
THE FORGE TRUST
(A company limited by guarantee)

The Forge Trust
(A Company Limited by Guarantee)

Annual Report and Financial Statements
Period ended 31 August 2017



Company Registration Number:
09443602 (England and Wales)

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**DUNCAN
& TOPLIS**
CHARTERED ACCOUNTANTS
AND BUSINESS ADVISERS

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Reference and Administrative Details

Members	Mr Towner Mrs Trentini Mr Puttergill
Trustees	Mrs Trentini (chair) Mr Puttergill Mr Tarr Mr Towner Mr Woodman-Clarke Ms Murray (appointed 7 th February 2017) Dr Hill (appointed 1 st September 2017) Mrs Berry Mrs Pannell Mr Macintyre (resigned 31 st August 2017) Mr Scawthon (appointed 16 th October 2017) Mr Hessey (CEO and Accountable Officer)
Senior Management Team: Chief Executive Officer Deputy Chief Executive Officer	Mr Hessey Mr Macintyre
Principal and Registered Office	The Sir Donald Bailey Academy Bailey Road Newark Nottinghamshire NG24 4EP
Company Registration Number	09443602 (England and Wales)
Independent Auditor	Duncan & Toplis Limited 4 Henley Way Doddington Road Lincoln Lincolnshire LN6 3QR
Bankers	Lloyds Bank Stodman Street Newark Nottinghamshire PO Box 100 BX11LT
Solicitors	Langleys Solicitors Olympic House Doddington Road Lincoln LN6 3SE

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TRUSTEES' REPORT

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 1 September 2016 to 31 August 2017. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The trust operates 4 primary academies in the East Midlands, one of which joined the trust on 1 September 2017 which is after the date of this report.

Its academies have a combined pupil capacity of 1,375 and had a roll of 1,073 in the Autumn 2017 school census.

Structure, Governance and Management

Constitution

The academy trust is a 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 trustees of The Forge Trust are also the directors of the charitable company for the purposes of company law. The charitable company is known as The Forge Trust.

Details of the trustees who served during the year are included in the Reference and Administrative Details on page 1.

Members' Liability

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

Trustees' Indemnities

In accordance with normal commercial practice the academy trust has purchased insurance to protect trustees, governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on trust business. The insurance provides unlimited cover (Risk Protection Arrangement – DfE).

Method of Recruitment and Appointment or Election of Trustees

The recruitment, selection and subsequent induction of a new trustee is seen as an opportunity to improve the effectiveness of The Forge Trust. These three elements ensure that we have a balanced, well-informed and effective trustee body. The trust's guiding principles for new trustees are:

- Know their responsibilities for the charity and its resources;
- Make themselves familiar with the charity's constitution;
- Know when they need to seek specialist advice;
- Have clear structures for accountability;
- Manage conflicts of interest.

The leadership of the academy trust advertise as necessary when vacancies arise and have a clear view of the skill set required to add value to the governance already in place. New trustees are elected in line with the Articles of Association

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Policies and Procedures Adopted for the Induction and Training of Trustees

Trustees receive ongoing training and development. They are updated immediately when new versions of relevant Academy Handbooks are published i.e. Academies Financial Handbook and Governance Handbook. The Trust subscribes to The Key for School Governors which is an on-line national information service providing them with a host of information relevant to their roles and giving answers to any queries that they may have in relation to performing their duties. This ensures that their knowledge is always up to date.

Organisational Structure

The trust has established a clear Organisational structure with identified lines of accountability and reporting for all its operations. This includes defining the responsibilities of the trustees and those responsibilities delegated to the committees and officers within the trust.

The board of trustees comprises 5 members and 7 trustees. The chief executive officer [CEO] reports to the board of trustees and can delegate to the Deputy CEO, finance director and academy principals as necessary. The executive senior leadership team [ESLT] comprises the CEO, Deputy CEO, finance director and academy principals.

The board members are responsible for the overall strategic direction of the trust and hold the CEO to account for delivering agreed priorities. They uphold the constitution and protect the ethos of the trust, having ultimate responsibility and authority.

The trustees hold each academy to account for its performance through the CEO, and provide challenge and support in their specialist areas.

The principals have responsibility for the day to day operations of their individual academies however a trust led approach is adopted in certain areas such as safeguarding, assessment, recruitment, monitoring and evaluation

Arrangements for Setting Pay and Remuneration of Key Management Personnel

Pay and remuneration of key management personnel is determined by the Chief Executive Officer in consultation with the trustees, taking into account a variety of contributory factors such as role and responsibilities, market factors and results of performance reviews against agreed criteria and objectives. The pay and remuneration of the chief executive officer is determined by the board of trustees.

Related Parties and other Connected Charities and Organisations

All related party relationships are declared annually and published on the trust website. Transactions with related parties have been disclosed within the notes to the accounts.

Objectives and Activities

Objects and Aims

The vision of the trust is:

Challenging educational orthodoxies in the best interests of achieving excellence so that: all children make at least good progress; cohorts, groups or schools perform well; all teachers enable good or better learning; all schools strive to be outstanding.

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Across the trust, we aim to maintain a caring, supportive and disciplined learning environment where children benefit from the best possible education. All staff are committed to this aim.

Objectives, Strategies and Activities

The main objectives of the trust are to:

- Concentrate on high quality teaching and getting it right first time;
- Ensure low class sizes across all academies within the trust (20 pupils or less);
- Focus relentlessly on improving children's ability in core subjects such as reading, writing and maths;
- Recruit and grow our own teachers and leaders from within;
- Provide children with the best possible education, classrooms and resources.

The strategies for achieving these objectives are to:

- Ensure staff are fully trained and kept up to date with current issues through CPD, including the completion of 'educational research';
- Conduct regular performance appraisals of staff through observation and benchmarking reviews and give constructive feedback including focused training on areas identified for improvement;
- Recruit staff at the right levels and ensure there are enough high quality teachers employed by the trust to allow class sizes of 20 or less;
- Ensure that maths and English are at the top of the teaching agenda and that all teachers and pupils excel in these areas. Conduct regular performance reviews based on pupil attainment and results in these areas;
- As a result of low class sizes, the emphasis on marking and feedback is to be personalised;
- Recruit newly qualified teachers where possible and allow them to develop their skills whilst employed by the trust. Staff should have the opportunity for promotion provided that they can prove their worth and leaders should be recruited from within where possible;
- Ensure that resources are used in the best way possible to achieve the desired educational outcomes for pupils, challenging them to compete with the top 1% of pupils nationally;
- Ensure that teachers have good relationships with parents and carers to allow effective communication and achievement of targets.

Public Benefit

The Trustees have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission [on their website at Charities and Public Benefit] in exercising their powers or duties.

The Trust's public benefit is enshrined in its charitable objects, which state that the object of the Trust is: '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 developing a Trust offering a broad and balanced curriculum.'

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STRATEGIC REPORT

Achievements and Performance

During the year the trust received £140,000 from the DfE Sponsor Academy Fund which will be used to grow the trust and build an appropriate infrastructure. The trustees and ESLT have carefully thought through and devised growth plans which have been recognised by the DfE.

The Sir Donald Bailey Academy has been successful in applying for funding to replace its roofing. At the year end, the refurbishment of the roof was complete.

The Parkgate Academy has been successful in applying for funding to replace its roofing and heating systems. At the end of the year the refurbishment of the heating system was complete and work had commenced to replace the roof. One of the aims of the trust is to improve academy buildings where necessary in order to provide pupils with the best learning environment possible.

Members of the ESLT met with Nottinghamshire Local Authority representatives in April 2017 to discuss how the trust can help support other Schools within the local area, and how this could in turn benefit the trust. This is a further development to our growth strategy.

All academies within the trust continue to partake and contribute towards the 'Ad astra' partnership. The trust is committed to working in partnership with other groups and organisations and sees this as an opportunity to learn new skills which will improve the trust as a whole.

The CEO has worked hard to finalise the trust's Scheme of Delegation so that all personnel know their roles within the trust and what is expected of them. The aim is to provide clarity for all stakeholders and allow the trust to maintain high standards.

Key policies have been revised and distributed across the trust, such as the Safeguarding Policy and The Assessment Policy and Protocols. The aim is to have standardisation across the trust in all key areas.

The CEO and Deputy CEO have completed the DfE's New Sponsor Development Programme. As a leadership team, they are ready for the challenge of running a successful multi-academy trust.

A trust administrator was employed during the year to assist with keeping the trust and individual academy websites up to date and ensuring good communication throughout the trust.

The finance director has developed the Central Services Policy to ensure that the trust has a clear and fair way of charging individual academies specific top-slice percentages of their General Annual Grant according to validated Ofsted judgements.

Members of the ESLT have delivered presentations for the DfE at events in Sheffield based on 'working without a Teaching School'. The trust has developed an alternative way of delivering high quality education in a cost effective manner for academies to collaborate and achieve.

There are plans in place to hold consultation events in partnership with the DfE in Lincolnshire and Doncaster. The trust is actively encouraging academies to join its forward thinking approach where there is a strong 'strategic fit'.

During the year the trust moved its head office from The Sir Donald Bailey Academy to a separate location which is more central to all the academies within the trust. This allows central services to be more accessible to all academies.

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The trust benefits from external advice where required to ensure quality and compliance in both educational and non-educational terms. The ESLT is appropriately challenged and supported in this respect.

The ESLT has developed a trust data and tracking system which allows trustees to keep up to date with trust activities and developments and gives them a platform to challenge and debate with the ESLT on a regular basis.

Key Performance Indicators

The key performance indicators of the trust are:

- Pupil recruitment and retention data
- Ofsted Inspection outcomes
- Exam and key-stage results
- Pupil attendance data
- Staffing costs as a percentage of income
- Retention of reserves in line with the reserves policy

Pupil recruitment and retention data

Since becoming a multi-academy trust on 1 September 2016 each academy has increased its number of pupils on roll. With spare capacity at every academy and using trend analysis we predict that these numbers will continue to increase next year. We believe that the main reasons for the increase in pupil numbers at our academies is strong leadership, communication with parents and the local communities in which we operate and our improving attainment and performance results which are published on our websites.

Ofsted Inspection outcomes

There have been no recent Ofsted Inspections, however two of the academies are rated as 'outstanding' according to their current SEF judgements and the other two academies are classified as 'good'. The Parkgate Academy has rapidly improved from 'requires improvement' to 'good' within one year since joining the trust.

2017 trust attainment data

Academy	% of Y6 pupils who achieved ARE in Maths	% of Y6 pupils who achieved ARE in Reading	% of Y6 pupils who achieved ARE in SPaG	% of Y6 pupils who achieved ARE in Writing	% combined
The Sir Donald Bailey Academy	82%	60%	85%	84%	60%
The Parkgate Academy	65%	61%	68%	58%	52%
The Forest View Academy	80%	71%	86%	86%	60%
National Averages at National Standard %	75%	71%	77%	76%	61%

It is clear from the above results that there are improvements to be made, particularly with regards to reading which is why it is one of the trust's key objectives. Most of the above results, however, are above national averages and all are an improvement on the previous year.

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The trust and its pupils have worked hard to achieve these results and predictions for 2018 are as follows:

Academy	% predictions for ARE in Maths	% predictions for ARE in Reading	% predictions for ARE in SPaG	% predictions for ARE in Writing
The Sir Donald Bailey Academy	90%	85%	85%	85%
The Parkgate Academy	68%	68%	72%	68%
The Forest View Academy	85%	75%	89%	89%
The Marton Academy	93%	100%	100%	100%

2017 Key Stage 2 attainment and progress data

	Reading	Writing	SPaG	Maths	Combined
The Forge Trust Averages	63.7%	76%	78.3%	75.7%	57.3%
National Averages	71%	76%	77%	75%	61%

Progress from Key Stage 1 to Key Stage 2

Academy	Reading	Writing	Maths
The Sir Donald Bailey Academy	+2.0	+4.6	+4.0
The Parkgate Academy	+1.4	+1.8	+1.9
The Forest View Academy	-0.4	+1.4	+0.4

Pupil attendance data

Academy	2016/17 attendance	National average
The Sir Donald Bailey Academy	96.5%	96%
The Parkgate Academy	94.5%	96%
The Forest View Academy	95.9%	96%

Attendance has improved for each academy since joining the trust and this is set to continue in the next academic year. We expect that, through a mixture of continuous monitoring, communication, discipline and reward, all of the academies within our trust will exceed the national average for attendance in 2017/18.

Staffing costs as a percentage of income

For the year to 31 August 2017 staffing costs as a percentage of income were 77%. Although this appears high it is considered to be in line with expectations based on trust criteria of low class sizes and high quality teaching staff.

Retention of reserves in line with the reserves policy

See financial review and reserves policy for details of current reserves and expectations.

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Going Concern

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

Financial Review

Most of the trust's income is obtained from the ESFA in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the ESFA during the year ended 31 August 2017 and the associated expenditure is shown as restricted funds in the Statement of Financial Activities.

During the year the trust received total funding of £6,178,608 compared to total resources expended of £5,041,576 to give a surplus for the year of £1,137,032.

The total accumulated reserves of the trust as at 31 August 2017 were £13,768,955.

Reserves Policy

The trust will build and maintain a revenue reserve fund equal to one month's salaries to provide flexibility and certainty in forward planning where funds allow. The amount of reserves required shall be reviewed and determined annually as part of the budget setting process and in line with the trust improvement plan.

The trust's 'free reserves' are its funds available after excluding restricted funds. 'Reserves' are therefore the resources the trust can make available to spend on any or all of the trust's purposes once it has met its commitments and covered its other planned expenditure. More specifically 'free reserves' represents funds which can be spent at the trustees' discretion in furtherance of any of the trust's objectives which are not yet spent, committed or designated.

The trustees review the reserve levels of the trust annually. This review encompasses the nature of income and expenditure streams. The trustees have determined that the appropriate level of 'free reserves' should be equivalent to one month's salary expenditure, which equates to approximately £337,000. The reason for this is to provide sufficient working capital to cover delays between the spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. The trust's current level of 'free reserves' is £61,060.

The level of restricted funds at the year end, excluding the restricted fixed asset fund; endowment fund and pension reserve, amounted to £392,201.

The trustees consider an appropriate level of reserves to be in the order of 1-2 months' total expenditure, to insulate the trust in the event of ESFA funding becoming interrupted.

Funds in deficit

The trust's non-teaching staff are entitled to membership of the Local Government Pension Scheme. The trust's share of the Scheme's assets is currently assessed to be less than its liabilities and consequently the balance sheet shows a net liability of £2,199,000. However, the deficit does not mean that an immediate liability for this amount crystallises. The contribution rate to reduce the liability is calculated by an independent actuary and is reported within the notes to the financial statements.

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Investment Policy

If significant cash balances can be foreseen it is trust policy to review current investment products for their suitability to see if a better return can be made. However, consideration should only be given to risk-free and immediately accessible deposit accounts. Interest rates must be reviewed annually and compared with other products available. The governing body must approve all accounts and investments.

The trustees will have due regard to ethical and environmental issues when selecting investments and will maintain a dialogue with the companies in which they invest with regard to such matters. They will not make investments in tobacco or arms companies.

All investments must be recorded in sufficient detail to identify the investment and enable current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure that any income due from the investment is received.

Principal risks and uncertainties

The trust has an up to date risk register which details the main risks facing the trust and the related controls in place to mitigate those risks where possible. Internal control systems and exposure to risks are considered on a regular basis by trustees and management.

Outlined below is a description of the principal risk factors that may affect the trust and the strategies in place to manage those risks. It should be noted however that not all risks are within the trust's control and other factors besides those listed may also have the potential to adversely affect the trust.

1. Government funding

The trust places considerable reliance on continued government funding through the Education and Skills Funding Agency (ESFA) and the Local Authority. This is considered to be a principal risk to the trust as without this funding the trust would not be able to continue as a going concern. The strategies in place to manage this risk are as follows:

- The funding is derived through a number of direct and indirect contractual arrangements;
- Considerable focus and investment is placed on maintaining and managing key relationships with the funding bodies;
- Emphasis is placed on priority sectors which will continue to benefit from government funding;
- Contingency planning is embedded in the budgeting process.

2. Pension liabilities

The trust needs to ensure that it can adequately fund its pension liabilities as any shortfall could have a serious impact on long-term financial stability. In order to manage this risk, the trustees receive regular advice from the trust's pension actuary including updates of the position of the pension deficit which allows them to make appropriate contributions to ensure that the deficit does not become unmanageable.

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3. Pupil strategy

The risk of falling pupil numbers across the trust is mitigated by:

- Ensuring the trust delivers high quality education;
- Maintaining high success rates and good inspection outcomes;
- Investing in teaching staff and educational resources;
- Maintaining good relationships with parents and the community.

Focusing on these areas places the trust in a strong position to continue to grow.

The trustees consider that the trust's exposure to financial risks including credit, cash flow and liquidity risks is low.

Plans for Future Periods

The following aims and key objectives are as set out in the strategic growth plan 2017-18:

- To grow as a trust over the next three years by taking on more underperforming and good Schools within the local area. In order to achieve this, we have developed a strategy to encourage Schools thinking of converting to join our trust. We also have a strong relationship with the DfE who support this objective and believe that our trust has the skills and expertise to improve underperforming Schools. In evidence of this, a 'special measures' School in the local area will be converting to an academy and joining our trust on 1 December 2017.
- To continue to focus on recruitment and training of staff to ensure that the delivery and standard of teaching and learning is high.
- To ensure that improvement each year in attainment at key stages 1 and 2 for pupils attending academies within the trust is greater than the national average.
- To ensure that academies within the trust show a greater than national average improvement in Ofsted judgements, resulting in consistently good or outstanding academies across the trust.
- As a result of effective leadership development, to ensure that academies within the trust show Ofsted judgements for leadership and management that are consistently good or outstanding.

Funds Held as Custodian Trustee on Behalf of Others

The Academy holds no funds as Custodian Trustee on Behalf of Others.

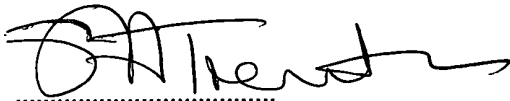
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Auditor

Insofar as the Trustees are aware:

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

Trustees' Report, incorporating a strategic report, approved by order of the Board of Trustees on 18th December 2017 and signed on its behalf by:



.....
Mrs S Trentini
Chair of Trustees

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GOVERNANCE STATEMENT

Scope of Responsibility

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

The Trustees have delegated the day-to-day responsibility to the CEO, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Forge Trust and the Secretary of State for Education. They are also responsible for reporting to the Trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The board of trustees has formally met 4 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of a possible
S Trentini (chair)	4	4
P Towner	3	4
T Puttergill	3	4
L Hessey (CEO and accounting officer)	3	4
L Pannell	3	4
H Berry	3	4
T Woodman-Clarke (appointed 1 September 2016)	2	4
J Tarr (appointed 1 September 2016)	2	4
L Murray (appointed 7 February 2017)	2	2
J Macintyre (resigned 31 August 2017)	3	4

The board of trustees meets at least three times per annum, usually termly. Their specific responsibilities include:

- Priority setting and ratification of new projects;
- Holding the CEO to account for delivery of strategic objectives and the overall performance of the trust;
- Appointment, appraisal, discipline and dismissal of the ESLT;
- Appointment of external auditors;
- Appointment and removal of board members including positions within the board and on committees;
- Maintaining and publishing a register of members which includes details of any business interests and possible conflicts of interest;
- Approval of the annual budget, medium term financial plans, business plans and risk management policy;
- Approval of the trust's annual report and statutory financial statements ;
- Appraisal of the affairs of the trust and its academies;

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- Ensuring agreed policies are being implemented by the trust;
- Ensuring the trust's compliance with charity and company law, its Memorandum and Articles of Association and all other applicable legislation including DfE and ESFA requirements;
- Ensuring proper and regular use of public funds and compliance with the Funding Agreement;
- Ensuring any recommendations for improvement by external bodies are carried out.

Governance reviews

Following a full review of the impact and effectiveness of the board of trustees in 2016 various changes were made to the structure and composition of the board and its sub-committees to focus on the core strengths and expertise of each trustee and allow more meaningful debate, challenge and review. The sub-committees were stream-lined to allow more accurate and timely decisions to be made and put forward to the board of trustees for their approval. In March 2017 the Scheme of Delegation Policy was reviewed and updated by the CEO and approved by the board. The scheme of delegation provides an in-depth analysis of the roles and responsibilities of the board of trustees, its sub-committees and the executive senior leadership team. Following this review Academy Advisory Bodies were set up at local level to allow academy Principals to have more control and autonomy over the day to day operations of individual academies. A follow-up review is planned in 2018 to assess the impact of the changes made during 2016 and 2017 and evaluate their effectiveness.

The finance and audit committee is a sub-committee of the main board of trustees. Its purpose is to assist the decision making of the board of trustees by enabling more detailed consideration of the trust's planning, control and monitoring of finances and resources. This includes making recommendations to the trustees in relation to annual budgets, medium term financial plans, financial policies, risk management, spending and performance.

The finance and audit committee also ensures that the trust complies with all matters of regularity, propriety and value for money in its use of public funds and ensures compliance with financial regulations, including the Academies Financial Handbook.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
T Woodman-Clarke (chair)	2	3
L Hessey (CEO and accounting officer)	1	3
S Trentini	3	3
H Berry	3	3
L Pannell	2	3
J Macintyre	2	3

The strategic management committee is also a sub-committee of the main board of trustees. Its purpose is to provide assurance to the board of trustees in relation to education outcomes. Its responsibilities include:

- Monitoring the performance of individual academies against agreed KPI's;
- Assessing the quality of leadership in each academy in terms of academic performance, quality of teaching, exclusions and pupil / staff attendance;
- Reviewing development plans and progress made against targets;
- Reviewing any Ofsted or DfE Inspection reports and implementing recommended practice;
- Ensuring the effective use of SEND, Pupil Premium and PE/Sport Premium funding;
- Monitoring pupil progress and assessing the impact of any changes to national curriculum on the trust and its academies.

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The strategic management committee also considers the employee related aspects of the trust which include receiving proposals regarding policies on performance and pay; monitoring and evaluating the performance of the CEO and advising on the strategic planning of human resources.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
L Murray (chair)	3	3
L Hessey (CEO and accounting officer)	1	3
T Puttergill	2	3
S Trentini	3	3
L Pannell	2	3
J Macintyre	2	3

Academy Advisory Bodies

Each academy within the trust has an Academy Advisory Body (AAB) which comprises of key leaders of the trust and academy level personnel. The remit and terms of reference of these bodies are established by the board of trustees. The AAB's meet at least once per annum. Attendees usually include the academy principal, a member of staff, a parent representative, the trust's SENCO, CEO, Deputy CEO and a community member.

The main purpose of the AAB is to exercise challenge and support on behalf of the trust to aid performance at academy level, and to advise the leadership of each academy on matters concerning the local community in order for the academy to stay in touch with its key stakeholders.

Academy Open Forums

The trust gauges parent opinions in termly open forums.

ESLT Meetings

Bi-weekly meetings are held for the Executive Senior Leadership Team to discuss improvement at academy level, with agendas focusing on the Ofsted evaluation schedule.

Review of Value for Money

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

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

- Sharing resources (including employees) across the trust;
- Bringing external resources in-house where considered more cost-effective;
- Regularly reviewing significant costs to confirm that the trust is getting the best value for money;

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- Using the right expertise in the right places;
- Obtaining quotes and tenders in line with the trust procurement policy;
- Obtaining board approval for significant cost items in line with the trust procurement policy;
- Setting modest and sustainable leadership pay structures;
- Restructuring and streamlining where appropriate.

The Purpose of the System of Internal Control

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

Capacity to Handle Risk

The board of trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period 1 September 2016 to 31 August 2017 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

The Risk and Control Framework

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

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

The board of trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the trustees have appointed Duncan & Toplis Limited, the external auditor, to perform additional checks.

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

- testing of internal control systems;
- testing of related parties;
- testing of income systems;

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- testing of payroll systems;
- testing of purchase systems;
- testing of capital projects;
- testing of control account/ bank reconciliations.

On a termly basis, the reviewer reports to the board of trustees on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities. During the year to 31 August 2017 no material control issues were identified by the reviewer as a result of the work carried out.

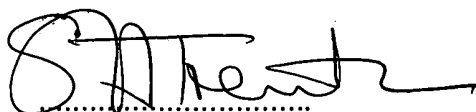
Review of Effectiveness

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

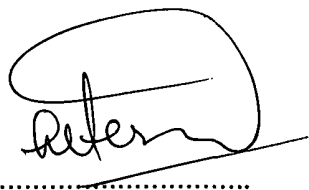
- the work of the reviewer;
- the work of the external auditor;
- the financial management and governance self-assessment process;
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the finance and audit committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Trustees on 18th December 2017 and signed on its behalf by:



Mrs S Trentini
Chair of Trustees



Mr L Hessey
Accounting Officer

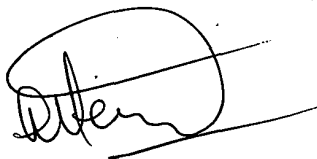
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

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

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

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



.....
Mr L Hessey
Accounting Officer

Date: 18th December 2017

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STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees (who act as governors of The Forge Trust and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction published by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

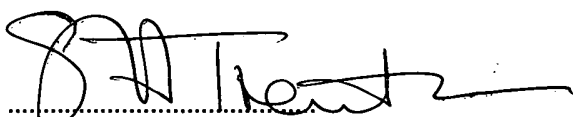
- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards [FRS 102] 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 trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Approved by order of the members of the Trustees on 4th December 2017 and signed on its behalf by:



Mrs S Trentini
Chair of Trustees

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE FORGE TRUST

OPINION

We have audited the financial statements of The Forge Trust for the Year ended 31 August 2017 which comprise the Statement of financial activities incorporating income and expenditure account, the Balance sheet, the Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an 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 charitable company and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 August 2017 and of its incoming resources and application of resources, 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 2016 to 2017 issued by the Education and Skills Funding Agency.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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 Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The Trustee are responsible for the other information. The other information comprises the information included

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**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
FORGE TRUST**

in the Annual report; other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Trustee's report including the Strategic report for which the financial statements are prepared is consistent with the financial statements.
- the Trustee's 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 Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustee's 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 Trustee's remunerations specified by law not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF TRUSTEES

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

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

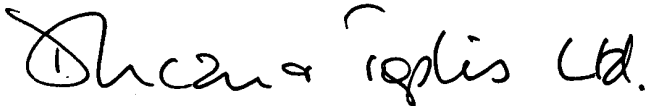
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**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE
FORGE TRUST**

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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



Timothy Godson FCA (Senior statutory auditor)

for and on behalf of

Duncan and Toplis Limited

Chartered Accountants and Statutory Auditors

4 Henley Way
Lincoln
Lincolnshire
LN6 3QR
20 December 2017.

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

In accordance with the terms of our engagement letter dated 24 April 2015 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Forge Trust during the Year 1 September 2016 to 31 August 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

RESPECTIVE RESPONSIBILITIES OF THE FORGE TRUST'S ACCOUNTING OFFICER AND THE REPORTING ACCOUNTANT

The Accounting Officer is responsible, under the requirements of The Forge Trust's funding agreement with the Secretary of State for Education dated December 2014, and the Academies Financial Handbook extant from 1 September 2016, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2016 to 2017. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the Year 1 September 2016 to 31 August 2017 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

APPROACH

We conducted our engagement in accordance with the Academies Accounts Direction 2016 to 2017 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

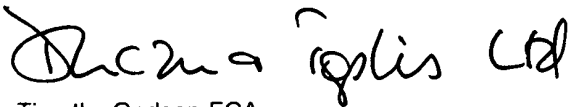
Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the Trust's income and expenditure.

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO THE FORGE TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY (continued)

CONCLUSION

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the Year 1 September 2016 to 31 August 2017 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.


Timothy Godson FCA

for and behalf of

Duncan and Toplis Limited

Chartered Accountants and Statutory Auditors

4 Henley Way
Lincoln
Lincolnshire
LN6 3QR

Date: 20 December 2017.

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

	Note	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £	Total funds 2016 £
INCOME FROM:						
Donations and capital grants	2	10,853	6,000	1,281,407	1,298,260	497,872
Charitable activities	3	-	4,638,287	-	4,638,287	2,370,482
Other trading activities	4	169,496	72,274	-	241,770	203,416
Investments	5	291	-	-	291	135
Transfer on conversion of existing academies into the academy trust		150,947	(1,501,000)	9,927,000	8,576,947	-
TOTAL INCOME		331,587	3,215,561	11,208,407	14,755,555	3,071,905
EXPENDITURE ON:						
Raising funds		11,564	13,090	-	24,654	7,135
Charitable activities		150,191	4,610,198	256,583	5,016,972	2,563,152
TOTAL EXPENDITURE	6	161,755	4,623,288	256,583	5,041,626	2,570,287
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS						
Transfers between Funds	18	169,832 (150,946)	(1,407,727) 10,618	10,951,824 140,328	9,713,929 -	501,618 -
NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES						
		18,886	(1,397,109)	11,092,152	9,713,929	501,618
Losses on revaluations of fixed assets	13	-	-	-	-	(1,206,000)
Actuarial gains/(losses) on defined benefit pension schemes	24	-	294,000	-	294,000	(238,000)
NET MOVEMENT IN FUNDS		18,886	(1,103,109)	11,092,152	10,007,929	(942,382)
RECONCILIATION OF FUNDS:						
Total funds brought forward		42,174	(703,690)	4,422,542	3,761,026	4,703,408
TOTAL FUNDS CARRIED FORWARD		61,060	(1,806,799)	15,514,694	13,768,955	3,761,026

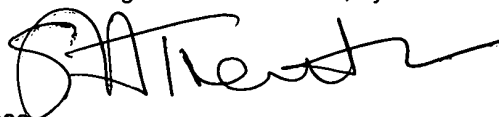
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REGISTERED NUMBER: 09443602

BALANCE SHEET
AS AT 31 AUGUST 2017

	Note	£	2017 £	£	2016 £
FIXED ASSETS					
Tangible assets	13		15,204,370		4,394,302
CURRENT ASSETS					
Stocks	14	11,874		11,286	
Debtors	15	849,836		406,024	
Cash at bank and in hand		776,793		149,106	
		<u>1,638,503</u>		<u>566,416</u>	
CREDITORS: amounts falling due within one year	16	(828,722)		(446,762)	
NET CURRENT ASSETS			809,781		119,654
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>16,014,151</u>		<u>4,513,956</u>
CREDITORS: amounts falling due after more than one year	17		(46,196)		(40,930)
NET ASSETS EXCLUDING PENSION SCHEME LIABILITIES			<u>15,967,955</u>		<u>4,473,026</u>
Defined benefit pension scheme liability	24		(2,199,000)		(712,000)
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u><u>13,768,955</u></u>		<u><u>3,761,026</u></u>
FUNDS OF THE ACADEMY					
Restricted income funds:					
Restricted income funds	18	392,201		8,310	
Restricted fixed asset funds	18	15,514,694		4,422,542	
Restricted income funds excluding pension liability		15,906,895		4,430,852	
Pension reserve		<u>(2,199,000)</u>		<u>(712,000)</u>	
Total restricted income funds			13,707,895		3,718,852
Unrestricted income funds	18		<u>61,060</u>		<u>42,174</u>
TOTAL FUNDS			<u><u>13,768,955</u></u>		<u><u>3,761,026</u></u>

The financial statements on pages 24 to 53 were approved by the Trustee, and authorised for issue, on 18 December 2017 and are signed on their behalf, by:

Mrs S Trentini
Chair of Trustees



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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Net cash provided by operating activities	20	<u>10,398,438</u>	<u>175,333</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		291	135
Purchase of tangible fixed assets		(1,139,652)	(568,085)
Capital grants from DfE/ESFA		1,281,407	480,264
Land and buildings transferred on conversion		(9,927,000)	-
Net cash used in investing activities		<u>(9,784,954)</u>	<u>(87,686)</u>
Cash flows from financing activities:			
Repayments of borrowings		14,203	-
Net cash provided by financing activities		<u>14,203</u>	<u>-</u>
Change in cash and cash equivalents in the Year		627,687	87,647
Cash and cash equivalents brought forward		<u>149,106</u>	<u>61,459</u>
Cash and cash equivalents carried forward	21	<u><u>776,793</u></u>	<u><u>149,106</u></u>

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

1. ACCOUNTING POLICIES

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

1.1 Basis of preparation of financial statements

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2016 to 2017 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

The Forge Trust constitutes a public benefit entity as defined by FRS 102.

1.2 Going concern

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

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

1. ACCOUNTING POLICIES (continued)

1.3 Income

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

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

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

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

Sponsorship income provided to the Academy which amounts to a donation is recognised in the Statement of financial activities incorporating income and expenditure account in the period in which it is receivable, where receipt is probable and it is measurable.

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

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

Where assets are received on the transfer of an existing academy into the trust, the transferred assets are measured at fair value and recognised in the Balance sheet at the point when the risks and rewards of ownership pass to the trust, which is on signing of the transfer agreement with the transferring trust. An equal amount of income is recognised for the transfer of an existing academy into the trust within Income and donations and capital grants.

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

1. ACCOUNTING POLICIES (continued)

1.4 Expenditure

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

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

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

All expenditure is inclusive of irrecoverable VAT.

1.5 Tangible fixed assets and depreciation

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

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

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

Long-term leasehold property	-	2% straight line
Fixtures and fittings	-	25% straight line
Computer equipment	-	25% straight line

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

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

1. ACCOUNTING POLICIES (continued)

1.6 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 Bank.

1.7 Operating leases

Rentals under operating leases are charged to the Statement of financial activities incorporating income and expenditure account on a straight line basis over the lease term.

1.8 Stocks

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

1.9 Debtors

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

1.10 Cash at Bank and in hand

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

1.11 Liabilities and provisions

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

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

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

1. ACCOUNTING POLICIES (continued)

1.12 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 basis are as follows:

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

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

1.13 Taxation

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

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

1. ACCOUNTING POLICIES (continued)

1.14 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 24, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

1.15 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 Trustee.

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

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

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

1. ACCOUNTING POLICIES (continued)

1.16 Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

1.17 Realignment of comparatives

Following revisions to the ESFA Accounts Direction, certain expenses in 2016/17 have been classified on a different basis to 2015/16. Where such differences arise, comparatives have been realigned to accord with 2016/17 classifications.

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £	Total funds 2016 £
Donations	10,853	-	-	10,853	17,608
Capital Grants	-	6,000	1,281,407	1,287,407	480,264
	<u>10,853</u>	<u>6,000</u>	<u>1,281,407</u>	<u>1,298,260</u>	<u>497,872</u>
<i>Total 2016</i>	<u>17,608</u>	<u>-</u>	<u>480,264</u>	<u>497,872</u>	

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

3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
DfE/ESFA grants				
General Annual Grant (GAG)	-	3,479,673	3,479,673	1,801,897
Start Up Grant	-	50,000	50,000	-
Pupil Premium	-	499,935	499,935	253,551
Other DfE/ESFA Revenue grants	-	240,520	240,520	97,671
	-	4,270,128	4,270,128	2,153,119
Other government grants				
SEN 1-1 Funding	-	126,907	126,907	63,035
Early Years funding	-	241,252	241,252	154,328
	-	368,159	368,159	217,363
	-	4,638,287	4,638,287	2,370,482
Total 2016	-	2,370,482	2,370,482	

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Catering income	100,455	-	100,455	76,179
Sale of goods	9,956	-	9,956	15,332
Receipts from staff insurance claims	-	-	-	3,750
Other income	59,085	72,274	131,359	108,155
	169,496	72,274	241,770	203,416
Total 2016	82,227	121,189	203,416	

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

5. INVESTMENT INCOME

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Bank interest received	291	-	291	135
<i>Total 2016</i>	<u>135</u>	<u>-</u>	<u>135</u>	

6. EXPENDITURE

	Staff costs 2017 £	Premises 2017 £	Other costs 2017 £	Total 2017 £	Total 2016 £
Expenditure on raising voluntary income	-	-	15,275	15,275	-
Expenditure on fundraising trading	-	-	9,379	9,379	7,135
Activities:					
Direct costs	3,029,795	92,429	409,924	3,532,148	1,805,470
Support costs	744,164	336,237	404,423	1,484,824	757,682
	<u>3,773,959</u>	<u>428,666</u>	<u>839,001</u>	<u>5,041,626</u>	<u>2,570,287</u>
<i>Total 2016</i>	<u>1,886,546</u>	<u>311,223</u>	<u>308,590</u>	<u>2,506,359</u>	

7. ANALYSIS OF EXPENDITURE BY ACTIVITIES

	Direct costs 2017 £	Support costs 2017 £	Total 2017 £	Total 2016 £
Educational operations	3,532,148	1,484,824	5,016,972	2,563,152
<i>Total 2016</i>	<u>1,805,470</u>	<u>757,682</u>	<u>2,563,152</u>	

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

7. ANALYSIS OF EXPENDITURE BY ACTIVITIES (continued)

Analysis of direct costs

	Educational operations £	Total 2017 £	Total 2016 £
Educational supplies	168,326	168,326	70,718
Technology costs	6,011	6,011	9,253
Examination fees	3,875	3,875	4,532
Staff development	15,192	15,192	-
Educational consultancy	-	-	37,877
Other costs	52,366	52,366	38,606
Wages and salaries	2,339,155	2,339,155	1,256,236
National insurance	191,716	191,716	88,605
Pension cost	498,924	498,924	212,573
Depreciation	256,583	256,583	87,070
	<u>3,532,148</u>	<u>3,532,148</u>	<u>1,805,470</u>
<i>At 31 August 2016</i>	<u>1,805,470</u>	<u>1,805,470</u>	

Analysis of support costs

	Educational operations £	Total 2017 £	Total 2016 £
Technology costs	46,791	46,791	17,001
Recruitment and support	505	505	3,743
Maintenance of premises and equipment	58,311	58,311	29,378
Cleaning	183,164	183,164	115,631
Rent and rates	25,106	25,106	40,020
Energy costs	65,696	65,696	47,384
Insurance	26,977	26,977	21,445
Security	3,465	3,465	321
Telephone, postage and stationery	13,584	13,584	11,815
Catering	162,600	162,600	63,928
Other costs	77,494	77,494	54,661
Bank interest and charges	720	720	-
Auditors' remuneration	16,398	16,398	10,755
Wages and salaries	533,771	533,771	264,522
National insurance	29,539	29,539	13,055
Pension cost	180,854	180,854	51,555
Legal and professional fees	59,849	59,849	12,468
	<u>1,484,824</u>	<u>1,484,824</u>	<u>757,682</u>
<i>At 31 August 2016</i>	<u>757,682</u>	<u>757,682</u>	

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

8. NET INCOME/(EXPENDITURE)

This is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets:		
- owned by the charity	256,584	87,070
Auditors' remuneration - audit	13,650	7,000
Auditors' remuneration - other services	2,748	3,755
	<u>272,982</u>	<u>97,825</u>

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

9. STAFF COSTS

a) Staff costs

Staff costs were as follows:

	2017 £	2016 £
Wages and salaries	2,833,908	1,520,002
Social security costs	221,255	101,660
Operating costs of defined benefit pension schemes	679,778	264,128
	<u>3,734,941</u>	<u>1,885,790</u>
Supply teacher costs	4,476	756
Staff restructuring costs	34,542	-
	<u><u>3,773,959</u></u>	<u><u>1,886,546</u></u>

Staff restructuring costs comprise:

	2017 £	2016 £
Redundancy payments	<u>34,542</u>	<u>-</u>

Included in redundancy payments are non-statutory/non-contractual payments totalling £34,542. Individually, the payments were: £21,145, £3,065 and £10,331.

b) Staff numbers

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

	2017 No.	2016 No.
Teachers	54	32
Administrative and support	108	57
Management	3	1
	<u>165</u>	<u>90</u>

Average headcount expressed as a full time equivalent:

	2017 No.	2016 No.
	115	63

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

9. STAFF COSTS (continued)

c) Higher paid staff

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

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

The above employees earning more than £60,000 per annum participated in the Teachers' Pension scheme. During the year ended 31 August 2017, pension contributions for the members of staff amounted to £30,325 (2016: £12,054).

d) Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £1,240,869 (2016: £364,674).

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

10. CENTRAL SERVICES

The Academy has provided the following central services to its academies during the year:

- Financial Services
- Accountancy software package
- Safeguarding software package
- Leadership and education support
- ICT support
- Payroll services
- Other as arising

The Academy charges for these services on the following basis:

Each academy within the trust has been charged a fee for central services based on their current Ofsted rating as follows:

Outstanding - 4%
Good - 5.5%
Requires Improvement - 7.5%
Special Measures - 9%

The actual amounts charged during the year were as follows:

	2017 £	2016 £
Sir Donald Bailey Academy	95,970	-
Parkgate Academy	86,957	-
Forest View Academy	31,548	-
	<hr/>	<hr/>
Total	<u><u>214,475</u></u>	<u><u> </u></u>

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

11. TRUSTEE'S REMUNERATION AND EXPENSES

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

		2017 £	2016 £
Mr L Hessey, Principal	Remuneration	75,000-80,000	70,000-75,000
	Pension contributions paid	10,000-15,000	10,000-15,000
Jamie Macintyre, Trustee	Remuneration	55,000-60,000	55,000-60,000
	Pension contributions paid	5,000-10,000	5,000-10,000

During the Year ended 31 August 2017, expenses totalling £27 (2016 - £NIL) were reimbursed to 1 Trustee.

12. TRUSTEE'S AND OFFICERS' INSURANCE

In accordance with normal commercial practice the academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the Year ended 31 August 2017 was £15,963 (2016 - £11,287).

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

13. TANGIBLE FIXED ASSETS

	Long-term leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 September 2016	4,487,553	31,467	1,700	4,520,720
Additions	11,001,788	13,096	51,768	11,066,652
At 31 August 2017	15,489,341	44,563	53,468	15,587,372
Depreciation				
At 1 September 2016	114,930	11,063	425	126,418
Charge for the Year	236,889	8,939	10,756	256,584
At 31 August 2017	351,819	20,002	11,181	383,002
Net book value				
At 31 August 2017	15,137,522	24,561	42,287	15,204,370
At 31 August 2016	4,372,623	20,404	1,275	4,394,302

Included in long leasehold property is leasehold land at a valuation of £1,985,000 (2016: £110,000) which is not depreciated.

14. STOCKS

	2017 £	2016 £
Finished goods and goods for resale	11,874	11,286

15. DEBTORS

	2017 £	2016 £
Trade debtors	2,810	1,362
Other debtors	235,948	361,816
Prepayments and accrued income	611,078	42,846
	849,836	406,024

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

16. CREDITORS: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	470,344	55,989
Other taxation and social security	65,406	34,213
Other creditors	98,978	32,905
Accruals and deferred income	193,994	323,655
	<u>828,722</u>	<u>446,762</u>

	2017 £	2016 £
Deferred income		
Deferred income at 1 September 2016	25,566	19,052
Resources deferred during the year	92,567	25,566
Amounts released from previous years	(25,566)	(19,052)
Deferred income at 31 August 2017	<u>92,567</u>	<u>25,566</u>

Deferred income for 2016/17 includes £35,817 in respect of Universal Infant Free School Meals for 2017/18, SEN clawback of £40,380, £9,053 for rates relief and £7,317 for trip income received in advance.

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

	2017 £	2016 £
Other creditors	<u>46,196</u>	<u>40,930</u>

£30,665 of the above relates to a Salix loan agreement, inception as part of a heating system project. This loan is repayable over 8 years in 6 monthly instalments with an interest rate of 0%.

£3,688 relates to a loan as part of a building energy management system and valve insulation. This is repayable within 3 years with an interest rate of 0%.

The remaining £11,844 relates to an ICT loan. This is repayable within 2 years with an interest rate of 4.5%.

Creditors include amounts not wholly repayable within 5 years as follows:

	2017 £	2016 £
Repayable by instalments	<u>11,794</u>	<u>16,512</u>

The above loan repayable by instalments relates to the Salix loan agreement as mentioned above.

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

18. STATEMENT OF FUNDS

	Balance at 1 September 2016 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2017 £
Unrestricted funds						
General Funds	42,174	331,587	(161,755)	(150,946)	-	61,060
Restricted funds						
General Annual Grant (GAG)	8,310	3,479,673	(3,149,410)	(27,013)	-	311,560
Other DfE/ESFA grants	-	661,055	(698,686)	37,631	-	-
Government grants	-	503,559	(422,918)	-	-	80,641
Other income	-	72,274	(72,274)	-	-	-
Pension reserve	(712,000)	(1,501,000)	(280,000)	-	294,000	(2,199,000)
	<u>(703,690)</u>	<u>3,215,561</u>	<u>(4,623,288)</u>	<u>10,618</u>	<u>294,000</u>	<u>(1,806,799)</u>
Restricted fixed asset funds						
DfE/ESFA Capital Grant	16,537	21,882	(3,943)	978	-	35,454
Capital expenditure from GAG	74,917	-	(2,835)	103,818	-	175,900
Assets from predecessor school	3,822,295	9,927,000	(235,813)	35,532	-	13,549,014
Condition Improvement Fund	508,793	1,259,525	(13,992)	-	-	1,754,326
	<u>4,422,542</u>	<u>11,208,407</u>	<u>(256,583)</u>	<u>140,328</u>	<u>-</u>	<u>15,514,694</u>
Total restricted funds	<u>3,718,852</u>	<u>14,423,968</u>	<u>(4,879,871)</u>	<u>150,946</u>	<u>294,000</u>	<u>13,707,895</u>
Total of funds	<u>3,761,026</u>	<u>14,755,555</u>	<u>(5,041,626)</u>	<u>-</u>	<u>294,000</u>	<u>13,768,955</u>

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

General Annual Grant (GAG) must be used for the normal running costs of the Academy.

Other DfE / EFA Grants comprise of various grants awarded for specific projects, in particular to boost standards of attainment. Grants include Pupil Premium funding which is intended to support education for pupils from a disadvantaged background.

Local Government Grants includes funding provided for pupils with Statements of Special Educational Needs and is used by the academy to assist with the pupils education.

Devolved capital funding is that provided to academies to use as it sees fit in areas such as improvements

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

to buildings or facilities, or the repair or refurbishment of such.

Other income comprises various other receipts including school meals. The income is classed as restricted or unrestricted based on the nature of the income.

The pension reserve arises from the actuarial measurement of the Academy's share of the Local Government Pension Scheme deficit. This deficit is recorded as a provision. The actuarial cost of employing staff during the year is initially reflected in the normal running costs of the school in the restricted pension fund. The amount of £280,000 included in resources expended represents the pension cost for the year charged to income and expenditure that arises from actuarial calculations of service cost rather than employer contributions paid. Actuarial gains and losses that arise from changes in assumptions by the actuary or wider influences are shown in the restricted pension fund, the movement this year being a net £294,000 actuarial decrease in the net pension fund deficit.

Restricted fixed asset funds represent monies received in respect of and spent on fixed assets. This includes assets inherited on conversion. The total of resources expended within this fund include the depreciation charge for the year. The transfers figure is the amount of other funds used to acquire fixed assets.

ANALYSIS OF ACADEMIES BY FUND BALANCE

Fund balances at 31 August 2017 were allocated as follows:

	Total 2017 £	Total 2016 £
Sir Donald Bailey Academy	137,908	50,484
Forest View Academy	78,269	-
Parkgate Academy	86,847	-
The Forge Trust	150,237	-
	<hr/>	<hr/>
Total before fixed asset fund and pension reserve	453,261	50,484
Restricted fixed asset fund	15,514,694	4,422,542
Pension reserve	(2,199,000)	(712,000)
	<hr/>	<hr/>
Total	<u>13,768,955</u>	<u>3,761,026</u>

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

18. STATEMENT OF FUNDS (continued)

ANALYSIS OF ACADEMIES BY COST

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

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciation £	Total 2017 £	Total 2016 £
Sir Donald Bailey Academy	1,410,415	342,447	81,313	382,025	2,216,200	2,483,217
Parkgate Academy	1,072,931	168,215	53,584	278,944	1,578,674	-
Forest View Academy	546,449	81,801	28,364	139,944	796,558	-
The Forge Trust	-	151,701	65	41,845	193,611	-
	<u>3,029,795</u>	<u>744,164</u>	<u>168,326</u>	<u>842,758</u>	<u>4,785,043</u>	<u>2,483,217</u>

19. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £
Tangible fixed assets	-	-	15,204,370	15,204,370
Current assets	61,110	1,267,069	310,324	1,638,503
Creditors due within one year	(1,909)	(826,813)	-	(828,722)
Creditors due in more than one year	1,859	(48,055)	-	(46,196)
Provisions for liabilities and charges	-	(2,199,000)	-	(2,199,000)
	<u>61,060</u>	<u>(1,806,799)</u>	<u>15,514,694</u>	<u>13,768,955</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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20. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2017 £	2016 £
Net income for the year (as per Statement of Financial Activities)	9,713,929	501,618
Adjustment for:		
Depreciation charges	256,584	87,070
Dividends, interest and rents from investments	(291)	(135)
Increase in stocks	(588)	(11,286)
Increase in debtors	(443,812)	(271,805)
Increase in creditors	387,226	297,135
Capital grants from DfE and other capital income	(1,281,407)	(480,264)
Defined benefit pension scheme obligation inherited	1,501,000	-
Defined benefit pension scheme cost less contributions payable	236,000	37,000
Defined benefit pension scheme finance cost	44,000	16,000
Repayment of loans	(14,203)	-
Net cash provided by operating activities	10,398,438	175,333

21. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash in hand	776,793	149,106
Total	776,793	149,106

22. CONTINGENT LIABILITIES

During the period of the Funding Agreement, in the event of the sale or disposal by other means of any asset for which a Government capital grant was received, the Academy is required either to re-invest the proceeds or to repay to the Secretary of State for Education the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State.

Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the Academy servicing notice, the Academy shall repay to the Secretary of State sums determined by reference to:

- (a) the value at that time of the Academy's site and premises and other assets held for the Academy; and
- (b) the extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement.

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**NOTES TO THE FINANCIAL STATEMENTS
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23. CAPITAL COMMITMENTS

At 31 August 2017 the Academy had capital commitments as follows:

	2017 £	2016 £
Contracted for but not provided in these financial statements	<u>309,354</u>	<u>-</u>

24. PENSION COMMITMENTS

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

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

Contributions amounting to £57,984 were payable to the schemes at 31 August 2017 (2016 - £27,835) and are included within creditors.

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

- employer contribution rates set at 16.48% of pensionable pay, including a 0.08% employer administration charge (currently 14.1%)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations

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24. PENSION COMMITMENTS (continued)

- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £284,714 (2016 - £163,315).

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the Year ended 31 August 2017 was £219,000 (2016 - £84,000), of which employer's contributions totalled £169,000 (2016 - £64,000) and employees' contributions totalled £50,000 (2016 - £20,000). The agreed contribution rates for future years are 18.3% for employers and varied% for employees.

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

Principal actuarial assumptions:

	2017	2016
Discount rate for scheme liabilities	2.60 %	2.20 %
Rate of increase in salaries	4.20 %	4.10 %
Rate of increase for pensions in payment / inflation	2.70 %	2.30 %
Inflation assumption (CPI)	2.70 %	2.30 %

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

	2017	2016
Retiring today		
Males	22.6	22.1
Females	25.5	25.3
Retiring in 20 years		
Males	24.8	24.4
Females	27.9	27.7

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

24. PENSION COMMITMENTS (continued)

Sensitivity analysis	At 31 August 2017 £	At 31 August 2016 £
Discount rate -0.1%	11,000	32,000
Mortality assumption - 1 year increase	13,000	35,000
Salary increase rate +0.1%	-	6,000
Pension increase rate +0.1%	11,000	25,000

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

	Fair value at 31 August 2017 £	Fair value at 31 August 2016 £
Equities	1,498,000	450,000
Gilts	73,000	24,000
Corporate bonds	273,000	44,000
Property	263,000	79,000
Cash and other liquid assets	46,000	28,000
Other	110,000	29,000
Total market value of assets	2,263,000	654,000

The actual return on scheme assets was £235,000 (2016 - £77,000).

The amounts recognised in the Statement of financial activities incorporating income and expenditure account are as follows:

	2017 £	2016 £
Current service cost	(382,000)	(101,000)
Past service cost	(23,000)	-
Net interest cost	(44,000)	(16,000)
Total	(449,000)	(117,000)
Actual return on scheme assets	235,000	77,000

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

24. PENSION COMMITMENTS (continued)

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

	2017 £	2016 £
Opening defined benefit obligation	1,366,000	914,000
Upon conversion	2,640,000	-
Current service cost	382,000	101,000
Interest cost	84,000	37,000
Employee contributions	50,000	20,000
Actuarial (gains)/losses	(74,000)	294,000
Benefits paid	(9,000)	-
Past service costs	23,000	-
	<u>4,462,000</u>	<u>1,366,000</u>
Closing defined benefit obligation	<u>4,462,000</u>	<u>1,366,000</u>

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

	2017 £	2016 £
Opening fair value of scheme assets	654,000	493,000
Upon conversion	1,139,000	-
Interest income	40,000	21,000
Actuarial gains	220,000	56,000
Employer contributions	169,000	64,000
Employee contributions	50,000	20,000
Benefits paid	(9,000)	-
	<u>2,263,000</u>	<u>654,000</u>
Closing fair value of scheme assets	<u>2,263,000</u>	<u>654,000</u>

25. OPERATING LEASE COMMITMENTS

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

	2017 £	2016 £
Amounts payable:		
Within 1 year	25,231	8,784
Between 1 and 5 years	64,572	8,384
	<u>89,803</u>	<u>17,168</u>
Total	<u>89,803</u>	<u>17,168</u>

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26. MEMBERS' LIABILITY

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

27. RELATED PARTY TRANSACTIONS

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 the trust 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.

Mr G Worthington, the headteacher of Forest View Academy, is also a director of Worthwhile Supply Limited. During the year, the trust purchases goods from Worthwhile Supply Limited totalling £760.

At the year end, Forest View Academy held a balance of £5,065 belonging to Sherwood Forest Educational Trust. This amount is included in other creditors, and was transferred into a separate Forest Education Trust bank account after the year end.

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

28. TRANSFER OF EXISTING ACADEMIES INTO THE ACADEMY TRUST

Parkgate Academy

	Value reporting by transferring trust £	Fair value adjustments £	Transfer in recognised £
Tangible fixed assets			
Long-term leasehold property	6,810,000	-	6,810,000
Cash in bank and in hand	93,525	-	93,525
Pensions			
Pensions - pension scheme assets	583,000	-	583,000
Pensions - pension scheme liabilities	(1,447,000)	-	(1,447,000)
Net assets	<u>6,039,525</u>	<u>-</u>	<u>6,039,525</u>

Forest View Academy

	Value reporting by transferring trust £	Fair value adjustments £	Transfer in recognised £
Tangible fixed assets			
Long-term leasehold property	3,117,000	-	3,117,000
Cash in bank and in hand	57,421	-	57,421
Pensions			
Pensions - pension scheme assets	556,000	-	556,000
Pensions - pension scheme liabilities	(1,193,000)	-	(1,193,000)
Net assets	<u>2,537,421</u>	<u>-</u>	<u>2,537,421</u>