

THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
(A Company Limited by Guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

LANDAU BAKER LIMITED

Chartered Accountants & Statutory Auditors

Mountcliff House

154 Brent Street

London

NW4 2DR



THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
(A Company Limited by Guarantee)

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THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
(A Company Limited by Guarantee)

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016**

| | |
|--|--|
| Members | Mr D Tottingham Mrs W Barnett Mr E John |
| Trustees | Mr D Tottingham*, Chair Mrs W Barnett*, Vice Chair Mr E John*, Vice Chair (resigned 29 July 2016) Ms J Rockall, Head Teacher Mr P Vance Mr G Soldi Mr D Cross Mr S Rahala (appointed 1 October 2015) Mr J M Reekie, Appointed Chair of the Trust Board on 11 October 2016 (appointed 2 November 2015) Mrs H Huntley (appointed 2 November 2015) Mr P Makh (appointed 4 January 2016) |
| Company registered number | 07899845 |
| Company name | The Schelwood Trust (formerly Herschel Grammar School) |
| Principal and registered office | Northampton Avenue Slough Berkshire SL1 3BW |
| Company secretary | Mrs J Vucic |
| Chief executive officer | Ms J Rockall |
| Senior leadership team | Ms J Rockall, Head Teacher Mrs J Vucic, Business Manager Mr S Devereux, Deputy Headteacher Mr M Bourne, Deputy Headteacher Mr M Rose, Assistant Headteacher Mrs A Oxley, Assistant Headteacher Mr G Whittaker, Assistant Headteacher Mr G Parsons, Assistant Headteacher |
| Independent auditors | Landau Baker Limited Chartered Accountants Mountcliff House 154 Brent Street London NW4 2DR |
| Bankers | Lloyds Bank plc 123 High Street Town Centre Slough SL1 1EH |

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REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016

Advisers (continued)

| | |
|------------|--|
| Solicitors | Winckworth Sherwood Minerva House 5 Montagu Close London SE1 9BB |
|------------|--|

THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2016

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the 1 September 2015 to 31 August 2016. The Annual Report serves the purposes of both a Trustees' Report, and a Directors' report under company law.

The trust operates an academy for pupils aged 11 to 19 serving a catchment area in Slough, Berkshire. It has a capacity of 881 pupils and had a roll of 931 pupils in the school census in May 2016.

Structure, governance and management

a. CONSTITUTION

The academy is a charitable company limited by guarantee and an exempt charity.

The charitable company's Memorandum of Association is the primary governing document of the academy trust.

The Trustees of The Schelwood Trust (formerly Herschel Grammar School) are also the directors of the charitable company for the purpose of company law.

The charitable company is known as The Schelwood Trust. The company changed its name on 9 August 2016 and became a multi-academy trust when Beechwood School joined the trust on 1 October 2016.

Details of the trustees and directors who served during the year are included in the Reference And Administrative Details on page 1. Directors of the company are denoted by a * after their names.

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. METHOD OF RECRUITMENT AND APPOINTMENT OR ELECTION OF TRUSTEES

The management of the academy is the responsibility of the Governors who are elected and co-opted under the terms of the Articles of Association as follows:

- The Head Teacher
- 3 parent governors
- 2 staff governors
- 6 community governors
- Any governors appointed by the Secretary of State for Education
- Up to 3 co-opted governors

The term of office for any governor is 4 years. The Head Teacher's term of office runs parallel with her term of appointment. Subject to remaining eligible to be a particular type of governor any governor may be reappointed or re-elected.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

d. POLICIES AND PROCEDURES ADOPTED FOR THE INDUCTION AND TRAINING OF TRUSTEES

The training and induction provided for new governors will depend on their experience. Where necessary an induction will provide training on charity and educational, legal and financial matters. All new governors are given a tour of the academy and the chance to meet with staff and students. All governors are provided with copies of policies, procedures, minutes, budgets, plans and other documents that they will need to understand their role as trustees and directors of the academy.

e. ORGANISATIONAL STRUCTURE

The academy has established a management structure to enable its efficient running. The structure consists of two levels: the governors and the executive who are the senior leadership team.

The governing body has considered its role thoughtfully and decided that the role of the governors is to approve the strategic direction and objectives of the academy and monitor its progress towards these objectives.

The governing body has approved a scheme of delegation which sets out a statement on the system of internal control, responsibilities, standing orders, a scheme of delegation and terms of reference.

Governors are responsible for setting general policy, adopting an annual plan and budget, monitoring the academy by use of budgets and making major decisions about the direction of the academy, including capital expenditure and senior staff appointments.

f. TRUSTEES' INDEMNITIES

Subject to the provisions of the Companies Act, every governor or other officer of the academy shall be indemnified out of the assets of the academy against any liability incurred by them in that capacity in defending any proceedings, whether civil or criminal, in which judgment is given in favour or in which they are acquitted or in connection with any application in which relief is granted to them by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the academy

Objectives and Activities

a. OBJECTS AND AIMS

The principal object and activity of the academy is the operation of Herschel Grammar School to provide a broad and balanced education for pupils of all abilities. The governors have referred to the guidance issued by the Charity Commission in respect of public benefit when reviewing the aims and objectives of the academy.

In accordance with the articles of association, the academy has adopted a "Scheme of Government" approved by the Secretary of State for Education. The Scheme of Government specifies, amongst other things, the basis for admitting pupils to the academy, the catchment area from which the pupils are drawn, and that the curriculum should comply with the substance of the national curriculum.

The main objectives of the academy during the period are summarised below:

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

b. OBJECTIVES, STRATEGIES AND ACTIVITIES

As stated by OFSTED in September 2012:

"The curriculum is broad and provides excellent opportunities for pupils to develop personal qualities and skills."

"The curriculum in the main school and sixth form includes a good breadth of subjects and provides well for pupils' spiritual, moral, social and cultural development."

Since receiving our outstanding judgment in 2012 we have continued to refine our curriculum offer to ensure our pupils have the very best opportunities to achieve academic success, personal responsibility within a caring environment.

We review our curriculum every year through our governing body, senior leadership team, Head of Faculty and staff meetings. Pupils are also consulted on their views to ensure our curriculum meets their needs.

Summary of our curriculum

All pupils in years 7 - 9 (Key Stage 3) follow the new revised national curriculum for KS3 in core and foundation subjects. Where appropriate, Heads of Department have modified the curriculum to reflect a local context and enabling all pupils to develop relevant skills to ensure progression to Key Stage 4. Towards the end of Year 9 pupils in English and Science begin preparation for GCSEs.

Assessment in Key Stage 3 takes the form of 'grades'. See our revised Assessment Policy. Each subject has grade descriptors broken down into "what you need to know" and "what skills you need to show".

Pupils in Year 9 make their GCSE choices in March and study three optional GCSE subjects in Years 10 and 11 alongside compulsory subjects. We are proud of the choice we give our pupils. The only stipulation that pupils pick one ebacc* subject alongside English, Mathematics, Religious Studies and Science.

The KS4 curriculum is built around the needs to our learners. Option blocks are bespoke to our learners' preferences and we have a very high satisfaction rate.

At KS3 and KS4 all pupils have two hours of PE per week.

From September pupils in Year 10 will have 3 hours per week for their GCSE option choice subjects (increased from 2 hours). This will revert to 2.5 hours in Year 11. We hope this will give learners a deeper grounding in these new subjects and have the opportunity to complete controlled assessment in Year 10. In order to keep as much flexibility in the curriculum we decided pupils should have the option to study a GCSE Technology subject rather than making Technology compulsory.

The Sixth Form curriculum is built around the needs to our learners. As with Year 9, option blocks are bespoke to our learners' preferences and we have a very high satisfaction rate.

In the Sixth Form, students study a minimum of 4 subjects in Year 12. From September almost all a level subjects have been reformed into linear qualifications. Students will not be expected to take an AS Level in subjects they are continuing into Year 13. Roughly a third of students study the EPQ (extended project qualification) alongside their other subjects.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

c. ACHIEVEMENTS AND PERFORMANCE

2016 has been another record breaking year at Herschel Grammar.

At GCSE level the percentage of pupils achieving five A*- C grades including English and Maths is 99.2% with only one pupil narrowly missing out.

As a school we are thrilled with our exceptionally high performance, with 57% of pupils achieving an A* or A grade in all qualifications. Equally impressive is the number of pupils achieving five or more A*-A grades at 63%, up from 56% last year.

The percentage of students achieving the A* grade stands at 22%, a huge increase from 17% last year.

It is worth noting that these increases are set against a national backdrop of a decline in the number of students achieving top grade GCSE grades, which proves how challenging GCSEs are.

This year our overall point score at GCSE was **another** record breaking all time high point score of **611**. To put this in more meaningful terms, out of 1210 entries, our average grade is an A.

When looking at progress in English and Maths, Herschel is exceeding all national benchmarks and the progress our pupils continue to make is outstanding.

Our Value Added Progress 8 score of +0.44 confirms our status as an outstanding school and places us firmly in the top 5% of schools nationally, not only on achievement but more importantly on the progress our pupils make. This clearly demonstrates that we truly add value to all our pupils and we are so proud of their achievements.

We believe these results will once again place us in the best fifty of all state schools nationally.

At A Level we are delighted with another exceptionally high pass rate of 99.1%. This has also been achieved under a reformed assessment regime with students severely limited in being able to re-take units to improve outcomes.

The percentage of A* to B grades at A level has remained strong at 65.3% and we are really pleased that with no opportunity to re-take A2 examinations our A* performance has once again increased to 12.1%. Our A*-C pass rate has also increased this year going from 84.4% to 86.1%

Impressively well over 1 in 3 of our A level grades is either A* or A, A-mazing!

Our A*% pass rate, at 12.1% in 2016, is our highest result ever!

Staff, students and parents have all worked consistently hard to ensure the highest possible marks are achieved and first choice university offers met. We have a record number of students this year with truly outstanding results.

d. PUBLIC BENEFIT

In setting the objectives, the governors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

Achievements and performance

a. GOING CONCERN

After making appropriate enquiries, the board of trustees 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.

b. KEY FINANCIAL PERFORMANCE INDICATORS

The school set a balanced budget and showed a (deficit) on restricted general funds (before restricted fixed assets fund and pension reserve) of £(218,153) (2015: £(193,817)). The school will continue to trade with sufficient balances so as to continue the high standard of education offered to its students.

c. REVIEW OF ACTIVITIES

Over the past year the school's improvement plan focused on a number of areas. Under the Leadership and Management category an external review of governance took place which identified strengths and made recommendations with an agreed action plan. The governor vacancies were filled by governors to strengthen finance, safeguarding, SEN and education expertise.

In an effort to identify financial efficiencies Senior Leadership conducted a curriculum review investigating reduced set numbers and teaching time. As a result, a two-week timetable was agreed with Baylis Court School. The school developed strategies to address the demands of reformed GCSEs and linear A levels.

Another focus was for the school to develop further the monitoring and support for disadvantaged learners. Awareness of Pupil Premium learners was promoted amongst staff, tailored support was provided for PP students and ongoing monitoring of the progress of disadvantaged learners was set up with interventions put in place as appropriate.

Raising standards at GCSE and A Level particularly focusing on top grades was another focus over the past year. This required Heads of Faculty to reflect and adapt teaching and learning strategies for achieving higher grade targets as well as making good use of PixL strategies.

The school's governors worked alongside Beechwood School's governors to establish a MAT which will give staff from both schools opportunities for personal development, sharing expertise across the two schools and work on efficiencies in various areas of both schools. The MAT is due to be established early in the 2016-17 academic year.

Financial review

a. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Companies Act 2006 s417(3b) requires disclosure of the principal risks and uncertainties facing a company. The academy is exposed to a number of financial risks including credit, cash flow and liquidity risks. Given the academy's exposure to financial instruments being limited, the exposure principally relates to bank balances, cash and trade creditors, with limited trade (and other) debtors. The academy's system of internal controls ensures risk is minimal in these areas.

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TRUSTEES' REPORT (continued)
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b. RESERVES POLICY

The level of reserves held takes into account the nature of income and expenditure streams, the need to match them with commitments, including future capital projects, and the nature of reserves. The governors will keep this level of reserves under review.

c. PRINCIPAL FUNDING

Most of the academy's income is obtained from the Education Funding Agency (EFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the EFA during the 12 month period ended 31 August 2016 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The academy also received grants for fixed assets from the EFA. In accordance with the Charities Statement of Recommended Practice, "Accounting for Reporting by Charities" (SORP 2005), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

Under the Charities SORP, it is necessary to charge projected deficits on the LGPS, which is provided to support staff, to a restricted fund. This results in reducing reserves shown in the total funds of the academy. It should be noted that this does not present the academy with any current liquidity problem, the employer contributions are currently being assessed and it is expected that they will increase to bring a further reduction in this pension deficit in future, although this may not be achieved until stock market investment values start to recover.

Plans for future periods

a. FUTURE DEVELOPMENTS

The priorities for the coming year under the Leadership and Management section will focus on developing strategic direction of the school in line with the MAT priorities, as well as creating a MAT development plan. In order to achieve this governors will need to ensure they have the right skills set to fulfil their delegated responsibilities effectively.

Further to the government's recommendations on teacher workload, the school will establish a working party to consult staff and consider the government's recommendations.

One of the challenges will be to reduce curriculum costs without compromising on breadth and balance, which will require exploration of staff teaching across subject areas and review their contact time.

The school would like to develop its alumni programme and begin a database of ex pupils and explore their willingness to support the school in its activities, be it finance, time or other resources.

In order to meet the financial challenges ahead, the school is going to plan for an increase in one form of entry for Y7 in September 2017.

On the teaching and learning side the school's priority this year will be raising standards at GCSE and A Level particularly focusing on top grades and reduce the gap between genders.

The school will continue to provide high quality impartial careers guidance to its pupils. The school's aim is to achieve Investor in Careers Stage 2 and Stage 3 during the course of this year. Furthermore, the school will continue to develop CEIAG curriculum against the new CDI framework, identify gaps and establish staff Careers Champions to push the CEIAG agenda across faculties.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

b. PAY POLICY FOR KEY MANAGEMENT PERSONNEL

The school has a Pay Policy in place which is reviewed annually. In line with this policy, key management personnel are going through an annual appraisal, the report of which contains recommendation on pay progression if that is possible. The Headteacher is responsible for submitting any recommendations for pay progression, in accordance with the relevant sections of the Pay Policy, to the Remuneration Committee for approval.

FUNDS HELD AS CUSTODIAN

The academy, during the financial period, received 16 - 19 bursary funds amounting to £21,513 (2015: £20,558) on behalf of the Education Funding Agency (EFA) and disbursed bursaries amounting to £16,975 (2015: £21,940) in the period. £2,126 (2015: £2,553) is included in creditors as repayable to the EFA at the period end.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are Trustees at the time when this Trustees' Report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any information needed by the charitable company's auditors in connection with preparing their report and to establish that the charitable company's auditors are aware of that information.

AUDITORS

The auditors, Landau Baker Limited, have indicated their willingness to continue in office. The Designated Trustees will propose a motion re-appointing the auditors at a meeting of the Trustees.

This report was approved by order of the board of trustees as the company directors, on 21 November 2016 and signed on its behalf by:


Mr J M Reekie
Chair

THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As trustees, we acknowledge we have overall responsibility for ensuring that The Schelwood Trust (formerly Herschel Grammar School) 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 Head Teacher, 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 Schelwood Trust (formerly Herschel Grammar School) 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 4 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 |
|---|-------------------|-------------------|
| Mr D Tottingham*, Chair | 3 | 4 |
| Mrs W Barnett*, Vice Chair | 3 | 4 |
| Mr E John*, Vice Chair | 1 | 3 |
| Ms J Rockall, Head Teacher | 4 | 4 |
| Mr P Vance | 4 | 4 |
| Mr G Soldi | 2 | 4 |
| Mr D Cross | 2 | 4 |
| Mr S Rahala | 2 | 4 |
| Mr J M Reekie, Appointed Chair of the Trust | 3 | 4 |
| Board on 11 October 2016 | | |
| Mrs H Huntley | 3 | 4 |
| Mr P Makh | 2 | 3 |

Governance reviews

During November 2015 an external governor review was conducted and the report was presented to the full governing body at its February 2016 meeting. The review highlighted a number of areas of strength of the current governors in place and it also showed, particularly in the light of the school probably moving to becoming a MAT, that governors would benefit from very specific and targeted training highlighting the different kinds of responsibilities and focus they will need to have in light of the school becoming a MAT.

The school currently has a couple of unfilled community governor positions which it intends to fill once the move to a MAT has been completed and it becomes clear what areas of expertise the governing body requires.

The Finance & Premises Committee is a sub-committee of the main board of trustees. Its purpose is to manage the finances of the academy and ensure that resources are applied for the purposes of the academy.

The Finance and Premises Committee is a sub-committee of the main board of trustees. Its purpose is to manage the finances of the academy and ensure that resources are applied for the purposes of the academy.

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GOVERNANCE STATEMENT (continued)

Attendance at meetings in the year was as follows:

| Trustee | Meetings attended | Out of a possible |
|-------------------------|-------------------|-------------------|
| Mr D Tottingham*, Chair | 4 | 4 |
| Mr E John | 0 | 4 |
| Mr P Makh | 2 | 3 |
| Ms J Rockall | 4 | 4 |
| Mr J Reekie | 2 | 3 |
| Mrs W Barnett | 4 | 4 |
| Mr P Vance | 3 | 4 |

REVIEW OF VALUE FOR MONEY

As Accounting Officer, the Head Teacher has responsibility for ensuring that the academy 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'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 academy has delivered improved value for money during the year by:

Better Purchasing

- The use of tendering procedures for major expenditure items.
- The use of specialised companies to tender for utility supplies.
- The continued check of existing contracts and finding suppliers who deliver the same services with the same quality but for less money.
- Working with other schools in pooling supplies and negotiating contracts and getting better value for money.

Income generation

- Introducing a gift aid scheme allowing donations to be received.
- Ensuring school's services are offered to other local schools for a fee.

Reviewing controls and managing risks

- Ensuring proper internal controls are in place to protect the trust's assets
- Providing regular budget reports to budget holders and the Finance Committee ensuring spending across the board is within the set budgets.
- Ensuring the school regularly reviews its risks.

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 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 Schelwood Trust (formerly Herschel Grammar School) for the year 1 September 2015 to 31 August 2016 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 academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of

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GOVERNANCE STATEMENT (continued)

of the view that there is a formal ongoing process for identifying, evaluating and managing the academy's significant risks, that has been in place for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

THE RISK AND CONTROL FRAMEWORK

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees;
- regular reviews by the Finance and Premises 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 trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Trustees have appointed Mr M Epsley, a Business and Finance Director at a local academy trust, as Responsible Officer (RO).

The RO's role includes giving advice on financial matters and performing a range of checks on the academy's financial systems. On an annual basis, the RO reports to the board of trustees on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

The RO reported to the governing body in May 2015. There were no material issues raised in the RO report.

REVIEW OF EFFECTIVENESS

As Accounting Officer, the Head Teacher 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 Responsible Officer;
- the work of the external auditors;
- the work of the executive managers within the academy 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 Finance and Premises Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on 21 November 2016 and signed on their behalf, by:



Mr J M Reekie
Chair of Trustees



Ms J Rockall
Accounting Officer

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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of The Schelwood Trust (formerly Herschel Grammar School) I have considered my responsibility to notify the academy trust board of trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA 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 2015.

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 2015.

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 EFA.



Ms J Rockall
Accounting Officer

Date: 21 November 2016

THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
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STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2016

The Trustees (who act as trustees for charitable activities of Herschel Grammar School and some of whom are also directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency (EFA), United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 2015 to 2016;
- 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 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 the EFA/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 order of the members of the board of trustees and signed on its behalf by:



Mr J M Reekie
Chair

Date: 21 November 2016

THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
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**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)**

We have audited the financial statements of The Schelwood Trust (formerly Herschel Grammar School) for the year ended 31 August 2016 which comprise the Statement of Financial Activities Incorporating Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2014 to 2015 issued by the Education Funding Agency.

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

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees (who are also the directors of the academy 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the academy's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 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 and the Academies Accounts Direction 2014 to 2015 issued by the Education Funding Agency.

THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
(A Company Limited by Guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)**

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Trustees' Report, incorporating the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Michael Durst (Senior Statutory Auditor)

for and on behalf of

Landau Baker Limited

Chartered Accountants
Statutory Auditors

Mountcliff House
154 Brent Street
London
NW4 2DR
21 November 2016

THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
(A Company Limited by Guarantee)

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO THE
SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL) AND THE EDUCATION FUNDING
AGENCY**

In accordance with the terms of our engagement letter dated 6 January 2012 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2014 to 2015, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Schelwood Trust (formerly Herschel Grammar School) during the year 1 September 2015 to 31 August 2016 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 Schelwood Trust (formerly Herschel Grammar School) and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Schelwood Trust (formerly Herschel Grammar School) and the EFA 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 Schelwood Trust (formerly Herschel Grammar School) and the EFA, for our work, for this report, or for the conclusion we have formed.

RESPECTIVE RESPONSIBILITIES OF THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)'S ACCOUNTING OFFICER AND THE REPORTING ACCOUNTANT

The accounting officer is responsible, under the requirements of The Schelwood Trust (formerly Herschel Grammar School)'s funding agreement with the Secretary of State for Education dated 1 February 2012, and the Academies Financial Handbook extant from 1 September 2015, 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 2014 to 2015. 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 2015 to 31 August 2016 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 2014 to 2015 issued by the EFA. 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's income and expenditure.

The work undertaken to draw to our conclusion includes:

- review of management reporting documents.
- review of Trustees/Governors meeting minutes.
- confirming compliance with the Academy Trust's Scheme of Delegation.
- compliance with delegated authorities.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO THE
SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL) AND THE EDUCATION FUNDING
AGENCY (continued)**

- consideration of whether any personal benefit has been derived from the Academy Trust's transactions by staff or related parties.

- adherence to tendering policies.

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 2015 to 31 August 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Reporting Accountant
Landau Baker Limited

Chartered Accountants
Statutory Auditors

Mountcliff House
154 Brent Street
London
NW4 2DR

21 November 2016

THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2016**


| | Note | Unrestricted funds 2016 £ | Restricted funds 2016 £ | Restricted fixed asset funds 2016 £ | Total funds 2016 £ | Total funds (as restated) 2015 £ |
|---|------|------------------------------------|----------------------------------|---|-----------------------------|--|
| INCOME FROM: | | | | | | |
| Donations and capital grants | 3 | 132,202 | - | 20,948 | 153,150 | 210,705 |
| Charitable activities | 4 | 175,196 | 4,953,812 | - | 5,129,008 | 5,264,969 |
| Investments | 5 | 737 | - | - | 737 | 1,137 |
| Other income | | - | 97,452 | - | 97,452 | 104,682 |
| TOTAL INCOME | | 308,135 | 5,051,264 | 20,948 | 5,380,347 | 5,581,493 |
| EXPENDITURE ON: | | | | | | |
| Raising funds | | 56,531 | - | - | 56,531 | 123,973 |
| Charitable activities | | 213,462 | 5,376,417 | 231,815 | 5,821,694 | 5,911,276 |
| TOTAL EXPENDITURE | 8 | 269,993 | 5,376,417 | 231,815 | 5,878,225 | 6,035,249 |
| NET INCOME / (EXPENDITURE) BEFORE EXCEPTIONAL ITEM | | | | | | |
| | | 38,142 | (325,153) | (210,867) | (497,878) | (453,756) |
| Actuarial gains/(losses) on defined benefit pension schemes | 24 | - | (639,000) | - | (639,000) | 27,000 |
| NET MOVEMENT IN FUNDS | | 38,142 | (964,153) | (210,867) | (1,136,878) | (426,756) |
| RECONCILIATION OF FUNDS: | | | | | | |
| Total funds brought forward | | 148,834 | (592,496) | 28,505,549 | 28,061,887 | 28,488,643 |
| TOTAL FUNDS CARRIED FORWARD | | 186,976 | (1,556,649) | 28,294,682 | 26,925,009 | 28,061,887 |


THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
(A Company Limited by Guarantee)
REGISTERED NUMBER: 07899845

BALANCE SHEET
AS AT 31 AUGUST 2016

| | Note | £ | 2016 £ | £ | 2015 £ |
|--|------|--------------------|--------------------------|-------------------|--------------------------|
| FIXED ASSETS | | | | | |
| Tangible assets | 14 | | 28,266,397 | | 28,498,212 |
| CURRENT ASSETS | | | | | |
| Stocks | 15 | 1,165 | | 1,109 | |
| Debtors | 16 | 136,714 | | 199,871 | |
| Cash at bank and in hand | | 490,998 | | 631,300 | |
| | | <u>628,877</u> | | <u>832,280</u> | |
| CREDITORS: amounts falling due within one year | 17 | (269,265) | | (313,605) | |
| NET CURRENT ASSETS | | | <u>359,612</u> | | <u>518,675</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>28,626,009</u> | | <u>29,016,887</u> |
| Defined benefit pension scheme liability | 23 | (1,701,000) | | (955,000) | |
| NET ASSETS INCLUDING PENSION SCHEME LIABILITIES | | | <u><u>26,925,009</u></u> | | <u><u>28,061,887</u></u> |
| FUNDS OF THE ACADEMY | | | | | |
| Restricted income funds: | | | | | |
| Restricted income funds | 18 | 144,351 | | 362,504 | |
| Restricted fixed asset funds | 18 | 28,294,682 | | 28,505,549 | |
| Restricted income funds excluding pension liability | | <u>28,439,033</u> | | <u>28,868,053</u> | |
| Pension reserve | | <u>(1,701,000)</u> | | <u>(955,000)</u> | |
| Total restricted income funds | | | <u>26,738,033</u> | | <u>27,913,053</u> |
| Unrestricted income funds | 18 | | <u>186,976</u> | | <u>148,834</u> |
| TOTAL FUNDS | | | <u><u>26,925,009</u></u> | | <u><u>28,061,887</u></u> |

The financial statements were approved by the Trustees, and authorised for issue, on 21 November 2016 and are signed on their behalf, by:


Mr J M Reekie
Chair of Trustees


Ms J Rockall
Headteacher

The notes on pages 22 to 42 form part of these financial statements.

THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2016

| | Note | 2016 £ | 2015 £ |
|--|------|-----------------------|-----------------------|
| Cash flows from operating activities | | | |
| Net cash used in operating activities | 21 | <u>(161,987)</u> | <u>(102,511)</u> |
| Cash flows from investing activities: | | | |
| Dividends, interest and rents from investments | | 737 | 1,137 |
| Purchase of tangible fixed assets | | - | (37,847) |
| Capital grants from DfE/EFA | | 20,948 | 45,184 |
| Net cash provided by investing activities | | <u>21,685</u> | <u>8,474</u> |
| Change in cash and cash equivalents in the year | | (140,302) | (94,037) |
| Cash and cash equivalents brought forward | | <u>631,300</u> | <u>725,337</u> |
| Cash and cash equivalents carried forward | | <u><u>490,998</u></u> | <u><u>631,300</u></u> |

THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES

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

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 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

The Schelwood Trust (formerly Herschel Grammar School) constitutes a public benefit entity as defined by FRS 102.

First time adoption of FRS 102

These financial statements are the first financial statements of The Schelwood Trust (formerly Herschel Grammar School) prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities SORP 2015 (SORP 2015). The financial statements of The Schelwood Trust (formerly Herschel Grammar School) for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the Trustees have amended certain accounting policies to comply with FRS 102 and SORP 2015. [The Trustees have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS']

Reconciliations to previous UK GAAP for the comparative figures are included in note 28.

1.2 Fund accounting

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

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

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

THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.3 Income

All income is recognised once the academy 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.

Sponsorship income provided to the academy which amounts to a donation is recognised in the Statement of Financial Activities Incorporating Income and Expenditure Account in the period in which it is receivable, where there is certainty of receipt and it is measurable.

Donations are recognised on a receivable basis where there is certainty of receipt 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.

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.

Costs of generating funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

Charitable activities and Governance costs are costs incurred on the academy's educational operations, including support costs and costs relating to the governance of the academy apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.5 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 academy to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements..

1.6 Tangible fixed assets and depreciation

All assets costing more than £5,000 are capitalised.

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.

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.

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 | - | 125 years |
| Building improvements | - | 10 years |
| Plant and machinery | - | 5 years |
| Motor vehicles | - | 5 years |
| Fixtures and fittings | - | 5 years |

1.7 Interest receivable

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

THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.9 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.

1.10 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.

1.11 Liabilities and provisions

Liabilities are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy 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.

1.12 Financial instruments

The academy only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

1.13 Taxation

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

THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.14 Pensions

Retirement benefits to employees of the academy are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes and the assets are held separately from those of the academy.

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

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

THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.15 Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, 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 2016. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgement:

During the period no estimates or judgements have been applied to the financial statements.

1.16 Agency arrangements

The academy trust acts as agent in distributing 16-19 bursary funds from the EFA. Payments received from the EFA and subsequent disbursements to students are excluded from the Statement of Financial Activities as the trust does not have control over the charitable application of the funds. The funds received and paid and any balances are disclosed in Note 28.

2. GENERAL ANNUAL GRANT (GAG)

Under the funding agreement with the Secretary of State the academy was subject to limits at 31 August 2016 on the amount of GAG that could be carried forward from one year to the next. An amount equal to 12% of GAG could be carried forward, of which up to 2% could be used for general recurrent purposes, with any balance being available for premises/capital purposes.

The academy has not exceeded these limits during the year ended 31 August 2016.

THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

3. INCOME FROM DONATIONS AND CAPITAL GRANTS

| | Unrestricted funds 2016 £ | Restricted funds 2016 £ | Restricted fixed asset funds 2016 £ | Total funds 2016 £ | Total funds (as restated) 2015 £ |
|------------------------------------|------------------------------------|----------------------------------|---|-----------------------------|--|
| Parental contributions | 132,202 | - | - | 132,202 | 165,521 |
| Capital grants | - | - | 20,948 | 20,948 | 45,184 |
| | <u>132,202</u> | <u>-</u> | <u>20,948</u> | <u>153,150</u> | <u>210,705</u> |
| Total donations and capital grants | 132,202 | - | 20,948 | 153,150 | 210,705 |

In 2015, of the total income from donations and capital grants, £165,521 was to unrestricted funds and £45,184 was to restricted funds

4. INCOME FROM CHARITABLE ACTIVITIES

| | Unrestricted funds 2016 £ | Restricted funds 2016 £ | Total funds 2016 £ | Total funds (as restated) 2015 £ |
|--|------------------------------------|----------------------------------|-----------------------------|--|
| DfE/EFA grants | - | 4,693,065 | 4,693,065 | 4,811,981 |
| Other income from educational operations | 175,196 | 260,747 | 435,943 | 452,988 |
| | <u>175,196</u> | <u>4,953,812</u> | <u>5,129,008</u> | <u>5,264,969</u> |

In 2015, of the total income from charitable activities, £155,137 was to unrestricted funds and £5,109,832 was to restricted funds.

FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

| | Unrestricted funds 2016 £ | Restricted funds 2016 £ | Total funds 2016 £ | Total funds (as restated) 2015 £ |
|------------------------|------------------------------------|----------------------------------|-----------------------------|--|
| DfE/EFA grants | | | | |
| General Annual Grant | - | 4,605,540 | 4,605,540 | 4,670,915 |
| Other DfE/EFA grants | - | 80,550 | 80,550 | 72,090 |
| Local authority grants | - | 6,975 | 6,975 | 68,976 |
| | <u>-</u> | <u>4,693,065</u> | <u>4,693,065</u> | <u>4,811,981</u> |

In 2015, of the total income from charitable activities, £ NIL was to unrestricted funds and £4,811,981 was to restricted funds.

THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

5. INVESTMENT INCOME

| | Unrestricted funds 2016 £ | Restricted funds 2016 £ | Total funds 2016 £ | Total funds (as restated) 2015 £ |
|-------------------|------------------------------------|----------------------------------|-----------------------------|--|
| Investment income | 737 | - | 737 | 1,137 |

In 2015, of the total investment income, £1,137 was to unrestricted funds and £ NIL was to restricted funds.

6. DIRECT COSTS

| | Educational operations £ | Total 2016 £ | Total 2015 £ |
|-----------------------------|--------------------------------|--------------------|--------------------|
| Pension finance charge | 37,000 | 37,000 | 34,000 |
| Educational supplies | 178,868 | 178,868 | 188,515 |
| Examination fees | 111,699 | 111,699 | 116,372 |
| Staff development | 22,277 | 22,277 | 28,092 |
| Settlement agreements | - | - | 10,000 |
| Agency supply teacher costs | 25,845 | 25,845 | 94,017 |
| Recruitment and support | 9,398 | 9,398 | 8,700 |
| Maintenance of equipment | 191,353 | 191,353 | 193,229 |
| Wages and salaries | 2,858,833 | 2,858,833 | 2,927,580 |
| National insurance | 259,864 | 259,864 | 245,010 |
| Pension cost | 432,955 | 432,955 | 373,007 |
| | <u>4,128,092</u> | <u>4,128,092</u> | <u>4,218,522</u> |

In 2015, the academy incurred the following Direct costs:

£4,218,522 in respect of Educational activities

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7. SUPPORT COSTS

| | Educational operations £ | Total 2016 £ | Total 2015 £ |
|--------------------------|--------------------------------|--------------------|--------------------|
| Staff development | 326 | 326 | 312 |
| Maintenance of premises | 232,157 | 232,157 | 264,332 |
| Maintenance of equipment | 20,142 | 20,142 | 27,361 |
| Cleaning | 114,863 | 114,863 | 104,061 |
| Rent and rates | 70,032 | 70,032 | 40,790 |
| Insurance | 31,564 | 31,564 | 37,800 |
| Security and transport | 135,479 | 135,479 | 125,572 |
| Catering | 134,146 | 134,146 | 123,577 |
| Other support costs | 127,427 | 127,427 | 96,496 |
| Governance costs | 56,317 | 56,317 | 60,348 |
| Wages and salaries | 383,140 | 383,140 | 390,301 |
| National insurance | 27,627 | 27,627 | 25,775 |
| Pension cost | 128,567 | 128,567 | 163,090 |
| Depreciation | 231,815 | 231,815 | 232,939 |
| | <u>1,693,602</u> | <u>1,693,602</u> | <u>1,692,754</u> |

During the year ended 31 August 2016, the academy incurred the following Governance costs:
£56,317 (2015 - £60,348 included within the table above in respect of Educational activities).

In 2015, the academy incurred the following Support costs:
£1,692,754 in respect of Educational operations

8. EXPENDITURE

| | Staff costs 2016 £ | Premises 2016 £ | Other costs 2016 £ | Total 2016 £ | Total 2015 £ |
|--|--------------------------|-----------------------|--------------------------|--------------------|--------------------|
| Expenditure on raising voluntary income | - | - | 56,531 | 56,531 | 123,973 |
| Activities: | | | | | |
| Direct costs | 3,577,497 | - | 550,595 | 4,128,092 | 4,218,522 |
| Support costs | 539,334 | 676,670 | 477,598 | 1,693,602 | 1,692,754 |
| | <u>4,116,831</u> | <u>676,670</u> | <u>1,084,724</u> | <u>5,878,225</u> | <u>6,035,249</u> |

In 2016, of the total expenditure, £269,993 (2015 - £267,945) was to unrestricted funds and £5,608,232 (2015 - £5,767,304) was to restricted funds.

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9. NET INCOMING RESOURCES/(RESOURCES EXPENDED)

This is stated after charging:

| | 2016 £ | 2015 £ |
|--|----------------|----------------|
| Depreciation of tangible fixed assets: | | |
| - owned by the charity | 231,815 | 232,939 |
| Lease payments | 89,890 | 50,769 |
| | <u>231,815</u> | <u>232,939</u> |

10. AUDITORS' REMUNERATION

| | 2016 £ | 2015 £ |
|--|--------------|--------------|
| Fees payable to the academy's auditor in respect of: | | |
| The auditing of accounts of the academy | 4,000 | 4,000 |
| All other non-audit services not included above | 2,450 | 3,450 |
| | <u>4,000</u> | <u>3,450</u> |

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11. STAFF COSTS

Staff costs were as follows:

| | 2016 £ | 2015 £ |
|--|-------------------------|-------------------------|
| Wages and salaries | 3,241,973 | 3,325,882 |
| Social security costs | 287,491 | 270,785 |
| Operating costs of defined benefit pension schemes | 561,522 | 528,097 |
| | <u>4,090,986</u> | <u>4,124,764</u> |
| Supply teacher costs | 25,845 | 94,017 |
| Compensation payments | - | 10,000 |
| | <u><u>4,116,831</u></u> | <u><u>4,228,781</u></u> |

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

| | 2016 No. | 2015 No. |
|----------------------------|-------------------|-------------------|
| Teachers | 61 | 60 |
| Administration and support | 36 | 38 |
| Management | 7 | 7 |
| | <u><u>104</u></u> | <u><u>105</u></u> |

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

| | 2016 No. | 2015 No. |
|---------------------------------|-------------|-------------|
| In the band £60,001 - £70,000 | 2 | 2 |
| In the band £100,001 - £200,000 | 1 | 1 |

The above employees were members of the Teachers' Pension Scheme and contributions amounting to £40,324 (2015: £33,996) were paid by the academy during the period.

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 £589,196 (2015: £585,421).

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12. TRUSTEES' REMUNERATION AND EXPENSES

| | 2016 £ | 2015 £ |
|--------------|----------------|----------------|
| Remuneration | <u>202,672</u> | <u>205,750</u> |

During the year retirement benefits were accruing to 3 Trustees (2015 - 3) in respect of defined benefit pension schemes.

The highest paid Trustee received remuneration of £115,091 (2015 - £133,952).

One or more Trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The Principal and other staff Trustees 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 Trustees. The value of Trustees' remuneration and other benefits was as follows:

| | | 2016 £'000 | 2015 £'000 |
|--|----------------------------|---------------|---------------|
| Ms J Rockall (Head Teacher) - remuneration | Remuneration | 115-120 | 130-135 |
| | Pension contributions paid | 15-20 | 15-20 |
| Mr G Soldi | Remuneration | 50-55 | 40-45 |
| | Pension contributions paid | 5-10 | 5-10 |
| Mr P Vance | Remuneration | 30-35 | 30-35 |
| | Pension contributions paid | 5-10 | 5-10 |

During the year ended 31 August 2016, expenses totalling £183 (2015 - £157) were reimbursed to 1 Trustee.

13. TRUSTEES' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £3,800,000 on any one claim and the cost for the year ended 31 August 2016 was £1,225 (2015 - £1,225).

14. PENSION FINANCE CHARGE

| | 2016 £ | 2015 £ |
|--|-----------------|-----------------|
| Expected return on pension scheme assets | 34,000 | 29,000 |
| Interest on pension scheme liabilities | (71,000) | (63,000) |
| | <u>(37,000)</u> | <u>(34,000)</u> |

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15. TANGIBLE FIXED ASSETS

| | Freehold property £ | Plant and machinery £ | Motor vehicles £ | Fixtures and fittings £ | Total £ |
|---|---------------------------|-----------------------------|------------------------|-------------------------------|------------|
| Cost | | | | | |
| At 1 September 2015 and 31 August 2016 | 29,159,121 | 110,029 | 5,756 | 12,219 | 29,287,125 |
| Depreciation | | | | | |
| At 1 September 2015 | 719,897 | 53,485 | 5,756 | 9,775 | 788,913 |
| Charge for the year | 207,912 | 21,459 | - | 2,444 | 231,815 |
| At 31 August 2016 | 927,809 | 74,944 | 5,756 | 12,219 | 1,020,728 |
| Net book value | | | | | |
| At 31 August 2016 | 28,231,312 | 35,085 | - | - | 28,266,397 |
| At 31 August 2015 | 28,439,224 | 56,544 | - | 2,444 | 28,498,212 |

Included in freehold property is land at valuation of £5,000,000 which is not depreciated.

16. STOCKS

| | 2016 £ | 2015 £ |
|-------------------|-----------|-----------|
| Catering supplies | 1,165 | 1,109 |

17. DEBTORS

| | 2016 £ | 2015 £ |
|--------------------------------|-----------|-----------|
| Trade debtors | 15,322 | 116,801 |
| Other debtors | 43,444 | 45,328 |
| Prepayments and accrued income | 40,982 | 37,742 |
| Grants Receivable | 36,966 | - |
| | 136,714 | 199,871 |

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18. CREDITORS: Amounts falling due within one year

| | 2016 £ | 2015 £ |
|--------------------------------------|----------------|----------------|
| Trade creditors | 47,989 | 97,823 |
| Other taxation and social security | 84,483 | 80,218 |
| Other creditors | 2,126 | 41,152 |
| Accruals and deferred income | 134,667 | 94,412 |
| | <u>269,265</u> | <u>313,605</u> |
| | 2016 £ | 2015 £ |
| Deferred income | | |
| Deferred income at 1 September 2015 | 56,817 | 64,545 |
| Resources deferred during the year | 97,736 | 56,817 |
| Amounts released from previous years | (56,817) | (64,545) |
| | <u>97,736</u> | <u>56,817</u> |
| Deferred income at 31 August 2016 | <u>97,736</u> | <u>56,817</u> |

19. STATEMENT OF FUNDS

| | Brought Forward £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Carried Forward £ |
|------------------------------|-------------------------|------------------|--------------------|--------------------------|-------------------------|-------------------------|
| Designated funds | | | | | | |
| Designated Funds - all funds | 50,000 | - | - | 10,000 | - | 60,000 |
| General funds | | | | | | |
| General Funds - all funds | 98,834 | 308,135 | (269,993) | (10,000) | - | 126,976 |
| Total Unrestricted funds | 148,834 | 308,135 | (269,993) | - | - | 186,976 |
| Restricted funds | | | | | | |
| Restricted Funds - all funds | 362,504 | 5,051,264 | (5,269,417) | - | - | 144,351 |
| Pension reserve | (955,000) | - | (107,000) | - | (639,000) | (1,701,000) |
| | <u>(592,496)</u> | <u>5,051,264</u> | <u>(5,376,417)</u> | <u>-</u> | <u>(639,000)</u> | <u>(1,556,649)</u> |

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**NOTES TO THE FINANCIAL STATEMENTS
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19. STATEMENT OF FUNDS (continued)

Restricted fixed asset funds

| | | | | | | |
|--|-------------------|------------------|--------------------|----------|------------------|-------------------|
| Restricted Fixed Asset Funds - all funds | 28,505,549 | 20,948 | (231,815) | - | - | 28,294,682 |
| Total restricted funds | 27,913,053 | 5,072,212 | (5,608,232) | - | (639,000) | 26,738,033 |
| Total of funds | 28,061,887 | 5,380,347 | (5,878,225) | - | (639,000) | 26,925,009 |

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

All funds originated from assets gifted by the predecessor school. In addition:

Restricted fixed asset funds have been increased by capital grants provided by the DfE and reduced by depreciation charges.

Restricted general funds have been increased by revenue grants provided by the DfE and reduced by expenditure incurred in the operation of the academy.

The restricted funds can only be used in terms of limitations imposed the the Funding Agreement with the DfE and the terms of any specific grant.

Unrestricted funds have been increased by voluntary contributions by parents and reduced by expenditure incurred in the operation of the academy.

Designated funds are held for replacement of the Astroturf.

Under the funding agreement with the Secretary of State, the academy was subject to a limit on the amount of GAG that it could carry forward at 31 August 2016. Note 2 discloses whether the limit was exceeded.

THE SCHELWOOD TRUST (FORMERLY HERSCHEL GRAMMAR SCHOOL)
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**NOTES TO THE FINANCIAL STATEMENTS
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20. ANALYSIS OF NET ASSETS BETWEEN FUNDS

| | Unrestricted funds 2016 £ | Restricted funds 2016 £ | Restricted fixed asset funds 2016 £ | Total funds 2016 £ | Total funds (as restated) 2015 £ |
|---|------------------------------------|----------------------------------|---|-----------------------------|--|
| | - | - | - | - | 28,498,212 |
| Tangible fixed assets | - | - | 28,266,397 | 28,266,397 | - |
| Current assets | 165,246 | 435,345 | 28,285 | 628,876 | 832,281 |
| Creditors due within one year | 21,730 | (290,994) | - | (269,264) | (313,606) |
| Provisions for liabilities and charges | - | (1,701,000) | - | (1,701,000) | (955,000) |
| | <u>186,976</u> | <u>(1,556,649)</u> | <u>28,294,682</u> | <u>26,925,009</u> | <u>28,061,887</u> |

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

| | 2016 £ | 2015 £ |
|--|------------------|------------------|
| Net expenditure for the year (as per Statement of financial activities) | (497,878) | (453,756) |
| Adjustment for: | | |
| Depreciation charges | 231,815 | 232,939 |
| Dividends, interest and rents from investments | (737) | (1,137) |
| (Increase)/decrease in stocks | (56) | 667 |
| Decrease in debtors | 63,157 | 30,782 |
| (Decrease)/increase in creditors | (44,340) | 3,178 |
| Capital grants from DfE and other capital income | (20,948) | (45,184) |
| Defined benefit pension scheme cost less contributions payable | 69,000 | 86,000 |
| Defined benefit pension scheme finance cost | 38,000 | 44,000 |
| Net cash used in operating activities | <u>(161,987)</u> | <u>(102,511)</u> |

22. ANALYSIS OF CASH AND CASH EQUIVALENTS

| | 2016 £ | 2015 £ |
|--------------|----------------|----------------|
| Cash in hand | 490,998 | 631,300 |
| Total | <u>490,998</u> | <u>631,300</u> |

23. CONTINGENT LIABILITIES

A potential liability exists in respect of the dismissal of a former member of staff, contingent upon the outcome of mediation hearings. It is estimated that the liability will not exceed £20,000.

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24. PENSION COMMITMENTS

The academy'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 Royal County of Berkshire Pension Fund. 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.

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.

Valuation of the Teachers' Pension Scheme

Not less than every four years 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
- 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 will be as at March 2016, 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 £373,300 (2015 - £332,650).

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24. 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 2016 was £132,000 (2015 - £131,000), of which employer's contributions totalled £95,000 (2015 - £94,000) and employees' contributions totalled £37,000 (2015 - £37,000). The agreed contribution rates for future years are 16.6% for employers and between 5.5% and 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.
Royal County of Berkshire Pension Fund

Principal actuarial assumptions:

| | 2016 | 2015 |
|--|--------|--------|
| Discount rate for scheme liabilities | 2.20 % | 4.00 % |
| Rate of increase in salaries | 4.10 % | 4.50 % |
| Rate of increase for pensions in payment / inflation | 2.30 % | 2.70 % |

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

| | 2016 | 2015 |
|----------------------|------|------|
| Retiring today | | |
| Males | 22.9 | 22.8 |
| Females | 26.2 | 26.1 |
| Retiring in 20 years | | |
| Males | 25.2 | 25.1 |
| Females | 28.5 | 28.4 |

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24. PENSION COMMITMENTS (continued)

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

| | Fair value at 31 August 2016 £ | Fair value at 31 August 2015 £ |
|------------------------------|---|---|
| Equities | 494,000 | 361,000 |
| Other bonds | 138,000 | 104,000 |
| Property | 131,000 | 112,000 |
| Cash | 42,000 | 40,000 |
| Target Return Portfolio | 162,000 | 144,000 |
| Other | 47,000 | 41,000 |
| Total market value of assets | <u>1,014,000</u> | <u>802,000</u> |

The actual return on scheme assets was £106,000 (2015 - £17,000).

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

| | 2016 £ | 2015 £ |
|--|------------------|------------------|
| Current service cost (net of employee contributions) | (164,000) | (180,000) |
| Net interest cost | (37,000) | (34,000) |
| Total | <u>(201,000)</u> | <u>(214,000)</u> |
| Actual return on scheme assets | <u>106,000</u> | <u>17,000</u> |

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

| | 2016 £ | 2015 £ |
|------------------------------------|------------------|------------------|
| Opening defined benefit obligation | 1,757,000 | 1,498,000 |
| Current service cost | 164,000 | 180,000 |
| Interest cost | 71,000 | 63,000 |
| Contributions by employees | 37,000 | 37,000 |
| Actuarial losses/(gains) | 711,000 | (38,000) |
| Liabilities assumed on settlements | - | 20,000 |
| Benefits paid | (25,000) | (3,000) |
| Closing defined benefit obligation | <u>2,715,000</u> | <u>1,757,000</u> |

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24. PENSION COMMITMENTS (continued)

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

| | 2016 £ | 2015 £ |
|-------------------------------------|------------------|----------------|
| Opening fair value of scheme assets | 802,000 | 646,000 |
| Interest on assets | 34,000 | 29,000 |
| Settlement prices received | - | 11,000 |
| Actuarial gains and (losses) | 72,000 | (11,000) |
| Expected return on assets | 95,000 | 94,000 |
| Contributions by employees | 37,000 | 37,000 |
| Benefits paid | (25,000) | (3,000) |
| Administration expenses | (1,000) | (1,000) |
| | <u>1,014,000</u> | <u>802,000</u> |
| Closing fair value of scheme assets | <u>1,014,000</u> | <u>802,000</u> |

25. OPERATING LEASE COMMITMENTS

At 31 August 2016 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

| | Land and buildings 2016 £ | 2015 £ | 2016 £ | Other 2015 £ |
|-------------------------|---------------------------------|-----------|----------------|--------------------|
| Amounts payable: | | | | |
| Within 1 year | - | - | 52,004 | 50,769 |
| Between 1 and 5 years | - | - | 104,015 | - |
| | <u>-</u> | <u>-</u> | <u>156,019</u> | <u>50,769</u> |
| Total | <u>-</u> | <u>-</u> | <u>156,019</u> | <u>50,769</u> |

26. 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.

27. RELATED PARTY TRANSACTIONS

Mrs W Barnett, a Trustee, contracted with the academy for the provision of gardening services for which £17,043 (2015: £18,863) was paid to her. The contract for this provision was entered into before Mrs Barnett became a Trustee, and the predecessor school converted to academy status.

The academy has reviewed the contract for the provision of gardening services, and has complied with the requirements of the EFA's Academies Financial Handbook.

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28. FIRST TIME ADOPTION OF FRS 102

It is the first year that the Academy Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

The policies applied under the academy's previous accounting framework are not materially different to FRS 102 and have not impacted on funds or net income/expenditure. The table below shows the effect of the transition to FRS102 on the SOFA for the prior year:

| Year ended 31 August 2015 | | | |
|---|---------------------------|---------------------------|---------------------------|
| | As previously stated £ | Effect of transition £ | FRS102 (as restated) £ |
| Total income | 5,581,493 | 0 | 5,581,493 |
| Total (expenditure) | (6,020,249) | (15,000) | (6,035,249) |
| Actuarial gain on defined benefit pension schemes | 12,000 | 15,000 | 27,000 |

In the prior year, there were actuarial gains recognised on the scheme of £12,000. Under FRS102, these gains have been reclassified as shown above.

29. AGENCY ARRANGEMENTS

The academy trust distributes 16-19 bursary funds to students as an agent for the EFA. In the accounting period ending 31 August 2016 the Trust received £21,513 (2015: £20,558) and disbursed £16,975 (2015: £21,940) from the fund. An amount of £2,126 (2015: £2,553) is included in other creditors relating to undistributed funds that are repayable to the EFA.