAFF COSTS

Staff costs were as follows:

	2017 £	2016 £
Wages and salaries	4,211,969	4,110,017
Social security costs	382,867	319,316
Operating costs of defined benefit pension schemes	856,351	747,532
	<u>5,451,187</u>	<u>5,176,865</u>
Apprenticeship levy	2,476	-
Supply teacher costs	55,526	90,586
Staff restructuring costs	3,295	2,000
	<u>5,512,484</u>	<u>5,269,451</u>

Staff restructuring costs comprise:

	2017 £	2016 £
Severance payments	<u>3,295</u>	<u>2,000</u>

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

	2017 No.	2016 No.
Teachers	76	80
Administration and support	82	74
Management	7	7
	<u>165</u>	<u>161</u>

Average headcount expressed as a full time equivalent:

	2017 No.	2016 No.
Teachers	66	68
Administration and support	48	46
Management	7	7
	<u>121</u>	<u>121</u>

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

	2017 No.	2016 No.
In the band £ 60,001 - £ 70,000	2	1
In the band £ 70,001 - £ 80,000	1	1
In the band £ 80,001 - £ 90,000	1	0
In the band £100,001 - £110,000	0	1

The above employees participated in the Teachers' Pension Scheme.

The key management personnel of the Trust comprise the Trustees and the Senior Management Team as listed on page 1. The total amount of employee benefits (including employer pension contributions and national insurance) received by key management personnel for their services to the Trust was £272,750 (2016: £347,730).

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10. CENTRAL SERVICES

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

- Financial services.
- Clerking services.
- ICT Support.

The Trust charges for these services on the following basis:

A percentage basis calculated on the proportion of Trust GAG funding received in the year, or on actual hours is used.

The actual amounts charged during the year were as follows:

	2017 £'000	2016 £
Greneway Middle School	61,909	64,668
Meridian School	89,533	67,077
Roysia Middle School	30,023	30,660
	<u>181,465</u>	<u>162,405</u>
Total		

11. TRUSTEES' REMUNERATION AND EXPENSES

One or more Trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The Accounting Officer and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of Accounting Officer and other staff members under their contracts of employment, and not in respect of their role as Trustees. The value of Trustees' remuneration and other benefits was as follows:

		2017 £'000	2016 £'000
Dr M Firth	Remuneration		100-105
	Pension contributions paid		15-20
Mrs L Judge	Remuneration	25-30	20-25
	Pension contributions paid	5-10	5-10
Ms Z Linington	Remuneration	15-20	55-60
	Pension contributions paid	0-5	5-10
Mrs L Rawlings	Remuneration	65-70	50-55
	Pension contributions paid	10-15	5-10

During the year, expenses totalling £NIL (2016: £359) were reimbursed to NIL trustees (2016: 1).

12. TRUSTEES' AND OFFICERS' INSURANCE

The 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, Governors and Officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business, and provides cover up to £10,000,000. It is not possible to quantify the Trustees, Governors and Officers indemnity element from the overall cost of the RPA scheme

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13. TANGIBLE FIXED ASSETS

	Leasehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 September 2016	12,108,283	30,335	352,816	437,768	12,929,202
Additions	-	-	13,822	121,458	135,280
Disposals	-	-	-	(21,464)	(21,464)
At 31 August 2017	12,108,283	30,335	366,638	537,762	13,043,018
Depreciation					
At 1 September 2016	2,545,852	12,018	146,553	222,122	2,926,545
Charge for the year	494,367	3,034	35,282	71,182	603,865
On disposals	-	-	-	(19,666)	(19,666)
At 31 August 2017	3,040,219	15,052	181,835	273,638	3,510,744
Net book value					
At 31 August 2017	9,068,064	15,283	184,803	264,124	9,532,274
At 31 August 2016	9,562,431	18,317	206,263	215,646	10,002,657

14. DEBTORS

	2017 £	2016 £
Trade debtors	18,526	12,419
VAT recoverable	65,055	96,917
Other debtors	6,794	5,842
Prepayments and accrued income	81,225	132,070
	<u>171,600</u>	<u>247,248</u>

15. CREDITORS: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	175,275	158,777
Other taxation and social security	90,972	98,019
Other creditors	107,245	93,963
Accruals and deferred income	165,469	343,232
	<u>538,961</u>	<u>693,991</u>
Deferred income		
Deferred income at 1 September 2016	101,734	110,021
Resources deferred during the year	62,084	101,734
Amounts released from previous years	(101,734)	(110,021)
Deferred income at 31 August 2017	<u>62,084</u>	<u>101,734</u>

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15. CREDITORS: Amounts falling due within one year (continued)

The majority of deferred income held at 31 August 2017 related to £57,669 of ESFA funding that relates to the next financial year.

16. CREDITORS: Amounts falling due after more than one year

	2017 £	2016 £
Repayable ESFA funding	750,000	350,000

17. STATEMENT OF FUNDS

	Balance at 1 September 2016 £	Income £	Expenditure £	Transfers in/(out) £	Gains/ (Losses) £	Balance at 31 August 2017 £
Unrestricted funds						
General Funds - all funds	-	510,556	(510,556)	-	-	-
Restricted funds						
General Annual Grant (GAG)	(573,955)	5,496,783	(5,760,257)	(132,223)	-	(969,652)
Restricted trip donations	-	199,691	(198,431)	(1,260)	-	-
Other Government grants	-	337,870	(337,870)	-	-	-
Extended Services	48,964	173,553	(154,863)	-	-	67,654
Pupil Premium	-	162,025	(162,025)	-	-	-
Pension reserve	(1,817,000)	-	(141,000)	-	831,000	(1,127,000)
	(2,341,991)	6,369,922	(6,754,446)	(133,483)	831,000	(2,028,998)
Restricted fixed asset funds						
Restricted Fixed Asset Fund	10,002,656	-	(603,865)	133,483	-	9,532,274
Devolved Formula Capital Grant	9,578	29,095	(15,974)	-	-	22,699
Capital Maintenance Fund	147,845	(23,277)	(69,414)	-	-	55,154
	10,160,079	5,818	(689,253)	133,483	-	9,610,127
Total restricted funds	7,818,088	6,375,740	(7,443,699)	-	831,000	7,581,129
Total of funds	7,818,088	6,886,296	(7,954,255)	-	831,000	7,581,129

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17. STATEMENT OF FUNDS (continued)

STATEMENT OF FUNDS - PRIOR YEAR

	Balance at 1 September 2015 £	Income £	Expenditure £	Transfers in/(out) £	Gains/ (Losses) £	Balance at 31 August 2016 £
Unrestricted funds						
Unrestricted funds	-	476,177	(476,177)	-	-	-
	<u>-</u>	<u>476,177</u>	<u>(476,177)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted funds						
General Annual Grant (GAG)	(110,911)	5,536,491	(5,892,466)	(107,069)	-	(573,955)
Restricted trip donations	-	177,553	(177,553)	-	-	-
Other Government grants	-	11,908	(11,908)	-	-	-
Extended Services	13,689	105,750	(72,411)	1,936	-	48,964
Pupil Premium	-	171,480	(171,480)	-	-	-
Pension reserve	(1,090,000)	-	(54,000)	-	(673,000)	(1,817,000)
	<u>(1,187,222)</u>	<u>6,003,182</u>	<u>(6,379,818)</u>	<u>(105,133)</u>	<u>(673,000)</u>	<u>(2,341,991)</u>
Restricted fixed asset funds						
Restricted Fixed Asset Funds	10,502,674	-	(605,151)	105,133	-	10,002,656
Devolved Formula Capital Grant	30,320	28,931	(49,673)	-	-	9,578
Capital Maintenance Fund	92,212	551,082	(495,449)	-	-	147,845
	<u>10,625,206</u>	<u>580,013</u>	<u>(1,150,273)</u>	<u>105,133</u>	<u>-</u>	<u>10,160,079</u>
Total restricted funds	<u>9,437,984</u>	<u>6,583,195</u>	<u>(7,530,091)</u>	<u>-</u>	<u>(673,000)</u>	<u>7,818,088</u>
Total of funds	<u>9,437,984</u>	<u>7,059,372</u>	<u>(8,006,268)</u>	<u>-</u>	<u>(673,000)</u>	<u>7,818,088</u>

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

Trip donations

This represents contributions made by parents to the running of educational visits for the pupils of the Academies and the associated costs of running the trips.

Other Government grants

This represents various grants from local and national Government bodies for the provision of specific services to pupils of the Academies.

Extended Services

This represents funding received from Hertfordshire County Council and partnership schools to provide support for families, pupils and professionals in all 12 schools in Royston and the surrounding areas.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

17. STATEMENT OF FUNDS (continued)

Pension reserve

This fund represents the Trust's share of the deficit on the Local Government Pension Scheme (LGPS) transferred to the Trust on conversion from State Maintained Schools.

Devolved Formula Capital (DFC)

The Trust is to use the DFC allocation to maintain and improve its buildings and facilities.

Capital Maintenance Fund

This represents funding received from the ESFA for Condition Improvement Fund projects.

General Annual Grant (GAG)

This represents funding from the ESFA to cover the costs of recurrent expenditure.

ANALYSIS OF ACADEMIES BY FUND BALANCE

Fund balances at 31 August 2017 were allocated as follows:

	Total 2017 £	Total 2016 £
Greneway Middle School	398,644	451,115
Meridian School	(1,206,453)	(952,545)
Roysia Middle School	(94,189)	(23,561)
Total before fixed asset fund and pension reserve	(901,998)	(524,991)
Restricted fixed asset fund	9,610,127	10,160,079
Pension reserve	(1,127,000)	(1,817,000)
Total	<u>7,581,129</u>	<u>7,818,088</u>

ANALYSIS OF ACADEMIES BY COST

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

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total 2017 £	Total 2016 £
Greneway Middle School	1,289,419	410,497	204,343	425,102	2,329,361	2,216,943
Meridian School	2,044,333	937,924	365,723	494,349	3,842,329	3,952,916
Roysia Middle School	594,851	235,460	81,831	266,558	1,178,700	1,233,112
	<u>3,928,603</u>	<u>1,583,881</u>	<u>651,897</u>	<u>1,186,009</u>	<u>7,350,390</u>	<u>7,402,971</u>

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18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £
Tangible fixed assets	-	-	9,532,274	9,532,274
Current assets	386,963	-	77,853	464,816
Creditors due within one year	(386,963)	(151,998)	-	(538,961)
Creditors due in more than one year	-	(750,000)	-	(750,000)
Provisions for liabilities and charges	-	(1,127,000)	-	(1,127,000)
	<u>-</u>	<u>(2,028,998)</u>	<u>9,610,127</u>	<u>7,581,129</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £
Tangible fixed assets	-	-	10,002,657	10,002,657
Current assets	391,480	-	284,942	676,422
Creditors due within one year	(391,480)	(174,991)	(127,520)	(693,991)
Creditors due in more than one year	-	(350,000)	-	(350,000)
Provisions for liabilities and charges	-	(1,817,000)	-	(1,817,000)
	<u>-</u>	<u>(2,341,991)</u>	<u>10,160,079</u>	<u>7,818,088</u>

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

	2017 £	2016 £
Net expenditure for the year (as per Statement of Financial Activities)	(1,067,959)	(946,896)
Adjustment for:		
Depreciation charges	603,865	603,294
Losses on investments	(472)	(813)
(Profit)/loss on the sale of fixed assets	(10,862)	1,856
Decrease in debtors	75,648	37,099
Increase in creditors	244,970	153,174
Defined benefit pension adjustment	141,000	54,000
Net cash used in operating activities	<u>(13,810)</u>	<u>(98,286)</u>

20. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash in hand	293,216	429,174
Total	<u>293,216</u>	<u>429,174</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

21. 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.

22. PENSION COMMITMENTS

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

Contributions amounting to £88,263 were payable to the schemes at 31 August 2017 (2016 - £88,709) and are included within creditors.

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates set at 16.48% of pensionable pay, including a 0.08% employer administration charge (currently 14.1%);
- 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; and
- 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%.

During the previous year the employer contribution rate was 14.1%. 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 £497,759 (2016 - £502,731).

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22. PENSION COMMITMENTS (continued)

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 2017 was £314,000 (2016 - £283,000), of which employer's contributions totalled £257,000 (2016 - £232,000) and employees' contributions totalled £57,000 (2016 - £51,000). The agreed contribution rates for future years are 27.8% for employers and 5.5 - 12.5% for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of 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:

	2017	2016
Discount rate for scheme liabilities	2.50 %	2.00 %
Rate of increase in salaries	2.50 %	3.60 %
Rate of increase for pensions in payment / inflation	2.40 %	2.10 %

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

	2017	2016
Retiring today		
Males	22.5	22.3
Females	24.9	24.5
Retiring in 20 years		
Males	24.1	24.3
Females	26.7	26.7

Sensitivity analysis	At 31 August 2017 £	At 31 August 2016 £
Discount rate +0.1%	3,906,000	4,077,000
Discount rate -0.1%	4,082,000	4,261,000
Mortality assumption - 1 year increase	4,154,000	4,294,000
Mortality assumption - 1 year decrease	3,834,000	4,044,000
CPI rate +0.1%	4,066,000	4,227,000
CPI rate -0.1%	3,922,000	4,111,000

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22. PENSION COMMITMENTS (continued)

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

	Fair value at 31 August 2017 £	Fair value at 31 August 2016 £
Equities	1,858,000	1,481,000
Corporate bonds	715,000	659,000
Property	200,000	165,000
Cash and other liquid assets	85,000	47,000
Total market value of assets	2,858,000	2,352,000

The actual return on scheme assets was £251,000 (2016 - £305,000).

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

	2017 £	2016 £
Current service cost	(361,000)	(245,000)
Interest income	50,000	71,000
Interest cost	(87,000)	(112,000)
Total	(398,000)	(286,000)

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

	2017 £	2016 £
Opening defined benefit obligation	4,169,000	2,904,000
Current service cost	361,000	245,000
Interest cost	87,000	112,000
Employee contributions	57,000	51,000
Actuarial (gains)/losses	(630,000)	907,000
Benefits paid	(59,000)	(50,000)
Closing defined benefit obligation	3,985,000	4,169,000

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

	2017 £	2016 £
Opening fair value of scheme assets	2,352,000	1,814,000
Interest income	50,000	71,000
Actuarial losses	201,000	234,000
Employer contributions	257,000	232,000
Employee contributions	57,000	51,000
Benefits paid	(59,000)	(50,000)
Closing fair value of scheme assets	2,858,000	2,352,000

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23. OPERATING LEASE COMMITMENTS

At 31 August 2017 the total of the Trust's future minimum lease payments under non-cancellable operating leases was:

	2017 £	2016 £
Amounts payable:		
Within 1 year	22,487	21,140
Between 1 and 5 years	34,136	57,856
Total	<u>56,623</u>	<u>78,996</u>

24. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year (2016 - £nil).