
HERTSWOOD ACADEMY
(A company limited by guarantee)

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



HERTSWOOD ACADEMY
(A company limited by guarantee)

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HERTSWOOD ACADEMY
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REFERENCE AND ADMINISTRATIVE DETAILS

Members	Subscriber to the Memorandum: W Meller Subscriber to the Memorandum: G C Taylor Chair of Governors: M W Doe Meller Educational Trust: R Elms Vice Chair of Governors: F H G Blackwood
Governors	F H G Blackwood ⁶ T Caruso (appointed 9 November 2018) ² J L W Cox ^{3,5,8} M W Doe, Chair of Governors ^{3,5} R Elms (appointed 8 October 2018) ⁴ P Gillett, Headteacher ⁵ A M Harrison ³ R A Kirk ^{3,5} E Longworth ¹ J D Smith ⁷ C Wainwright ² ¹ Parent Governor ² Staff Governor ³ Co-opted ⁴ Appointed by members ⁵ Member of the Resources Committee ⁶ Parent Governor until 7/10/18, appointed by members on 8/10/18 ⁷ Parent Governor to 6/10/18, appointed Parent Governor by Governors on 12/11/18 ⁸ Employed as a member of staff on a contractual basis
Company registered number	07992852
Company name	Hertswood Academy
Principal and registered office	Cowley Hill Borehamwood Hertfordshire WD6 5LG

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

Senior Leadership Team

Peter Gillett, Headteacher
Tora Hodge, Deputy Headteacher
James Wood, Deputy Headteacher
Shelagh Musk, Academy Business Manager
Wanda Gill, Assistant Headteacher
Laura Edgar, Assistant Headteacher
Carey McFerran, Assistant Headteacher
Terri Clifford, Assistant Headteacher
Debbie White, Assistant Headteacher
Paul Marlow, Assistant Headteacher
Iain Sands, Assistant Headteacher

Independent auditor

Hillier Hopkins LLP
Chartered Accountants
Statutory Auditor
Radius House
51 Clarendon Road
Watford
Herts
WD17 1HP

Bankers

Lloyds Bank Plc
67 High Street
Watford
Hertfordshire
WD17 2DU

Solicitors

Veale Wasborough Vizards
Barnards Inn
86 Fetter Lane
London
EC4A 1AD

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

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

Hertswood Academy ("the Trust") operates an Academy for students aged 11 to 19 serving Borehamwood and surrounding areas. It has a capacity of 1,400 and had a roll of 1267 in the School Census taken during October 2018.

The Academy Trust has, as its principal activity, advanced education through the provision of a non-selective secondary school in Borehamwood which provides a broad and balanced curriculum.

The Academy Trust has also provided within the school, recreation and leisure facilities for the community of Borehamwood. Theatre and sports facilities have also been provided for the benefit of the local community, though these have been curtailed during this financial year, due to our rebuilding project. Provision of similar community facilities will be provided again upon completion of our new buildings.

Students were taught in interim buildings during this financial year, while the school was rebuilt.

Structure, governance and management

a. Constitution

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

The charitable company's Memorandum and Articles of Association are the primary governing documents of the Academy Trust.

The Governors of Hertswood Academy are also the directors of the charitable company for the purposes of company law.

The charitable company is known as Hertswood Academy.

Details of the Governors who served during the year, and to the date these accounts are approved are included in the Reference and administrative details on page 1.

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.

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

Structure, governance and management (continued)

c. Method of recruitment and appointment or election of Governors

According to the Trust's Articles of Association, the members of the Academy Trust comprise:

- Subscribers to the Memorandum
- The Meller Educational Trust
- The Sponsor (not in effect, due to the Sponsor resigning this role in 2018)
- Up to 1 person appointed by the Sponsor (not in effect; sponsor ceded this power in 2018)
- The Chair and Vice Chair of Governors
- Up to 2 additional persons appointed unanimously by the Members
- 1 person appointed by the Secretary of State if required

Governors of the Academy comprise:

- Up to 2 persons appointed by the Members
- Up to 3 Staff Governors
- 1 Local Authority Governor
- Up to 5 Parent Governors
- The Headteacher
- Up to 4 Co-opted Governors
- Governors appointed by the Secretary of State if required

The Trust follows the requirements of paragraphs 50-64 of its Articles in appointing Governors. The approach here is to ensure there is a balanced participation from local stakeholders in the Academy and elections are used to appoint Staff and Parent Governors. The skills of serving Governors are taken into account when considering new appointments to the Board.

Vacancies for Governors are advertised through 'Governor One Stop'. At the end of the Financial Year 2017/18 the governing body were approached by Josh Gavzey. There were no vacancies at the time, but due to Josh's financial qualifications and background he was appointed an Associate Governor to the Resources Committee and then during 2018/19 to the Pay Committee. He holds no voting rights as an Associate Governor.

d. Policies adopted for the induction and training of Governors

Upon appointment, new governors are provided with a pack of documents which gives them basic information about their role. The Academy Trust subscribes to the governor training service provided by Herts for Learning. Please see the section on "Connected Organisations" for further information about the relationship with Herts for Learning. New governors will be booked onto the Herts for Learning governor induction course. Training courses on a wide variety of governance-related topics are available to governors during the academic year. Governors are also able to attend forums organised by the Hertfordshire Association of School Governors, as well as the Hertfordshire School Governors' Annual Conference.

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

Structure, governance and management (continued)

e. Organisational structure

The Academy Trust is officially sponsored by David Meller, but since 2 February 2018 this has been a nominal position. He resigned as a member on that date and has pledged in writing not to use his powers as a Sponsor under the Articles.

During the financial year, Hertswood Academy continued its relationship with the Meller Educational Trust charity. Please see under "Connected Organisations" below, for more information about the relationship with the Meller Educational Trust.

The membership structure of the Academy Trust is set out in the Articles of Association. Members have an Annual General Meeting, but can also hold other meetings in accordance with the provisions of the Articles.

As set out in the Articles of Association, the Governors are the Directors of the Trust and responsible for its business. There are at least four full governing body meetings each year. The Governors have established three standing committees that each meet six times a year. These are the Curriculum Committee, the Pastoral and Community Committee, and the Resources Committee. From September 2019, the Curriculum Committee and the Pastoral and Community Committee will be merged to form a new Standards Committee. The Resources Committee deals with finance, audit, human resources, premises and governance issues. There are also other committees which meet as required, dealing with such matters as governor oversight of the new building project, staff pay and the performance review of the headteacher. The Clerk to the Governors manages the business meetings in line with an established work programme and ensures that agenda and reports for meetings are circulated beforehand and proper minutes kept.

The Governors have put in place statutory and discretionary policies to manage the way the Academy operates. Of special note is the Scheme of Financial Delegation, which sets out the relevant authority levels and procedures for making different types of decisions. This ensures that the Headteacher has all the necessary authority to run the Academy on a daily basis and that key strategic issues are determined by Governors.

The Headteacher acts as Chief Accounting Officer.

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

The Governors consider the Senior Leadership Team to be the key management personnel of the Academy as they have responsibility for directing and controlling, running and operating the Trust on a day to day basis. Details of the Senior Leadership Team who served during the period are included in the Reference and Administrative details on page 2.

The pay of the senior staff is reviewed as part of the annual performance management procedure. If staff have the scope to increment on the pay scale, this will be reviewed and agreed by the Headteacher and the Governors. Grading of key management personnel is benchmarked to similar sized academies.

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

Structure, governance and management (continued)

g. Trade union facility time

Relevant union officials

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

Percentage of time spent on facility time

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

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

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

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	- %
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GOVERNORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Structure, governance and management (continued)

h. Related parties and other connected charities and organisations

The Academy Trust is assisted by the Meller Educational Trust, which is an exempt charity for the purposes of the Charities Act 2011. For the sake of clarity, it should be noted that Hertswood Academy Trust and the Meller Educational Trust are two entirely separate legal entities. Hertswood Academy Trust is not part of the Meller Educational Trust, but the two have worked closely together. The Meller Educational Trust is one of the members of the Hertswood Academy Trust. The Academy Trust contributes to the running costs of the Meller Educational Trust. It should be noted that the link with the Meller Educational Trust also implies relationships of varying degrees with the schools it is associated with. Locally, this means the Bushey Academy. The relationship with the Meller Educational Trust is expected to end during 2019, with both parties working towards an amicable conclusion of existing arrangements.

The Academy Trust has a very close relationship with primary schools in Borehamwood and the surrounding area, which includes the sharing of resources and expertise.

There is a close relationship with Hertsmere Borough Council, in matters of mutual interest, such as the provision of a community theatre, which the school will again provide when the school is rebuilt.

The Academy Trust has a well-established relationship with Hertfordshire County Council and liaises closely with them on a range of issues.

The Trust owns a £25 share in Herts for Learning Ltd, the purchase of which was ratified by the Board of Herts for Learning at their meeting on 2 July 2015. This is an educational services company established by Hertfordshire County Council. The Academy is able to buy support services from Herts for Learning at a preferential shareholder rate, and is entitled to one vote at the Herts for Learning Annual General Meeting.

The Trust has also worked with a range of local groups that have made use of the Academy's facilities, such as users of the community theatre.

The Trust has a commercial relationship with a range of external providers of services, such as catering, cleaning, and facilities compliance. For example, the relationship with Cucina has transformed the provision of catering at the Academy so that it can contribute directly to student morale and performance.

Objectives and activities

a. Objects and aims

The objects of the trust are to

- Advance for the public benefit education in the United Kingdom, in particular, but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and develop an academy offering a broad and balanced curriculum.
- To promote for the benefit of the inhabitants of Borehamwood and the surrounding area, the provision of facilities for recreation and other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of the life of the said inhabitants.

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

Objectives and activities (continued)

b. Objectives, strategies and activities

World-Class Ambitions: Our ambition is to provide a world-class educational environment for our community. We have the highest aspirations for all students and will ensure they achieve the best possible outcomes through outstanding teaching, an engaging curriculum and quality care and support.

Ready To Succeed: Our students will develop resilience, will be literate and numerate and be ready for challenges they will face in modern society. We have a clear expectation for our students to work hard, behave well and act with integrity so that they grow as confident individuals, responsible citizens and successful independent learners. Well-equipped for higher education and employment, our students will develop leadership skills and be ambitious for their future learning opportunities and career goals.

Accomplish Through Effort: As a fully inclusive academy within our community, we are committed to the principle of a 'growth mindset' in that, no matter where one starts from, great accomplishments are possible through dedication and effort. We believe that all barriers can be overcome through our determination to succeed and the learning strategies we employ.

Achievement For All: We respect and value all members of our community, ensuring a safe, happy and secure learning environment to foster high self-esteem for all. As lifelong learners, Hertswood Academy staff are role models for our students, continually developing their own practice and inspiring the community to aim high and achieve excellence.

The key objectives for academic year 2018-2019 are to:

- a) Continue to raise academic standards at GCSE and in the Sixth Form
- b) To continue to raise aspirations so that students can access high quality destinations in particular, University, Apprenticeships and Further Education when leaving Year 11 or Year 13
- c) To continue to develop high quality teaching, learning and assessment
- d) To raise levels of attendance in Years 7-11
- e) To reduce the number of fixed-term exclusions
- f) To make significant progress with new building works so that the new build opens in 2019
- g) To address any further areas of focus as set out in the Academy Improvement Plan and the last Ofsted report

c. Public benefit

In setting objectives and planning for activities, the Governors have given due consideration to general guidance published by the Charity Commission relating to public benefit, including the guidance 'Public benefit: running a charity (PB2)'.

The academy trust directors have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their powers or duties.

Strategic report

Achievements and performance

a. Key performance indicators

This year, our GCSE results in both English and Mathematics remained steady at approximately 60% Grade 9 to 4. Our overall progress 8 measure was lower than in 2017-18 but we expect this to return to the positive

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

Strategic report (continued)

Achievements and performance (continued)

progress demonstrated for the 3 out of the last 4 years in 2019-20.

In the Sixth Form, progress improved significantly on 2017-18 with the vast majority of students moving on to education, training or employment destination. We recorded a significant number of students accepted into top universities include a successful Oxbridge entry.

With our provisional overall average grade provisionally reported at a C+ there is still much headroom for further improvement.

b. Going concern

Governors are aware that reserves at the end of Financial Year 2018/19 are still low, and so have increased unrestricted reserves by £22k to £34k. However, this still remains a considerable way off the ESFA recommended level of 5% of the General Annual Grant.

The Academy monitors cash flow to ensure all commitments can be met. The bank balance reported on the Balance Sheet includes £490k of general funds (restricted and unrestricted revenue funds) with the remainder being for the build project.

With the Academy moving into the new building in September 2019, we anticipate that the first year could bring some additional costs while adjusting. However, in the long term, we will be able to make savings on repairs, enjoy reduced energy costs to run the building, take advantage of the efficiencies of operating out of one building, and look at the curriculum and curriculum spaces to streamline staffing costs. As these savings are realised, we anticipate being able to build reserves to protect the financial stability of the Academy.

Our financial forecasts for the next few years predict a rise in student numbers, which will bring additional funding to the Academy. The Local Authority have indicated that student applications will rise due to the increase in student numbers in local primary schools. Our impressive new building will broaden the appeal of the Academy. We therefore expect to attract students to Year 7 and increase external applicants to Sixth Form. The Academy were visited by Ofsted in September 2019 and are pleased to report that inspectors were pleased with the improvements we have made since they last visited. They have graded the Academy overall 'Requires Improvement'. This improvement to our rating will hopefully positively impact the number of student applications.

Governors intend the new building to increase income via lettings. The sports centre, theatre, astroturf and classroom spaces will all be available for the local community to let. We have managed to generate a reasonable income from lettings even during the past two years spent in temporary accommodation, so we believe it possible to improve on this. We have been reviewing our charges and will be introducing a new pricing structure for community and commercial users.

Considering all of the above the Academy has put together a detailed budget and cash flow for the next 12 months and a summarised forecast for the following two years. We are confident that we can manage the resources we have available to continue operating in a surplus position with the aim to rebuild reserves at the earliest opportunity. For this reason they continue to adopt the going concern basis in preparing the financial statements.

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

Strategic report (continued)

Achievements and performance (continued)

Financial review

a. Reserves policy

The Academy Trust is aware that it must have sufficient funds available to meet its liabilities. To ensure that this was possible the academy set a balanced budget for 2018-19. Despite the Academy having no reserves, trustees have approved a balanced budget for 2019-2020. The Trust intends to renew its reserves at the earliest opportunity.

The academy has set a budget for repairs and maintenance of the buildings, roof repairs and boiler maintenance. These budgets are on a costed maintenance programme. In view of the plan to rebuild the Academy and the school's financial situation, the remaining buildings have been subject to minimum maintenance, with works usually only being performed on health and safety grounds.

The Resources Committee receives budget monitoring reports predicting funds available and reviews the spending to ensure it is effectively used. In doing so, the Governors have regard to the Educational Funding Agency's guidelines on the level of reserves.

b. Investment policy

With the permission of the Secretary of State for Education, the Trust has used money obtained from the sale of its Upper Site for the rebuilding of the school on the lower site. The Trust's chief assets, held on behalf of the Secretary of State, are the remaining land and the new buildings. The Trust does not operate an investment portfolio.

c. Principal risks and uncertainties

During the year 2019/20 the academy will continue to monitor cash flow very carefully.

Risks associated with the new building project are being managed in association with our main contractor, Willmott Dixon.

Funding for a community theatre ceased as of 31st May 2016. The new theatre will need to be self-financing and a scale of charges for community users will be introduced to ensure that the Academy will not be subsidising external users. A new Management Agreement for the new theatre and sports facilities has been written in conjunction with Hertsmere Borough Council as part of the Section 106 Agreement for the new build.

The existing Elstree UTC and any proposed free schools will increasingly offer local students greater choice as to where they study. While it is unclear to what extent they may impact Hertswood in the long term, increased local housing development may well mean that these providers bring extra capacity to meet increased demand, rather than necessarily impacting on Hertswood's student numbers.

As with all schools, student numbers and hence school finances can be influenced by Ofsted inspection reports. We are working hard to address the issues which Ofsted identified, and look forward to them upgrading their rating on the school's next formal inspection.

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

Fundraising

The Academy raises additional funds by letting out its premises. These lettings are administered by the Business Manager. Local football clubs utilise the astroturf after school and during holidays. A local theatre company run workshops for students from one of our classrooms. We have a regular letting in the hall providing trampolining and gymnastics lessons for local children. A branch of a Christian church group meet weekly in one of the classrooms.

The Academy, in line with our Charging and Remissions Policy, will occasionally request voluntary contributions towards the cost of educational activities or resources.

The Academy does not have a Parent Teacher Association.

The fundraising activities undertaken by the Academy did not have to comply with any voluntary scheme for regulating fundraising,

The Academy has received no complaints about activities for the purpose of fundraising.

The Academy has not directly contacted anybody in regard to fundraising and therefore has not exhibited any behaviour that could be perceived as invading privacy, being unreasonable, persistent or placing undue pressure to make contributions to fundraising activities.

Plans for future periods

The key aim for the future is to continue to raise achievement so that the Academy Trust's students can be well prepared for their next steps in life. The intention is for each student to "aim high and achieve excellence". Whether that means being accepted on courses at Russell Group universities or on suitable apprenticeships, the Academy Trust's aim is to help each student to achieve their best.

It is important that all the Academy Trust's students have a commitment to high attendance, in order to help them succeed. We are giving this issue a high focus.

The Governing Body is clear that students need proper facilities in which to study, which is why our rebuilding project has been so important.

In September 2019, we moved into our new building. Occupancy will not, however, signal the end of the new build project. The old building will need to be fully demolished, and the land repurposed according to the plans. In the case of any unanticipated issues arising, we may need to liaise with the Department for Education, the ESFA and other agencies as appropriate. In such an event, we will at all times ensure that the Academy has balanced finances, and will not authorise any extra work required until funds are available to meet those costs.

The school will continue to remain as a single academy trust for the foreseeable future. The relationship with the Meller Educational Trust is expected to end in 2019. Governors are open to the possibilities of collaborating with other organisations.

Funds held as custodian on behalf of others

The Trust held no funds during the period as custodians.

Disclosure of information to auditor

Insofar as the Governors are aware:

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

Disclosure of information to auditor (continued)

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

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


.....
M W Doe
Chair of Governors

10 December 2019

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GOVERNANCE STATEMENT

Scope of responsibility

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

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

Governance

The information on governance included here supplements that described in the Governors' report and in the Statement of Governors' responsibilities. The board of Governors has formally met 6 times during the year.

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

Governor	Meetings attended	Out of a possible
M W Doe, Chair of Governors	5	6
A M Harrison	5	6
R A Kirk	6	6
E Longworth	2	6
F H G Blackwood	4	6
J D Smith	5	6
P Gillett, Headteacher	6	6
J L W Cox	4	6
C Wainwright	4	6
T Caruso	3	5
R Elms	5	6

Tara Caruso was appointed as a staff governor on the 9 November 2018.

Josh Gavzey was appointed during the previous financial year on 12 June 2018 as an Associate Governor. He attended 3/3 possible meetings during the year.

The board is aware that auditors highlighted that members and trustees should differ to a greater degree in terms of the people who are filling those roles. The board agreed with this. However, it was felt that to properly address this issue, changes would be required to the trust's Articles of Association. Because the school was expecting to be re-brokered into a multi-academy trust, it was felt that it was not worth the time and expense to fix this problem. However, now that that will not happen for the foreseeable future, the board will now give attention to this and other outstanding governance matters.

The Resources Committee is a sub-committee of the main board of Governors. Its purpose is to take a strategic view on financial, premises and personnel matters and review and monitor performance in these areas.

Attendance during the year at meetings was as follows:

Governor	Meetings attended	Out of a possible
J L W Cox	8	8

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GOVERNANCE STATEMENT (CONTINUED)

Governance (continued)

M W Doe	7	8
A M Harrison	1	1
R A Kirk	7	8
J D Smith	1	1
P Gillett	7	8
J Gavzey (Associate Governor)	5	8

Review of value for money

As accounting officer, the Headteacher 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 Governors 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:

- GCSE results remain strong-70%+ achieved 9 to 4 in English and Maths
- 70%+ GCSE grades 9 to 4 in Physics, Biology, Statistics, Sociology and Business
- Over a quarter of all University offers were from The Russell Group
- We continued our SLA with The Meller Educational Trust and received expert support from specialists in Maths, English and Science.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy 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 Hertswood Academy for the year 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The board of Governors has reviewed the key risks to which the academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of Governors is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy's significant risks that has been in place for the year 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of Governors.

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:

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GOVERNANCE STATEMENT (CONTINUED)

The risk and control framework (continued)

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

The board of Governors has considered the need for a specific internal audit function and has decided to appoint Hillier Hopkins LLP as internal auditor.

The internal auditor's role includes giving advice on financial matters and performing a range of checks on the academy's financial systems. In particular the checks carried out in the current period included:

- Bank Reconciliations
- Trip Income
- Lettings Income
- Music Income
- Payroll
- General Purchases
- Staff Expense Claims
- Credit Card Purchases
- VAT

On a semi-annual basis, the internal auditor reports to the board of Governors through the Resources committee on the operation of the systems of control and on the discharge of the Governors' financial responsibilities.

As a result of these checks there were three findings reported to governors. Trip reconciliations had not all been completed due to the Finance Office being understaffed. All trip reconciliations were completed by the year end.

Not all the hire agreements had been signed in advance of the hiring dates. The Academy is looking in to a piece of software that would ensure agreements had to be completed online and therefore eliminating this weakness.

The personnel files for a sample of staff were checked for letters detailing current salary. Two letters had not been filed at the time of the check.

Review of effectiveness

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

- the work of the internal auditor;
- the work of the external auditor;
- the financial management and governance self-assessment process;
- 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

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GOVERNANCE STATEMENT (CONTINUED)


Review of effectiveness (continued)

control by the Resources committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of Governors on and signed on their behalf by:


.....
M W Doe
Chair of Governors

10 December 2019


.....
P Gillett, Headteacher
Accounting Officer

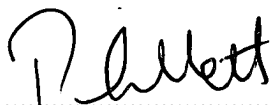
HERTSWOOD ACADEMY
(A company limited by guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

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

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

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



.....
P Gillett, Headteacher

Accounting Officer

Date: 13/12/15

HERTSWOOD ACADEMY
(A company limited by guarantee)

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

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

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


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

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

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

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

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


.....
M W Doe
Chair of Governors
Date: 10 December 2019

HERTSWOOD ACADEMY
(A company limited by guarantee)

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
HERTSWOOD ACADEMY**

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

HERTSWOOD ACADEMY
(A company limited by guarantee)

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
HERTSWOOD ACADEMY (CONTINUED)**

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the academy and its environment obtained in the course of the audit, we have not identified material misstatements in the Governors' Report including the Strategic Report.

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

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

Responsibilities of trustees

As explained more fully in the Governors' responsibilities statement, the Governors (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, and for such internal control as the Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

HERTSWOOD ACADEMY
(A company limited by guarantee)

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
HERTSWOOD ACADEMY (CONTINUED)**

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Alexander Bottom ACA (Senior statutory auditor)

for and on behalf of
Hillier Hopkins LLP

Chartered Accountants
Statutory Auditor

Radius House

51 Clarendon Road

Watford

Herts

WD17 1HP

16 December 2019

HERTSWOOD ACADEMY
(A company limited by guarantee)

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

In accordance with the terms of our engagement letter dated 8 November 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Hertswood Academy during the year 1 September 2018 to 31 August 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

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

The accounting officer is responsible, under the requirements of Hertswood Academy's funding agreement with the Secretary of State for Education dated 28 August 2018 and the Academies Financial Handbook, extant from 1 September 2018, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material misstatement and irregularity across the Academy Trust's activities.
- Testing and review of areas identified through risk assessment including enquiry, observation, inspection and review of supporting evidence.
- Review of system controls, policies and procedures in place to ensure compliance with the regularity regime.
- Consideration of evidence obtained through the work performed as part of our financial statements audit in order to support the regularity conclusion.

HERTSWOOD ACADEMY
(A company limited by guarantee)

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

Conclusion

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

Hillier Hopkins LLP

Hillier Hopkins LLP

Radius House
51 Clarendon Road
Watford
Herts
WD17 1HP

Date: *16th June 2019*

HERTSWOOD ACADEMY
(A company limited by guarantee)

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

	Note	Unrestricted funds 2019 £	Restricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £	Total funds 2018 £
Income from:						
Donations and capital grants	4	6,674	-	95,787	102,461	27,598
Charitable activities		441,715	7,413,639	-	7,855,354	7,952,637
Other trading activities		64,675	-	-	64,675	64,875
Investments	7	423	-	-	423	440
Other income	8	-	-	9,549	9,549	35,360
Total income		513,487	7,413,639	105,336	8,032,462	8,080,910
Expenditure on:						
Raising funds		-	-	-	-	1,822
Charitable activities	9,10	407,228	7,699,863	1,073,402	9,180,493	9,904,739
Total expenditure		407,228	7,699,863	1,073,402	9,180,493	9,906,561
Net income/(expenditure)		106,259	(286,224)	(968,066)	(1,148,031)	(1,825,651)
Transfers between funds	21	(83,512)	140,735	(57,223)	-	-
Net movement in funds before other recognised gains/(losses)		22,747	(145,489)	(1,025,289)	(1,148,031)	(1,825,651)
Other recognised gains/(losses):						
Actuarial losses on defined benefit pension schemes	27	-	(759,000)	-	(759,000)	409,000
Net movement in funds		22,747	(904,489)	(1,025,289)	(1,907,031)	(1,416,651)
Reconciliation of funds:						
Total funds brought forward		12,079	(1,463,445)	40,842,752	39,391,386	40,808,037
Net movement in funds		22,747	(904,489)	(1,025,289)	(1,907,031)	(1,416,651)
Total funds carried forward		34,826	(2,367,934)	39,817,463	37,484,355	39,391,386

HERTSWOOD ACADEMY
(A company limited by guarantee)

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

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

The notes on pages 29 to 61 form part of these financial statements.

HERTSWOOD ACADEMY
(A company limited by guarantee)
REGISTERED NUMBER: 07992852

BALANCE SHEET
AS AT 31 AUGUST 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	15	1,372	1,871
Tangible assets	16	39,480,540	30,606,683
Investments	17	25	25
		<u>39,481,937</u>	<u>30,608,579</u>
Current assets			
Debtors	18	228,588	9,315,823
Cash at bank and in hand		1,009,249	3,853,460
		<u>1,237,837</u>	<u>13,169,283</u>
Creditors: amounts falling due within one year	19	(831,419)	(2,895,476)
Net current assets		<u>406,418</u>	<u>10,273,807</u>
Total assets less current liabilities		<u>39,888,355</u>	<u>40,882,386</u>
Net assets excluding pension liability		<u>39,888,355</u>	<u>40,882,386</u>
Defined benefit pension scheme liability	27	(2,404,000)	(1,491,000)
Total net assets		<u><u>37,484,355</u></u>	<u><u>39,391,386</u></u>
Funds of the academy			
Restricted funds:			
Fixed asset funds	21	39,817,463	40,842,752
Restricted income funds	21	36,066	27,555
		<u>39,853,529</u>	<u>40,870,307</u>
Restricted funds excluding pension asset	21	39,853,529	40,870,307
Pension reserve	21	(2,404,000)	(1,491,000)
Total restricted funds	21	<u>37,449,529</u>	<u>39,379,307</u>
Unrestricted income funds	21	<u>34,826</u>	<u>12,079</u>
Total funds		<u><u>37,484,355</u></u>	<u><u>39,391,386</u></u>

HERTSWOOD ACADEMY
(A company limited by guarantee)

BALANCE SHEET (CONTINUED)
AS AT 31 AUGUST 2019

The financial statements on pages 24 to 61 were approved by the Governors, and authorised for issue on and are signed on their behalf, by:

Martin Be

.....
M W Doe

Chair of Governors

Date: *10 December 2019*

The notes on pages 29 to 61 form part of these financial statements.

HERTSWOOD ACADEMY
(A company limited by guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Net cash provided by operating activities	23	6,993,899	7,917,266
Cash flows from investing activities	24	(9,838,110)	(18,193,292)
Change in cash and cash equivalents in the year		(2,844,211)	(10,276,026)
Cash and cash equivalents at the beginning of the year		3,853,460	14,129,486
Cash and cash equivalents at the end of the year	25	<u>1,009,249</u>	<u>3,853,460</u>

The notes on pages 29 to 61 form part of these financial statements

HERTSWOOD ACADEMY
(A company limited by guarantee)

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

1. General information

Hertswood Academy is a charitable company limited by guarantee and an exempt charity. The Academy is incorporated in England and Wales. Its registered office is Cowley Hill, Borehamwood, Hertfordshire WD6 5LG.

2. 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.

2.1 Basis of preparation of financial statements

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

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

HERTSWOOD ACADEMY
(A company limited by guarantee)

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

2. Accounting policies (continued)

2.2 Going concern

The Governors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the academy to continue as a going concern. The Governors make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements.

The Academy are aware that reserves at the end of Financial Year 2018/19 are still low. We have increased unrestricted reserves by £22k to £34k. However, this still remains a considerable way off the ESFA recommended level of 5% of the General Annual Grant.

The Academy monitors cash flow to ensure all commitments can be met. The bank balance reported on the Balance Sheet includes £490k of general funds (restricted and unrestricted revenue funds) with the balance being for the build project.

The Academy moves into the new building in September 2019. We anticipate that the first year of adjusting to the new building could bring some additional costs, but that long term we will be able to make savings on repairs, enjoy reduced energy costs to run the building, take advantage of the efficiencies of operating out of one building and look at the curriculum and curriculum spaces to streamline staffing costs. As these savings are realised we anticipate being able to build reserves to protect the financial stability of the Academy.

The financial forecasts we have prepared for the next few years predict a rise in student numbers which will bring additional funding to the Academy. The local authority have indicated that student applications will rise due to an increase in student numbers in local primary schools. The state of the art new building will broaden the appeal of the Academy and we hope to attract students to Year 7 and increase external applicants to Sixth Form. The Academy were visited by Ofsted in September 2019 and are pleased to report that inspectors were pleased with the improvements we have made since they last visited. They have graded the Academy overall 'Requires Improvement'. This improvement to our rating will hopefully positively impact the number of student applications.

The Academy will be looking to utilise the new building to increase income via lettings. The sports centre, theatre, astroturf and classroom spaces will all be available for the local community to let. We have managed to generate a reasonable income from lettings even during the past two years spent in temporary accommodation so we hope that we can build on this. We have been reviewing our charges and will be introducing a new pricing structure for community and commercial users.

Considering all of the above the Academy has put together a detailed budget and cash flow for the next 12 months and a summarised forecast for the following two years. We are confident that we can manage the resources we have available to continue operating in a surplus position with the aim to rebuild reserves at the earliest opportunity.

On the basis of the above the Governors have concluded that the academy has adequate resources to continue in operational existence for the foreseeable future, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

HERTSWOOD ACADEMY
(A company limited by guarantee)

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

2. Accounting policies (continued)

2.3 Income

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

- **Grants**

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

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

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

- **Donations**

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

- **Other income**

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

2.4 Expenditure

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

- **Expenditure on raising funds**

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

- **Charitable activities**

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

HERTSWOOD ACADEMY
(A company limited by guarantee)

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

2. Accounting policies (continued)

2.4 Expenditure (continued)

All resources expended are inclusive of irrecoverable VAT.

2.5 Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the Statement of financial activities over the expected useful lives of the assets concerned. Other grants are credited to the Statement of financial activities as the related expenditure is incurred.

2.6 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 institution with whom the funds are deposited.

2.7 Intangible assets

Intangible assets costing £2,000 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment.

The estimated useful lives are as follows:

Amortisation is provided on the following basis:

Computer software	- 20 % straight line
-------------------	----------------------

2.8 Tangible fixed assets

Assets costing £2,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

Depreciation is provided on all tangible fixed assets other than freehold land and assets under construction, at rates calculated to write off the cost of each asset, less their residual value, over their expected useful life, as follows:

HERTSWOOD ACADEMY
(A company limited by guarantee)

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

2. Accounting policies (continued)

2.8 Tangible fixed assets (continued)

Freehold property	- 2% straight line
LT Leasehold property	- over the length of the lease
Fixtures & equipment	- 10% straight line
Motor vehicles	- 25% reducing balance
Computer equipment	- 33% reducing balance

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use and reclassified to freehold or leasehold land and buildings.

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.

2.9 Investments

Fixed asset investments are a form of financial instrument and are initially recognised at their transaction cost and subsequently measured at fair value at the Balance sheet date, unless the value cannot be measured reliably in which case it is measured at cost less impairment. Investment gains and losses, whether realised or unrealised, are combined and presented as 'Gains/(Losses) on investments' in the Statement of financial activities.

2.10 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.

2.11 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.

2.12 Liabilities

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

HERTSWOOD ACADEMY
(A company limited by guarantee)

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

2. Accounting policies (continued)

2.13 Financial instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 18. Prepayments are not financial instruments. Cash at bank is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in note 19. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

2.14 Operating leases

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

2.15 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.

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. TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

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2. Accounting policies (continued)

2.16 Agency arrangements

The Academy Trust acts as an agent in distributing 16-19 bursary funds from the ESFA. Payments received from the ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the Academy does not have control over the charitable application of the funds. The Academy Trust can use up to 5% of the allocation towards its own administration costs and this is recognised in the statement of the financial activities. The funds received and paid and any balances held are disclosed in note 31.

2.17 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 Governors.

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

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

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

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3. 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 or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 27, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgement:

Valuation of tangible fixed assets

Governors have considered the value of tangible fixed assets. Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired, which would require the book value to be written down to its recoverable amount. Impairments are reversed if conditions for impairment are no longer present. Due to their nature, evaluating whether an asset is impaired requires a significant degree of judgment and may to a large extent depend on the assumptions made in its evaluation. The Governors have concluded that the valuation of the tangible fixed assets as at the year end are appropriate.

Depreciation and residual values

The Governors have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that asset lives and residual values are appropriate.

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4. Income from donations and capital grants

	Unrestricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £
Donations	6,674	-	6,674
Government capital grants	-	95,787	95,787
	<u>6,674</u>	<u>95,787</u>	<u>102,461</u>

	Unrestricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £
Capital Grants			
Donations	485	-	485
Government capital grants	-	27,113	27,113
	<u>485</u>	<u>27,113</u>	<u>27,598</u>

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5. Funding for the academy's educational activities

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £
DfE/ESFA grants			
General Annual Grant (GAG)	-	5,762,971	5,762,971
Pupil Premium	-	374,579	374,579
Other DfE income	-	24,900	24,900
Other ESFA income	-	1,060,693	1,060,693
	-	7,223,143	7,223,143
Other income			
	-	7,223,143	7,223,143
Other government grants			
Other government grants	-	146,109	146,109
	-	146,109	146,109
Other income			
Catering income	354,728	-	354,728
Trip income	51,202	-	51,202
Other income	35,785	44,387	80,172
	441,715	7,413,639	7,855,354

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	<i>Unrestricted funds 2018 £</i>	<i>Restricted funds 2018 £</i>	<i>Total funds 2018 £</i>
DfE/ESFA grants			
General Annual Grant (GAG)	-	5,940,918	5,940,918
Pupil Premium	-	446,765	446,765
Other DfE income	-	24,900	24,900
Other ESFA income	-	1,026,568	1,026,568
	-	7,439,151	7,439,151
Other government grants			
Other government grants	-	29,685	29,685
	-	29,685	29,685
Other income			
Catering income	379,125	-	379,125
Trip income	25,699	-	25,699
Other income	68,976	10,001	78,977
	473,800	7,478,837	7,952,637

6. Income from other trading activities

	<i>Unrestricted funds 2019 £</i>	<i>Total funds 2019 £</i>	<i>Total funds 2018 £</i>
Hire of facilities	64,561	64,561	63,563
Other generated income	114	114	1,312
	64,675	64,675	64,875

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7. Investment income

	Unrestricted funds 2019 £	Total funds 2019 £	<i>Total funds 2018 £</i>
Interest received	423	423	440

8. Other incoming resources

	Restricted funds 2019 £	Total funds 2019 £	<i>Total funds 2018 £</i>
Profit on disposal of land and buildings 2016/17	9,549	9,549	35,360

9. Expenditure

	Staff Costs 2019 £	Premises 2019 £	Other 2019 £	Total 2019 £
Expenditure on raising voluntary income:				
Direct costs	-	-	-	-
Educational Activities:				
Direct costs	5,028,589	-	603,451	5,632,040
Allocated support costs	853,160	1,531,352	1,163,941	3,548,453
	<u>5,881,749</u>	<u>1,531,352</u>	<u>1,767,392</u>	<u>9,180,493</u>

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	<i>Staff Costs</i> 2018 £	<i>Premises</i> 2018 £	<i>Other</i> 2018 £	<i>Total</i> 2018 £
Expenditure on raising voluntary income:				
Direct costs	1,822	-	-	1,822
Educational Activities:				
Direct costs	5,505,746	-	590,347	6,096,093
Allocated support costs	735,354	1,847,618	1,225,674	3,808,646
	<u>6,242,922</u>	<u>1,847,618</u>	<u>1,816,021</u>	<u>9,906,561</u>

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10. Analysis of expenditure by activities

	Activities undertaken directly 2019 £	Support costs 2019 £	Total funds 2019 £
Educational Activities	5,632,040	3,548,453	9,180,493

	<i>Activities undertaken directly 2018 £</i>	<i>Support costs 2018 £</i>	<i>Total funds 2018 £</i>
Educational Activities	6,096,093	3,808,646	9,904,739

Analysis of support costs

	Total funds 2019 £	Total funds 2018 £
Net interest pension cost	43,000	44,000
Staff costs	853,160	735,354
Depreciation, amortisation and loss on disposal of TFA	1,073,402	1,525,409
Technology Costs	150,617	146,278
Premises costs	502,700	487,264
Other support costs	907,277	847,362
Governance costs	18,297	22,979
	3,548,453	3,808,646

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**NOTES TO THE FINANCIAL STATEMENTS
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11. Net income/(expenditure)

Net income/(expenditure) for the year includes:

	2019 £	2018 £
Operating lease rentals	65,331	57,755
Depreciation of tangible fixed assets	1,072,500	1,524,910
Amortisation of intangible assets	499	499
Loss on disposal of fixed assets	403	-
Fees paid to auditor for:		
- audit	8,250	8,000
- other services	6,423	11,750
	<u>6,423</u>	<u>11,750</u>

12. Staff costs

a. Staff costs

Staff costs during the year were as follows:

	2019 £	2018 £
Wages and salaries	4,377,290	4,600,383
Social security costs	454,531	474,112
Pension costs	878,526	955,469
	<u>5,710,347</u>	<u>6,029,964</u>
Agency staff costs	171,402	212,958
	<u>5,881,749</u>	<u>6,242,922</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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12. Staff costs (continued)

b. Staff numbers

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

	2019 No.	2018 No.
Teaching	71	81
Administration & support	49	59
Management	11	14
	<u>131</u>	<u>154</u>

c. Higher paid staff

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

	2019 No.	2018 No.
In the band £60,001 - £70,000	5	3
In the band £70,001 - £80,000	2	2
In the band £110,001 - £120,000	-	1
In the band £120,001 - £130,000	1	-
	<u>1</u>	<u>-</u>

d. Key management personnel

The key management personnel of the Academy Trust comprise the Governors and the Senior Leadership Team as listed on page 1-2. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Academy Trust was £1,256,921 (2018: £1,008,800).

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

13. Governors' remuneration and expenses

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

		2019 £	2018 £
P Gillett	Remuneration	120,000 - 125,000	110,000 - 115,000
	Pension contributions paid	15,000 - 20,000	15,000 - 20,000
V H Hodge	Remuneration	n/a	70,000 - 75,000
	Pension contributions paid	n/a	10,000 - 15,000
P Yfantoudas	Remuneration	n/a	30,000 - 35,000
	Pension contributions paid	n/a	5,000 - 10,000
C Wainwright	Remuneration	20,000 - 25,000	20,000 - 25,000
	Pension contributions paid	5,000 - 10,000	5,000 - 10,000
J Cox	Remuneration	0 - 5,000	0 - 5,000
	Pension contributions paid	0 - 5,000	0 - 5,000
T Caruso	Remuneration	40,000 - 45,000	n/a
	Pension contributions paid	5,000 - 10,000	n/a

During the year ended 31 August 2019, expenses totalling £60 were reimbursed or paid directly to 1 Governor (2018 - £nil) for expenses incurred in their capacity as a staff member.

14. Governors' and Officers' insurance

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

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**NOTES TO THE FINANCIAL STATEMENTS
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15. Intangible assets

	Computer software £
Cost	
At 1 September 2018	2,495
At 31 August 2019	<u>2,495</u>
Amortisation	
At 1 September 2018	624
Charge for the year	499
At 31 August 2019	<u>1,123</u>
Net book value	
At 31 August 2019	<u><u>1,372</u></u>
<i>At 31 August 2018</i>	<u><u>1,871</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS
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16. Tangible fixed assets

	Freehold property £	Long-term leasehold property £	Assets under construction £	Fixtures, computers and equipment £	Motor vehicles £	Total £
Cost or valuation						
At 1 September 2018	7,482,411	1,664,069	23,313,768	423,918	76,050	32,960,216
Additions	-	-	9,935,033	16,003	-	9,951,036
Disposals	-	-	-	(6,010)	(29,050)	(35,060)
At 31 August 2019	7,482,411	1,664,069	33,248,801	433,911	47,000	42,876,192
Depreciation						
At 1 September 2018	1,971,044	85,111	-	232,655	64,723	2,353,533
Charge for the year	1,015,339	13,313	-	42,039	1,809	1,072,500
On disposals	-	-	-	(5,426)	(24,955)	(30,381)
At 31 August 2019	2,986,383	98,424	-	269,268	41,577	3,395,652
Net book value						
At 31 August 2019	4,496,028	1,565,645	33,248,801	164,643	5,423	39,480,540
At 31 August 2018	5,511,367	1,578,958	23,313,768	191,263	11,327	30,606,683

The academy operated across two sites until the end of the academic year 2016/17. In August 2017, after many years of negotiation, the Thrift Farm Lane site was sold to fund the building of a brand new academy on the Cowley Hill site. The cost of the build to date is recorded in the Assets Under Construction column.

The remaining older buildings on the Cowley Hill site, which have a net book value of £613k (2018: £1,629k) within freehold land and buildings above, are scheduled for demolition within the next two years. Depreciation on the property has been accelerated to reflect their revised estimated useful economic life to a period charge of £1,015k (2018: £1,461k).

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**NOTES TO THE FINANCIAL STATEMENTS
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17. Fixed asset investments

	Unlisted investments £
Cost or valuation	
At 1 September 2018	25
At 31 August 2019	<u>25</u>
Net book value	
At 31 August 2019	25
At 31 August 2018	<u>25</u>

18. Debtors

	2019 £	2018 £
Trade debtors	7,471	12,510
Other debtors	11,159	9,101,159
Prepayments and accrued income	160,207	166,257
Tax recoverable	49,751	35,897
	<u>228,588</u>	<u>9,315,823</u>

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19. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	348,445	2,454,984
Other taxation and social security	115,150	118,246
Other creditors	250,194	190,946
Accruals and deferred income	117,630	131,300
	<u>831,419</u>	<u>2,895,476</u>
	<u>831,419</u>	<u>2,895,476</u>
	2019 £	2018 £
Deferred income at 1 September 2018	118,703	34,435
Resources deferred during the year	105,080	118,703
Amounts released from previous periods	(118,703)	(34,435)
	<u>105,080</u>	<u>118,703</u>
	<u>105,080</u>	<u>118,703</u>

At the balance sheet date, the academy trust was holding funds received in advance for lettings, school trips, music and additional places relating to the 2019/20 financial period.

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**NOTES TO THE FINANCIAL STATEMENTS
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20. Financial instruments

	2019 £	2018 £
Financial assets		
Financial assets measured at fair value through income and expenditure	1,009,249	3,853,460
Financial assets that are debt instruments measured at amortised cost	100,961	9,182,268
	<u>1,110,210</u>	<u>13,035,728</u>
	2019 £	2018 £
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(611,189)</u>	<u>(2,658,527)</u>

Financial assets measured at fair value through income and expenditure comprises cash at bank and in hand.

Financial assets that are debt instruments measured at amortised cost comprises trade debtors, other debtors and accrued income.

Financial liabilities measured at amortised cost comprises trade creditors, other creditors and accruals.

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

	Balance at 1 September 2018 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2019 £
Unrestricted funds						
General Funds	12,079	513,487	(407,228)	(83,512)	-	34,826
Restricted general funds						
General Annual Grant (GAG)	-	5,762,971	(5,903,706)	140,735	-	-
Pupil Premium	9,023	374,579	(383,602)	-	-	-
Other ESFA income	-	1,060,693	(1,060,693)	-	-	-
Other DfE income	17,103	24,900	(24,249)	-	-	17,754
Other government grants	-	146,109	(129,191)	-	-	16,918
Other restricted income	1,429	44,387	(44,422)	-	-	1,394
Pension reserve	(1,491,000)	-	(154,000)	-	(759,000)	(2,404,000)
	<u>(1,463,445)</u>	<u>7,413,639</u>	<u>(7,699,863)</u>	<u>140,735</u>	<u>(759,000)</u>	<u>(2,367,934)</u>
Restricted fixed asset funds						
Fixed asset funds	7,294,787	-	(1,073,402)	11,726	-	6,233,111
New school - constructed	23,313,768	-	-	9,935,033	-	33,248,801
New school - funds	7,051,833	9,549	-	(6,752,669)	-	308,713
HCC capital grant	3,182,364	-	-	(3,182,364)	-	-
ESFA capital grants	-	95,787	-	(68,949)	-	26,838
	<u>40,842,752</u>	<u>105,336</u>	<u>(1,073,402)</u>	<u>(57,223)</u>	<u>-</u>	<u>39,817,463</u>
Total Restricted funds	<u>39,379,307</u>	<u>7,518,975</u>	<u>(8,773,265)</u>	<u>83,512</u>	<u>(759,000)</u>	<u>37,449,529</u>

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

	Balance at 1 September 2018 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2019 £
Total funds	39,391,386	8,032,462	(9,180,493)	-	(759,000)	37,484,355

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

The unrestricted reserves have been generated from hirings income and other educational income. There are no restrictions on how this income is spent.

The General Annual Grant (GAG) represents the core funding for the educational activities of the academy that has been provided via the Education & Skills Funding Agency (ESFA) by the Department for Education (DfE). The GAG fund must be used for the normal running costs of the academy.

Pupil Premium is a grant allocated by the ESFA to help raise the attainment of disadvantaged students and close the gap between them and their peers.

Other ESFA grants that represent core funding include:

- 16-19 Allocation
- Rates Grant

The academy is also holding other restricted reserves. This balance is made up of other grants that have specific purposes.

The pension reserve represents the net deficit on the LGPS defined benefit pension scheme. The deficit arose because of the pension scheme deficit inherited upon conversion. Future GAG funding agreed by the ESFA is expected to be sufficient to take the fund back into surplus.

The restricted fixed asset fund represents the value of the academy's tangible fixed assets. Unspent capital grants represent funds held for the construction of a new school building on the Cowley Hill site.

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

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21. Statement of funds (continued)

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

	<i>Balance at 1 September 2017 £</i>	<i>Income £</i>	<i>Expenditure £</i>	<i>Transfers in/out £</i>	<i>Gains/ (Losses) £</i>	<i>Balance at 31 August 2018 £</i>
Unrestricted funds						
General funds	64,373	539,600	(408,519)	(183,375)	-	12,079
Restricted general funds						
General Annual Grant (GAG)	24,057	5,940,918	(6,148,350)	183,375	-	-
Pupil Premium	71,545	446,765	(509,287)	-	-	9,023
Other ESFA income	-	1,026,568	(1,026,568)	-	-	-
Other DfE income	16,387	24,900	(24,184)	-	-	17,103
Other government grants	-	29,685	(29,685)	-	-	-
Other restricted income	39,987	10,001	(48,559)	-	-	1,429
Pension reserve	(1,714,000)	-	(186,000)	-	409,000	(1,491,000)
	<u>(1,562,024)</u>	<u>7,478,837</u>	<u>(7,972,633)</u>	<u>183,375</u>	<u>409,000</u>	<u>(1,463,445)</u>
Restricted fixed asset funds						
Fixed asset funds	8,709,482	-	(1,525,409)	110,714	-	7,294,787
New school - constructed	5,203,636	-	-	18,110,132	-	23,313,768
New school - funds	25,138,069	35,360	-	(18,121,596)	-	7,051,833
HCC capital grant	3,182,364	-	-	-	-	3,182,364
ESFA capital grants	72,137	27,113	-	(99,250)	-	-

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

	<i>Balance at 1 September 2017 £</i>	<i>Income £</i>	<i>Expenditure £</i>	<i>Transfers in/out £</i>	<i>Gains/ (Losses) £</i>	<i>Balance at 31 August 2018 £</i>
	42,305,688	62,473	(1,525,409)	-	-	40,842,752
Total Restricted funds	40,743,664	7,541,310	(9,498,042)	183,375	409,000	39,379,307
Total funds	40,808,037	8,080,910	(9,906,561)	-	409,000	39,391,386

22. Analysis of net assets between funds

Analysis of net assets between funds - current year

	Unrestricted funds 2019 £	Restricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £
Tangible fixed assets	-	-	39,480,540	39,480,540
Intangible fixed assets	-	-	1,372	1,372
Fixed asset investments	-	25	-	25
Current assets	139,906	762,380	335,551	1,237,837
Creditors due within one year	(105,080)	(726,339)	-	(831,419)
Provisions for liabilities and charges	-	(2,404,000)	-	(2,404,000)
Total	34,826	(2,367,934)	39,817,463	37,484,355

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**NOTES TO THE FINANCIAL STATEMENTS
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22. Analysis of net assets between funds (continued)

Analysis of net assets between funds - prior year

	<i>Unrestricted funds 2018 £</i>	<i>Restricted funds 2018 £</i>	<i>Restricted fixed asset funds 2018 £</i>	<i>Total funds 2018 £</i>
Tangible fixed assets	-	-	30,606,683	30,606,683
Intangible fixed assets	-	-	1,871	1,871
Fixed asset investments	-	25	-	25
Current assets	24,675	2,910,409	10,234,198	13,169,282
Creditors due within one year	(12,597)	(2,882,879)	-	(2,895,476)
Provisions for liabilities and charges	-	(1,491,000)	-	(1,491,000)
Total	12,078	(1,463,445)	40,842,752	39,391,385

23. Reconciliation of net expenditure to net cash flow from operating activities

	2019 £	2018 £
Net expenditure for the year (as per Statement of financial activities)	(1,148,031)	(1,825,651)
Adjustments for:		
Amortisation	499	499
Depreciation	1,072,500	1,524,910
Capital grants from DfE and other capital income	(95,787)	(27,113)
Interest receivable	(423)	(440)
Defined benefit pension scheme cost less contributions payable	154,000	186,000
Decrease in debtors	9,087,233	6,137,818
(Decrease)/increase in creditors	(2,064,057)	1,956,603
Profit on the sale of tangible fixed assets	(12,035)	(35,360)
Net cash provided by operating activities	6,993,899	7,917,266

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24. Cash flows from investing activities

	2019 £	2018 £
Dividends, interest and rents from investments	423	440
Purchase of tangible fixed assets	(9,951,036)	(18,220,845)
Proceeds from the sale of tangible fixed assets	16,716	-
Capital grants from DfE Group	95,787	27,113
Net cash used in investing activities	(9,838,110)	(18,193,292)

25. Analysis of cash and cash equivalents

	2019 £	2018 £
Cash in hand	1,009,249	3,853,460
Total cash and cash equivalents	1,009,249	3,853,460

26. Capital commitments

	2019 £	2018 £
Contracted for but not provided in these financial statements		
Acquisition of tangible fixed assets	631,238	9,085,430

27. Pension commitments

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

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

Contributions amounting to £nil were payable to the schemes at 31 August 2019 (2018 - £99,579) and are included within creditors.

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27. Pension commitments (continued)

Teachers' Pension Scheme

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

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

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2016 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 5 March 2019. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 23.68% of pensionable pay
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218,100 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196,100 million giving a notional past service deficit of £22,000 million.

The new employer contribution rate is applicable from 1 April 2019 and will be implemented for the TPS from 1 September 2019.

The employer's pension costs paid to TPS in the year amounted to £535,656 (2018 - £589,469).

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2019 was £286,000 (2018 - £280,000), of which employer's contributions totalled £230,000 (2018 - £224,000) and employees' contributions totalled £ 56,000 (2018 - £56,000). The agreed contribution rates for future years are 25.3 per cent for employers and 5.5 to 12.5 per cent for employees.

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

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27. Pension commitments (continued)

Principal actuarial assumptions

	2019 %	2018 %
Rate of increase in salaries	2.4	2.5
Rate of increase for pensions in payment/inflation	2.3	2.4
Discount rate for scheme liabilities	1.8	2.8

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

	2019 Years	2018 Years
<i>Retiring today</i>		
Males	21.5	22.5
Females	23.7	24.9
<i>Retiring in 20 years</i>		
Males	22.3	24.1
Females	25.0	26.7

Sensitivity analysis

	2019 £000	2018 £000
Discount rate -0.1%	151	112
Mortality assumption - 1 year increase	236	181
CPI rate +0.1%	133	97

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

	At 31 August 2019 £	At 31 August 2018 £
Equities	1,716,000	1,610,140
Bonds	1,365,000	1,063,300
Property	280,000	243,040
Cash and other liquid assets	140,000	121,520
Total market value of assets	3,501,000	3,038,000

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27. Pension commitments (continued)

The actual return on scheme assets was £268,000 (2018 - £150,000).

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

	2019 £	2018 £
Current service cost	(336,000)	(366,000)
Past service cost	(5,000)	-
Interest income	88,000	70,000
Interest cost	(131,000)	(114,000)
Total amount recognised in the Statement of Financial Activities	(384,000)	(410,000)

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

	2019 £	2018 £
At 1 September	4,529,000	4,403,000
Current service cost	336,000	366,000
Interest cost	131,000	114,000
Employee contributions	56,000	56,000
Actuarial losses/(gains)	939,000	(329,000)
Benefits paid	(91,000)	(81,000)
Past service costs	5,000	-
At 31 August	5,905,000	4,529,000

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

	2019 £	2018 £
At 1 September	3,038,000	2,689,000
Interest income	88,000	70,000
Actuarial gains	180,000	80,000
Employer contributions	230,000	224,000
Employee contributions	56,000	56,000
Benefits paid	(91,000)	(81,000)
At 31 August	3,501,000	3,038,000

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28. Operating lease commitments

At 31 August 2019 the academy had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	178,350	64,396
Later than 1 year and not later than 5 years	413,997	55,597
	<u>592,347</u>	<u>119,993</u>

29. 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.

30. Related party transactions

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

The Meller Educational Trust (TMET) is related by virtue of it being a member/sponsor of the academy trust:

- During the year, £234,400 (2018: £208,872) was paid to TMET as part of a service level agreement for educational support and £nil (2018: £1,247) income was received by the academy as part of a donation.
- The academy trust entered into the service level agreement following a procurement exercise by the governors excluding any persons representing TMET.
- In entering into the transaction the academy has complied with the requirements of the Academies Financial Handbook 2018.
- The requirement of the ESFA to obtain a 'Statement of Assurance' confirming that the service was provided at 'no more than cost' has been waived on the grounds that it represents a MAT umbrella trust.
- At the year end, £47,411 (2018: £nil) was payable to TMET.

During the year ended 31 August 2019, four (2018: four) members of staff, who are deemed close relatives of key management personnel, were paid gross remuneration (including employer's pension contributions of £82,401 (2018: £143,638).

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31. Agency arrangements

The Academy Trust distributes 16-19 bursary funds to students as an agent for the ESFA. For the year ended 31 August 2019, the Academy received £28,442 (2018: £31,394) and disbursed £27,122 (2018: £25,759) from the fund. The Trust used 5% of the income £1,422 (2018: £1,570) towards the cost of administering the fund. An amount of £28,508 (2018: £28,610) is included in other creditors relating to undistributed funds that is repayable to the ESFA.