

SOUTH WARWICKSHIRE ACADEMY TRUST
(A Company Limited by Guarantee)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 AUGUST 2019

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Company Limited by Guarantee
Registration Number: 11137772
(England & Wales)

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REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY; TRUSTEES AND ADVISORS

Members	M J W Grubb - Chair D Jones V Bragg P James
Trustees	M J W Grubb - Chair J James P Hearne P Knauff C Williamson S Ebrey (appointed September) E Lee (appointed April)
Chief Finance Office	M Bell
Chief Executive Officer/Accounting Officer	J Humphry
Welcombe Hills School Headteacher Chair of LGB	N Jones (retired April 2019) J Langdon J Blakemore
Arden Fields School Headteacher Chair of LGB	D Bailey E Cox (acting Headteacher April 2019) J Humphry (acting Chair)
Principal and Registered Office	South Warwickshire Academy Trust Welcombe Hills School Blue Cap Road Stratford upon Avon CV37 6TQ
Academy Addresses	Welcombe Hills School Blue Cap Road Stratford upon Avon CV37 6TQ Arden Fields School Stratford Road Henley-in-Arden Warwickshire B95 6AD
Company Registration Number	11137772
Independent Auditor	UHY Hacker Young (Birmingham) LLP 9-11 Vittoria Street Birmingham B1 3ND

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2019

The trustees present their first report together with the financial statements and auditor's report of the charitable company for the year ended 31 August 2019. The trust operates two special needs schools: Welcombe Hills School in Stratford upon Avon and Arden Fields School in Henley-in-Arden for pupils aged up to 19 as well as an on-site assessment nursery. Welcombe Hills School has 180 (2018:186) on roll and Arden Fields School has 24 (2018:21) on roll on 1 November 2019.

STRUCTURE, GOVERNANCE AND MANAGEMENT**Constitution**

The Academy Trust is a company limited by guarantee with no share capital (Registration Number: 11137772) and is an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the Academy Trust. The trustees of South Warwickshire Academy Trust Limited are also the directors of the charitable company for the purposes of company law. The charitable company is known as South Warwickshire Academy Trust.

Details of the trustees who served during the year except as noted are included in the Reference and Administrative Details on page 3.

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

South Warwickshire Academy Trust has in place directors and trustees liability insurance indemnity cover to a limit of £5m.

Method of Recruitment and Appointment or Election of Trustees

There are clearly defined and approved procedures for the selection and appointment of trustees which are outlined in the company's Articles of Association. These include application, shortlisting and interview procedures. Consideration is given to the skills of trustees which would enhance the effectiveness of the trust.

Policies and Procedures Adopted for the Induction and Training of Trustees

An induction pack containing relevant documentation needed to undertake the role is provided to all newly appointed trustees. The induction pack describes their role as a trustees and gives some basic information about the academy and the governing body. A range of training is also offered to trustees each year. Training undertaken will depend on their experience. The Academy Trust subscribes to a Governor Development Service to ensure adequate training is obtained.

Organisational Structure

The structure consists of four levels: The Members, The Trustees, The Advisory Education Board and the SLT. The aim of the management structure is to devolve responsibility and encourage involvement in decision making at all levels.

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

The Advisory Education Board has its membership the Headteacher and Chair of the Local Governing Body from each school, the chair of Trustees and CEO of SWAT.

The Senior Leadership Team of each school control each school at an executive level, implementing the policies agreed by the Trustees and reporting back to their Local Governing Body and Trustees. Senior Leaders are also responsible for the authorisation of spending and the appointment of staff as laid down in the Scheme of Delegation.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**Arrangements for setting pay and remuneration of key management personnel**

When setting pay for key management personnel, the Academy Trust gives consideration to the latest School Teachers' Pay and Conditions provisions. In doing so, it considers the permanent responsibilities of each role, the specific challenges to each role as well as all other relevant considerations. One such element of this is the number of students that the Academy Trust is responsible for. This incorporates the number of students by each Key Stage as well as the learning needs of pupils within each School.

The School utilises a School Improvement Partner, experienced educational professional, in the process of reviewing the Headteacher's performance to aid the Local Governing Body in determining any pay award that is made.

The pay of key management personnel also reflects the performance of each member of staff on an annual basis.

The School will continue to use external national and sub-national benchmarking analysis to compare its pay structure against that of other schools and academies as it has done in the past.

Trade union facility time

During the year there were no trade union officials represented at the trust.

Connected Organisations, including Related Party Relationships

South Warwickshire Academy Trust was incorporated on 8 January 2018 and became a multi academy trust from 1 May 2018 including under its control Welcombe Hills School and Arden Fields School.

OBJECTIVES AND ACTIVITIES**Objects and Aims**

The Academy Trust's objects are specifically restricted to the following: -

- (a) 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 school offering a broad and balanced curriculum and meeting the needs of students with an Educational Health and Care Plan.

To achieve this, the academy identified the following priorities for the year:-

- To ensure that all pupils reach expected standards of attainment and make at least good and increasingly outstanding progress.
- To develop the learning-centred leadership skills of all staff and governors to a consistently outstanding quality.
- To develop the quality of teaching and learning so that 100% is good or outstanding.
- To develop the skills, performance and capacity of teaching and support staff so that they become reflective practitioners, working to a consistently high standard.
- To ensure that the social and emotional experiences of all learners are positive and rewarding.

Principal Activities

At South Warwickshire Academy Trust, we work in partnership with young people, parents and carers to ensure that every student will:

- Feel safe, happy and healthy.
- Enjoy high quality learning opportunities, in a school at the leading edge of innovation.
- Feel challenged and inspired to achieve excellence in every aspect of their lives.
- Become confident, enterprising, creative learners, fully equipped for life and work.
- Become fully-rounded and responsible citizens, making a positive contribution to the school, local, national and global community.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**Objects, Strategies and Activities**

To meet these priorities the academy has adopted a number of strategies and activities that include: -

- To ensure a revised system of whole-school quality assurance and self-evaluation has greater impact on student outcomes.
- To develop a learning and teaching model to engage all learners and encourage independence.
- To ensure provision is personalised to the needs of all learners.
- To embed high quality schemes of learning to ensure quality first teaching with a clear focus on developing pupils towards independence.
- To further develop intervention, provision and support for learners to enable all to experience success.
- To ensure the effective use of pupil performance data and consequent intervention to improve pupil outcomes.
- To further develop innovative, dynamic and strategic senior leadership and governance.

Public Benefit

Trustees have consideration to the Charity's Commission's general guidance on public benefit and in particular to its supplementary guidance on education. As noted above, the Academy Trust's objective is to advance for the public benefit education in the United Kingdom.

STRATEGIC REPORT**Achievements and Performance**

The trustees present their first report together with the financial statements and auditor's report of the charitable company for the year ended 31 August 2019. The trust operates two special needs schools: Welcombe Hills School in Stratford upon Avon and Arden Fields School in Henley-in-Arden. Welcombe Hills School has 180 (2018 : 186) on roll and Arden Fields School has 24 (2018 : 21) on roll on 1 November 2019.

Key Financial Performance Indicators

The trust established a financial budget at the start of the year and then monitored performance against budget during the year. Considerable work is undertaken in forecasting to ensure the continued financial viability of the academy. Trustees play a key role in holding the Senior Leadership Team to account in key financial matters. Key financial performance indicators for Welcombe Hills School and Arden Fields School are detailed below:

Welcombe Hills School	2019	2018
Pupil numbers	180	186
Staff costs as a % of total revenue grant income	88%	86%
Staff costs as a % of total costs	85%	80%
Capital expenditure per pupil	£128	£229
Arden Fields School	2019	2018
Pupil numbers	24	21
Staff costs as a % of total revenue grant income	93%	84%
Staff costs as a % of total costs	74%	77%
Capital expenditure per pupil	£333	£689

Going Concern

After making appropriate enquiries, the Board of Trustees has 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.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**FINANCIAL REVIEW****Overview**

The principal source of funding for the academy is the General Annual Grant. The Academy Trust also receives Top up Funding from Warwickshire Local Authority in Line with the Warwickshire Special Needs Matrix.

Most of the Academy Trusts 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 2019 and the associated expenditure are shown as restricted funds in the statement of financial activities.

During the year ended 31 August 2019, total expenditure of £4,661,000 (2018 : £1,464,000) was more than covered by recurrent grant funding from the ESFA and other incoming resources. Excluding restricted fixed assets funds there was a deficit before transfers for the year of £69,000 (2018 : £43,000).

At 31 August 2019 the net book value of fixed assets was £11,546,000 (2018 : £11,764,000) and movements in tangible fixed assets are shown in note 13 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the School.

The Local Government Pension Scheme (LGPS) figures as at 31 August 2019 are based on projecting forward the estimated position at 8 January 2018 and assuming that the experience over the year, apart from investment returns, has been in line with the assumptions made at the start of the year.

The estimated FRS 102 deficit at 31 August 2019 is £2,753,000 (2018 : £1,828,000). The main reason for the decrease in the deficit is because of:

- a reduction in the discount rate;
- this is partially offset by assumptions in life expectancy reducing.

It should be noted that the balance sheet, profit and loss and statement of recognised gains and losses may vary over time. It is noteworthy that the Trust is in active discussion with Central England Academy Trust with a view to evolving SWAT and its elements to a way that would terminate the organisation. These discussion are occurring with the knowledge and involvement of WCC and ESFA.

Financial and Risk Management Objectives and Policies

The Trust's financial and risk management objectives are documented in its:

- Official budgets
- Scheme of delegation
- Financial regulations
- Risk management policy

These documents are available on request, and particular items which warrant specific disclosure are noted within this annual report.

Reserves Policy

The trustees review the reserve levels of the academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The trustees have determined that the appropriate level of reserves should be equivalent to at least one month's worth of the General Annual Grant funding. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. Any surplus reserves built up by the Academy are earmarked to cover:

- planned capital expenditure;
- improve the quality of learning and social spaces within the school;
- forecast increases in employer contributions to the Local Government Pension Scheme.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**Reserves Policy (cont'd)**

Reserves as at 31 August 2019 were £614,000 (2018 : £461,000) after deductions had been made for the fixed assets land and buildings of £11,546,000 (2018 : £11,764,000) and the long term LGPS pension deficit of £2,753,000 (2018 : £1,828,000).

Financial Position

The academy held fund balances at 31 August 2019 of £12,169,000 (2018 : £12,225,000), after allowing for the pension deficit of £2,753,000 (2018 : £1,828,000); comprising £12,019,000 (2018 : £11,997,000) of restricted funds and £150,000 (2018 : £228,000) of unrestricted general funds.

Investment Policy

All investments are made in accordance with the policy of the trust. The trust's policy on investments are one of minimum risk with all investments being held with the trust's bankers. The trust will nevertheless seek to maximise interest receipts within this arrangement. Investments are made with regard to Charity Commission guidance in relation to investments.

PRINCIPAL RISKS AND UNCERTAINTIES

The board has considered the risks faced by the trust throughout its normal operational business. It has sought to address the risks faced by the trust by establishing appropriate governance and management arrangements, including the appointment of senior staff and other managers, and establishing robust operational policies. The board considers that these arrangements have been effective throughout the year being reported.

The board intends to build on this success by establishing a formal risk management policy, which will formally document the managerial action that is taking place, and should enable future risk management to be more systematic.

At the time of reporting, the trust's identified key risks are:

- The risk of achievement in core subjects being below expectations;
- Loss of personal and sensitive information;
- Changes to rules and regulations;
- The risk of national and local funding reductions; and
- The future financial position of the LGPS pension scheme.

Mitigating action, both current and planned, has been identified to address these risks. This is also true of all other risks that have been formally identified which have a lower level of impact and/or likelihood.

Risk Management

The major risks to which the Academy Trust is exposed have been identified on the academy's Risk Register. Trustees have reviewed the risks to which the Academy Trust is exposed and systems and procedures have been put in place to manage these.

Fundraising

Under the provisions of the Charities (Protection and Social Investment) Act 2016 the academy trust approach to fundraising practices is as follows:

- Fundraising for both Welcombe Hills School and Arden fields School will be led and managed by each school. All activities undertaken by either school in relation to fund raising require approval by the relevant Local Governing Body and CEO.
- An annual report from each Local Governing Body to the Board of Trustees will include a description of the activity undertaken, the amounts of money raised, what that money has funded for the school and the impact of that funding on the progress of pupils.

Plans for Future Periods

The deficit position of the Local Government Pension Scheme may result in an increase in employers pension contributions over a period of years. The School has revisited its current business plans and budgets and ascertained how the pension costs might impact on the budgets in the future, plans have also been considered concerning increased costs in national insurance as a result of the cessation of contracting out, as well as likely national funding reductions.

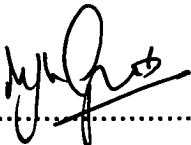
TRUSTEES' REPORT FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**Auditors**

In so far as the trustees are aware:

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

The auditors, UHY Hacker Young (Birmingham) LLP, are willing to continue in office and a resolution to appoint them will be proposed at the annual general meeting.

The Trustees' Report incorporating a strategic report was approved by the board of trustees, as the company directors on 27 November 2019 and signed on their behalf by:



.....
M Grubb

Chair of Trustees

27 November 2019

GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 AUGUST 2019**Scope of Responsibility**

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

The Board of Trustees has delegated the day-to-day responsibility to Judith Humphry, 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 South Warwickshire Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the trustees' report and in the Statement of Trustees' Responsibilities. The board of trustees has formally met 6 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustees	Meetings attended	Out of a Possible
M J W Grubb (Chair)	6	6
J Humphry	6	6
J James	5	6
P Hearne	5	6
P Knauff	6	6
C Williamson	6	6
S Ebrey	2	6
E Lee	3	3

Governance Review

The Board of Trustees of South Warwickshire Academy Trust will review its governance arrangements at each meeting of the Trustees.

The next self evaluation review will be held in Spring 2020.

Review of Value for Money

As accounting officer the CEO 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 of the academy trust has delivered improved value for money by:

- Comparative quotes for expenditure over £1,000
- Reviewing of service contracts
- Validation of supply staff hours and rates

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in South Warwickshire Academy Trust for the year ended 31 August 2019 and up to the date of approval of the annual report and financial statements.

GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**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 ongoing process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the year ended 31 August 2019 and up to the date of approval of the annual report and financial statements. The board of trustees has established (February 2019) an Audit and Risk sub-committee to ensure that risk is appropriately identified and managed.

The Risk and Control Framework

The South Warwickshire Academy Trust 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 Resources and Premises Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

The board of trustees has considered the need for a specific internal audit function and has decided to appoint an internal auditor. Trustees have appointed Warwickshire Finance Team to the role. 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:

- Credit card and petty cash control;
- Internal control and risk management;
- Gifts & Hospitality;
- Bank statements and reconciliation process

On a termly basis, the reviewer will visit the school to review specific areas of the systems of control and on the discharge of the board of trustees financial responsibilities. A report will be provided on an annual basis.

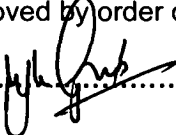
Review of Effectiveness

As Accounting Officer, of South Warwickshire Academy Trust, the CEO has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

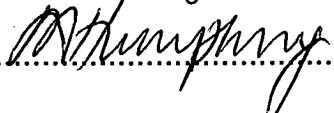
- the work of the reviewer;
- the work of the external auditor;
- the financial management and governance self assessment process;
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Resources and Premises Committee.

Approved by order of the members of the board of trustees on 27 November 2019 and signed on its behalf by:

.....


M Grubb
Chair of Trustees
27 November 2019

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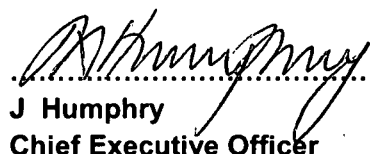
J Humphry
Chief Executive Officer
27 November 2019

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE FOR THE YEAR ENDED 31 AUGUST 2019

As accounting officer of South Warwickshire Academy 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. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2019.

I confirm that I and the Academy Trust board of trustees are able to identify any material irregular or improper use of funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's funding agreement and the Academies Financial Handbook 2019.

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 the ESFA.


.....
J Humphry
Chief Executive Officer

27 November 2019

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

The trustees (who act as trustees of South Warwickshire Academy 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 issued 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 2018 to 2019;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards FRS102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the academy will continue in business.

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

The trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the 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 board of trustees on 27 November 2019 and signed on its behalf by:



.....
M Grubb
Chair of Trustees

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH WARWICKSHIRE ACADEMY TRUST FOR THE YEAR ENDED 31 AUGUST 2019**Opinion**

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

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

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH WARWICKSHIRE ACADEMY TRUST FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**Other information**

The trustees are responsible for the other information. The other information comprises the information included in the trustees' report, governance statement, statement on regularity, propriety and compliance and statement of trustees responsibilities other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report (incorporating the strategic report and the trustees' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the academy trust and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the trustees' report.

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

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 13, the trustees (who are also the directors of the academy trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the 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 academy trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the academy trust or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH WARWICKSHIRE ACADEMY TRUST FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the academy trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the academy trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the academy trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Malcolm Winston

Senior Statutory Auditor

UHY Hacker Young (Birmingham) LLP, Statutory Auditor

9-11 Vittoria Street

Birmingham

B1 3ND

27 November 2019

INDEPENDENT REPORTING ACCOUNTANT'S AUDITOR'S ASSURANCE REPORT ON REGULARITY TO SOUTH WARWICKSHIRE ACADEMY TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY FOR THE YEAR ENDED 31 AUGUST 2019

In accordance with the terms of our engagement letter dated 22 August 2019 and further to the requirements of the Education and Skills Funding Agency (ESFA), as included in the Academies Accounts Direction 2018 to 2019 we have carried out an engagement to obtain limited assurance about whether, the expenditure disbursed and income received by the Academy Trust during the period 1 September 2018 to 31 August 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the South Warwickshire Academy Trust and the ESFA in accordance with our engagement letter. Our review has been undertaken so that we might state to the governing body and the ESFA those matters we are required to state to it 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 South Warwickshire Academy Trust and the ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of South Warwickshire Academy Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of South Warwickshire Academy Trust funding agreement with the Secretary of State for Education dated 9 December 2011, and the Academies Financial Handbook extant from 1 September 2018 for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

Approach

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

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

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

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

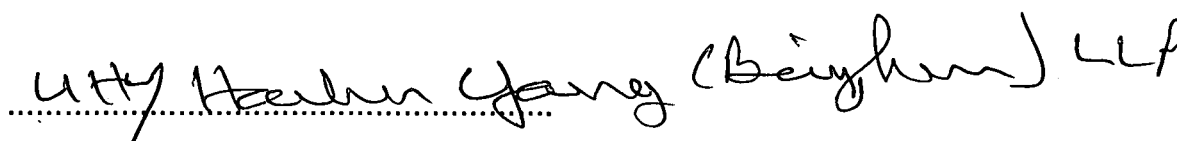
INDEPENDENT REPORTING ACCOUNTANT'S AUDITOR'S ASSURANCE REPORT ON REGULARITY TO SOUTH WARWICKSHIRE ACADEMY TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**Approach (con't)**

Summary of the work undertaken was as follows:

- Analytical review of the Academy Trust's general activities are within the Academy Trusts framework of authorities;
- Consideration of the evidence supporting the accounting officers statement on regularity, propriety and compliance;
- Review of the general control environment for the Academy Trust on financial statements and on regularity;
- Sample testing of expenditure transactions to ensure the activity is permissible within the Academy Trust's framework of authority;
- Confirmation that a sample of expenditure has been appropriately authorised in accordance with the Academy Trust's delegated authorities;
- Formal representations obtained from the board of trustees and the accounting officer acknowledging the responsibilities including disclosing all non compliance with laws and regulations specific to the authorising framework;
- Confirmation that any extra contractual payments such as severance and compensation payments have been appropriately authorised;
- Review of credit card expenditure for any indication of personal use by staff, principal or trustees;
- Review of specific terms of grant funding within the funding agreement;
- Review of related party transactions for connections with the principal/finance manager or trustees;
- Review of income received in accordance with the activities permitted within the Academy Trust's charitable objectives.

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 period 1 September 2018 to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Reporting Accountant

UHY Hacker Young (Birmingham) LLP
9-11 Vittoria Street
Birmingham
B1 3ND

27 November 2019

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 AUGUST 2019
(Including Income and Expenditure Account)

		Unrestricted	Restricted	Restricted	Total	Total
	Note	Funds	General	Fixed	2019	08.01.18
		£'000	Funds	Asset	£'000	to
			£'000	Funds		31.08.18
				£'000		£'000
Income from:						
Donations and capital grants	3	5	104	40	149	17
Transferred from local authority on conversion	3 & 29	-	-	-	-	10,351
Charitable activities:						
- Funding for the Academy Trust's educational operations	4	-	4,220	-	4,220	1,416
Other trading activities	5	13	-	-	13	-
Investment income	6	-	1	-	1	-
Total		18	4,325	40	4,383	11,784
Expenditure on:						
Raising funds	7	-	-	-	-	-
Charitable activities:						
- Academy Trust's educational operations	7 & 8	-	4,412	249	4,661	1,464
Other	9	-	-	-	-	-
Total	7	0	4,412	249	4,661	1,464
Net income/(expenditure)		18	(87)	(209)	(278)	10,320
Transfers between funds	16	(96)	96	-	-	-
Other recognised gains and losses						
Actuarial (loss)/gain on defined benefit pension schemes	26	-	(703)	-	(703)	77
Net movement in funds		(78)	(694)	(209)	(981)	10,397
Reconciliation of funds						
Total funds brought forward		228	(1,595)	11,764	10,397	-
Total funds carried forward	16	150	(2,289)	11,555	9,416	10,397

All of the Academy Trust's activities derive from acquisitions and continuing operations during the above two financial periods.

BALANCE SHEET AS AT 31 AUGUST 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	13	<u>11,546</u>	<u>11,764</u>
		<u>11,546</u>	<u>11,764</u>
Current assets			
Debtors	14	57	190
Cash at bank and in hand		<u>673</u>	<u>358</u>
		<u>730</u>	<u>548</u>
Liabilities			
Creditors: Amounts falling due within one year	15	<u>(107)</u>	<u>(87)</u>
		<u>(107)</u>	<u>(87)</u>
Net current assets		623	461
Total assets less current liabilities		<u>12,169</u>	<u>12,225</u>
Defined benefit pension scheme liability	26	(2,753)	(1,828)
Total Net Assets		<u>9,416</u>	<u>10,397</u>
Funds of the Academy:			
Restricted funds			
- Fixed asset fund	16	11,555	11,764
- Restricted income fund	16	464	233
- Pension reserve	16	<u>(2,753)</u>	<u>(1,828)</u>
Total restricted funds		<u>9,266</u>	<u>10,169</u>
Unrestricted income fund	16	<u>150</u>	<u>228</u>
Total unrestricted funds		<u>150</u>	<u>228</u>
Total Funds		<u>9,416</u>	<u>10,397</u>

The financial statements on pages 19 to 40 were approved by the trustees and authorised for issue on 27 November 2019 and signed on their behalf by:



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M Grubb

Chair of Trustees

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 AUGUST 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Net cash provided by operating activities	20	305	401
Cash flows from investing activities	21	10	(43)
Cash flows from financing activities	22	-	-
Change in cash and cash equivalents in the reporting period		<u>315</u>	<u>358</u>
 Cash and cash equivalents at 1 September	23	358	-
Cash and cash equivalents at 31 August	23	<u>673</u>	<u>358</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019**1 Statement of Accounting Policies**

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

Basis of Preparation

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 2018 to 2019 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

South Warwickshire Academy Trust meets the definition of a public benefit entity under FRS 102.

Transfer of State Maintained Schools to a Multi Academy Trust

The transfer of state maintained schools to South Warwickshire Academy Trust involved the transfer of identifiable assets and liabilities and the operation of the school for nil consideration and has been accounted for under the acquisition accounting method.

The assets and liabilities transferred on conversion from the Local Authority to an academy trust have been valued at their fair value being a reasonable estimate of the current market value that the governors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for South Warwickshire Academy Trust. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding net amount recognised as a net gain/loss in the Statement of Financial Activities and analysed as donations transferred from local authority on conversion. Further details of the transactions are set out in note 28.

Going Concern

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

Income

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

- **Grants**

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

Capital grants are recognised in full when there is an 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 sheet in the restricted fixed asset fund.

- **Sponsorship income**

Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where receipt is probable and it can be measured reliably.

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

- **Donations**

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

- **Other income**

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

- **Donated goods, facilities and services**

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the financial statements until they are sold. This income is recognised within 'Income from other trading activities'.

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Academy Trust's accounting policies.

- **Transfers of leasehold property**

Leasehold property transferred to the Academy from the local authority at little or no consideration will be revalued at fair value in accordance with FRS 102. This value will be recognised as incoming resources in the Statement of Financial Activities and will be included in the appropriate fixed assets category and depreciated over the life of the lease.

Expenditure

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

- **Expenditure on Raising Funds**

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

- **Charitable Activities**

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

All resources expended are inclusive of irrecoverable VAT.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**Tangible Fixed Assets**

Assets costing **£1,500** or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

Depreciation Policy

Depreciation is provided on a straight line basis on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. The principal annual rates used for assets are:

Leasehold buildings	2%
Furniture and equipment	20%
Computer equipment and software	33.33%

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

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.

Leased assets

Rentals under operating leases are charged on a straight line basis over the lease term.

Financial Instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 14. Prepayments are not financial instruments.

Cash at bank - is classified as a basic financial instrument and is measured at face value.

Financial liabilities - trade creditors, accruals and other creditors are financial instrument, and are measured at amortised cost as detailed in note 15. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

Taxation

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**Pensions Benefits**

Retirement benefits to employees of the Academy Trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. TPS is a multi employer scheme with no underlying assets to assign between employers. Consequently 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 multi funded employer 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 the scheme introductions, benefit changes, settlements and curtailments.

They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

Fund Accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the Academy Trust at the discretion of the trustees. Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

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

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 26, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**Critical areas of judgement**

The critical judgements that the Trustees have made in the process of applying the Academy Trust's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below:

The critical areas of judgement are accounting for government grants, accounting for the write down of assets through depreciation and accounting for the pension liability. Government grants are accounted for as restricted funds. The pension liability is assessed by an independent actuarial valuation. Deprecation rates are based on the expected life of the asset.

In assessing whether there have been any indicators of impairment assets, the Trustees have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

2 GENERAL ANNUAL GRANT (GAG)

Under the funding agreement with the Secretary of State the Academy Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2019 (See note 16).

3 DONATIONS AND CAPITAL GRANTS

	Unrestricted Funds	Restricted Funds	Total	Total
	£'000	£'000	2019	08.01.18 to 31.08.18
	£'000	£'000	£'000	£'000
Devolved formula capital grant	-	40	40	15
WCC fixed assets donation	-	-	-	11,749
WCC prior years surplus b/fwd	-	-	-	445
School fund	-	104	104	-
WCC LGPS pension deficit transferred	-	-	-	(1,843)
Voluntary donations	5	-	5	2
	<u>5</u>	<u>144</u>	<u>149</u>	<u>10,368</u>

The income from donations and capital grants was £149,000 (2018 : £10,368,000) of which £5,000 (2018 : £266,000) was unrestricted, £104,000 (2018 : £1,662,000 deficit) restricted and £40,000 (2018 : £11,764,000) restricted fixed assets.

4 FUNDING FOR THE ACADEMY TRUST'S EDUCATIONAL OPERATIONS

	Unrestricted Funds	Restricted Funds	Total	Total
	£'000	£'000	2019	08.01.18 to 31.08.18
	£'000	£'000	£'000	£'000
DfE/ESFA grants				
General annual grant (GAG) (note 2)	-	2,000	2,000	672
PE and Sports Grant	-	28	28	10
Pupil Premium	-	84	84	-
Start Up Grant	-	-	-	70
Teachers pay grant	-	25	25	-
Other DfE/ESFA	-	15	15	5
	<u>-</u>	<u>2,152</u>	<u>2,152</u>	<u>757</u>
Other Government grants				
Special educational needs grant (WCC)	-	2,010	2,010	600
Pupil premium grant (WCC)	-	37	37	9
Early years funding (WCC)	-	18	18	25
Other LA grants (WCC)	-	3	3	25
	<u>-</u>	<u>2,068</u>	<u>2,068</u>	<u>659</u>
Other income from the academy trust's educational operations	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>4,220</u>	<u>4,220</u>	<u>1,416</u>

The income from the Academy Trusts's educational operations was restricted.

5 OTHER TRADING ACTIVITIES

	Unrestricted Funds	Restricted Funds	Total	Total
	£'000	£'000	2019	08.01.18 to 31.08.18
	£'000	£'000	£'000	£'000
Catering contribution	-	-	-	-
Lettings	-	-	-	-
Other Income	13	-	13	-
	<u>13</u>	<u>-</u>	<u>13</u>	<u>-</u>

The income from the Academy Trusts's other trading activities was unrestricted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

6 INVESTMENT INCOME

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2019 £'000	Total 08.01.18 to 31.08.18 £'000
Bank interest received	-	1	1	-
	-	1	1	-

The income from the Academy Trusts's investment income was unrestricted.

7 EXPENDITURE

	Non Pay Expenditure			Total
	Staff Costs	Premises	Other Costs	Total 08.01.18 to 31.08.18
	£'000	£'000	£'000	£'000
Expenditure on raising funds				
- Direct costs	-	-	-	-
- Allocated support costs	-	-	-	-
Academy's educational operations				
- Direct costs	3,111	-	172	3,283
- Allocated support costs	695	407	276	1,378
	<u>3,806</u>	<u>407</u>	<u>448</u>	<u>4,661</u>
	<u>3,806</u>	<u>407</u>	<u>448</u>	<u>4,661</u>

The expenditure was £4,661,000 (2018 : £1,464,000) of which £Nil (2018 : £Nil) unrestricted, £4,412,000 (2018 : £1,421,000) restricted and £249,000 (2018 : £43,000) restricted fixed assets.

	Total	Total
	Total 08.01.18 to 2019	31.08.18
	£'000	£'000
Net income/(expenditure) for the year/period includes:		
Operating lease rentals	5	2
Depreciation	249	43
Fees payable to auditor for:		
- audit	6	5
- other services	<u>2</u>	<u>2</u>

8 CHARITABLE ACTIVITIES

	Total	Total
	Total 08.01.18 to 2019	31.08.18
	£'000	£'000
Direct costs - educational operations	3,283	1,025
Support costs - educational operations	<u>1,378</u>	<u>439</u>
	<u>4,661</u>	<u>1,464</u>

Analysis of Support Costs

	Total	Total
	Total 08.01.18 to 2019	31.08.18
	£'000	£'000
Support staff costs	695	238
Depreciation	249	43
Technology costs	55	15
Premises costs	158	58
Other support costs	91	40
Governance	<u>130</u>	<u>45</u>
	<u>1,378</u>	<u>439</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

9 STAFF COSTS

	Total	Total
	2019	08.01.18 to 31.08.18
	£'000	£'000
a Staff costs during the year/period were:		
Wages and salaries	2,760	890
Social security costs	234	80
Pension costs	669	214
	<u>3,663</u>	<u>1,184</u>
Agency staff costs	128	39
Staff restructuring costs	15	-
	<u>3,806</u>	<u>1,223</u>
 Staff restructuring costs comprise:		
Redundancy payments	7	-
Severance payments	-	-
Other restructuring costs	8	-
	<u>15</u>	<u>-</u>

b Staff severance payments

Included in staff restructuring costs is £Nil (2018 : £Nil) non-statutory/non-contractual severance payments.

c Staff numbers

The average number of persons (including senior management team) employed by the academy during the period ended 31 August 2019 expressed as whole persons was as follows:

	Total	Total
	2019	08.01.18 to 31.08.18
	£'000	£'000
Charitable Activities	No	No
Teachers	31	31
Administration and support	98	92
Management	7	9
	<u>136</u>	<u>132</u>

d Higher paid staff

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

	No	No
£60,001 - £70,000	1	-
£70,001 - £80,000	-	-
	<u>-</u>	<u>-</u>

e Key management personnel

The key management of the Academy Trust comprise the trustees and the senior management team as listed on page 3. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the Academy Trust was £325,934 (2018 : £35,983).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**10 CENTRAL SERVICES**

South Warwickshire Academy Trust has provided the following central services to Welcombe Hills School and Arden Fields School:

- human resources;
- financial services;
- legal services;
- governance services;
- educational support services; and
- accounting services.

South Warwickshire Academy Trust charges for these services a flat percentage of 4% to 7% of all GAG and ESG income.

The actual amounts charged during the year were as follows:

	2019 £'000	2018 £'000
Welcombe Hills School	72	24
Arden Fields School	25	8
	<u>97</u>	<u>32</u>

11 RELATED PARTY TRANSACTIONS - TRUSTEES' REMUNERATION AND EXPENSES

One or more trustees has been paid remuneration or has received other benefits from an employment with the Academy Trust. The Chief Executive Officer and other staff trustees receive remuneration in respect of their contracts of employment as Chief Executive Officer and staff and not in respect of their services as trustees. Other trustees did not receive any payments, other than expenses, from the Academy Trust in respect of their role as trustees. The value of trustee's remuneration and other remuneration was as follows:

J Humphry (Chief Executive Officer/Accounting Officer and Staff Trustee)

Remuneration	£35,000 - £40,000	(2018 : £5,000 - £10,000)
Employers pension contributions	£Nil - £5,000	(2018 : £Nil - £5,000)

During the year ended 31 August 2019 there were no travel and subsistence expenses reimbursed to the trustees in their role as trustees.

Other related party transactions including trustees are set out in note 27.

12 TRUSTEES' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the academy has purchased insurance to protect trustees' and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £5,000,000 on any one claim. The cost of this insurance is included in the total insurance cost of the ESFA's RPA scheme.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

13 TANGIBLE FIXED ASSETS

	Leasehold Land & Buildings £'000	Furniture & Equipment £'000	Computer Equipment £'000	Total £'000
Cost				
At 1 September 2018	11,749	48	10	11,807
Additions	-	13	18	31
Disposals	-	-	-	-
At 31 August 2019	11,749	61	28	11,838
Depreciation				
At 1 September 2018	40	2	1	43
Charged in year	235	10	4	249
Disposals	-	-	-	-
At 31 August 2019	275	12	5	292
Net book value				
At 31 August 2019	11,474	49	23	11,546
At 31 August 2018	11,709	46	9	11,764

	2019 £'000	2018 £'000
14 DEBTORS		
VAT recoverable	31	42
Other debtors	-	139
Prepayments and accrued income	26	9
	57	190

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Trade creditors	70	43
Taxation and social security	-	3
Other creditors	1	1
Accruals	33	35
Deferred income	3	5
	107	87
Deferred Income		
	2019 £'000	2018 £'000
Deferred income at 1 September 2018	5	-
Resources deferred in the year	3	5
Amounts released from previous years	(5)	-
Deferred income at 31 August 2019	3	5

At the balance sheet date the academy was holding funds received in advance for 2019/20 for Universal Infant Free School Meals £3,442 (2018: £4,971).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

16 FUNDS

The income funds of the academy comprise the following balances of grants to be applied for specific purposes:

	Balance at 1 September 2018 £'000	Incoming Resources £'000	Resources Expended £'000	Gains, Losses & Transfers £'000	Balance at 31 August 2019 £'000
Restricted general funds					
General annual grant (GAG) (note i)	32	2,000	(1,920)	96	208
DfE/ESFA grants (note ii)	20	68	(88)	-	-
Pupil premium grant (note iii)	-	121	(121)	-	-
Special needs grant - WCC (note iv)	-	2,010	(2,010)	-	-
Other government grants - (note v)	-	21	(21)	-	-
School fund (note vi)	181	105	(30)	-	256
	<u>233</u>	<u>4,325</u>	<u>(4,190)</u>	<u>96</u>	<u>464</u>
Restricted fixed asset funds					
Fixed assets donation (note vii)	11,709	-	(235)	-	11,474
Capital expenditure from GAG (note viii)	40	-	(10)	-	30
DfE/ESFA capital grants (note ix)	15	40	(4)	-	51
	<u>11,764</u>	<u>40</u>	<u>(249)</u>	<u>-</u>	<u>11,555</u>
Restricted pension scheme liability					
Pension reserve (note x)	(1,828)	-	(222)	(703)	(2,753)
	<u>(1,828)</u>	<u>-</u>	<u>(222)</u>	<u>(703)</u>	<u>(2,753)</u>
Total restricted funds	10,169	4,365	(4,661)	(607)	9,266
Unrestricted funds					
Unrestricted funds	228	18	-	(96)	150
Total unrestricted funds	<u>228</u>	<u>18</u>	<u>-</u>	<u>(96)</u>	<u>150</u>
Total funds	<u>10,397</u>	<u>4,383</u>	<u>(4,661)</u>	<u>(703)</u>	<u>9,416</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

16 FUNDS (cont'd)

Notes

- i) General Annual Grant must be used for the normal running costs of the School. Under the funding agreement with the Secretary of State, the Academy Trust was not subject to a limit on the amount of GAG that it would carry forward at 31 August 2019. (see note 2)
- ii) Other grants received from the ESFA/DfE during the year to support with the financial needs of the Academy during the year
- iii) Pupil Premium grant has been used to support children from low income families placed at the School.
- iv) Special needs grant from WCC has been used to support pupils with learning or behavioural issues by providing teaching and teaching assistant support.
- v) Other grants, mainly from WCC, has been used to improve skills for employment, building adaptations and behaviour in school.
- vi) School funds are contributions received from parents which are used to support the Academy Trust's activities.
- vii) Land and buildings were gifted to the Academy Trust upon conversion from Warwickshire County Council.
- viii) The gross transfer from the restricted general fund to the restricted fixed asset fund of £Nil (2018 : £43,000) represents the total capital expenditure from GAG during the year.
- ix) Restricted fixed assets were funded by government grants, a transfer from General Annual Grant (GAG) and by WCC donating Academy land and buildings on a 125 year lease at a pepper corn rent.
- x) The pension reserve represents the deficit on the Local Government Pension Scheme (see note 26).

	Balance at 8 January 2018 £'000	Incoming Resources £'000	Resources Expended £'000	Gains, Balance at Losses & 31 August Transfers £'000	2018 £'000
Restricted general funds					
General annual grant (GAG) (note i)	-	672	(635)	(5)	32
DFE/ESFA grants (note ii)	-	85	(65)	-	20
Pupil premium grant (note iii)	-	9	(9)	-	-
Special needs grant - WCC (note iv)	-	600	(600)	-	-
Other government grants - (note v)	-	50	(50)	-	-
School fund (note vi)	-	181	-	-	181
	-	1,597	(1,359)	(5)	233
Restricted fixed asset funds					
Fixed assets donation (note vii)	-	11,749	(40)	-	11,709
Capital expenditure from GAG (note viii)	-	-	(3)	43	40
DFE/ESFA capital grants (note ix)	-	15	-	-	15
	-	11,764	(43)	43	11,764
Restricted pension scheme liability					
Pension reserve (note x)	-	(1,843)	(62)	77	(1,828)
	-	(1,843)	(62)	77	(1,828)
Total restricted funds	-	11,518	(1,464)	115	10,169
Unrestricted funds					
Unrestricted funds	-	266	-	(38)	228
Total unrestricted funds	-	266	-	(38)	228
Total funds	-	11,784	(1,464)	77	10,397

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

16 FUNDS (cont'd)

TOTAL FUNDS ANALYSIS BY ACADEMY

Fund balances at 31 August 2019 were allocated as follows:

	Total 2019 £'000	Total 2018 £'000
Welcombe Hills School	572	306
Arden Fields School	6	103
South Warwickshire Academy Trust	36	52
Total before fixed assets and pension reserve	614	461
Restricted fixed assets fund	11,555	11,764
Pension reserve	(2,753)	(1,828)
	8,802	9,936
Total	9,416	10,397

TOTAL COST ANALYSIS BY ACADEMY

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

Academies	Teaching & Educational Support Staff Costs £'000	Other Support Staff £'000	Educational Supplies £'000	Other Costs (exc Depn) £'000	Total 2019 £'000	Total 2018 £'000
Welcombe Hills	2,568	525	139	248	3,480	1,124
Arden Fields	500	162	30	127	819	247
South Warwickshire Academy Trust	43	8	3	59	113	50
	3,111	695	172	434	4,412	1,421

17 ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 August 2019 are represented by:

	Unrestricted Funds £'000	Pension Restricted Funds £'000	General Restricted Funds £'000	School Fund Restricted Funds £'000	Fixed Assets Restricted Funds £'000	Total £'000
Tangible fixed	-	-	-	-	11,546	11,546
Current assets	147	-	312	256	15	730
Current liabilities	-	-	(101)	-	(6)	(107)
Pension scheme liability	-	(2,753)	-	-	-	(2,753)
	147	(2,753)	211	256	11,555	9,416

Fund balances at 31 August 2018 are represented by:

	Unrestricted Funds £'000	Pension Restricted Funds £'000	General Restricted Funds £'000	School Fund Restricted Funds £'000	Fixed Assets Restricted Funds £'000	Total £'000
Tangible fixed	-	-	-	-	11,764	11,764
Current assets	228	-	139	181	-	548
Current liabilities	-	-	(87)	-	-	(87)
Pension scheme liability	-	(1,828)	-	-	-	(1,828)
	228	(1,828)	52	181	11,764	10,397

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

18 CAPITAL COMMITMENTS

	2019 £'000	2018 £'000
Contracted for, but not provided in the financial statements	Nil	Nil
Authorised by trustees, but not yet contracted	<u>Nil</u>	<u>Nil</u>

19 COMMITMENTS UNDER OPERATING LEASES***Operating leases***

At 31 August 2019 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	2019 Other £'000	2018 Other £'000
Operating leases		
- Within one year	5	5
- Within two to five years	11	16
	<u>16</u>	<u>21</u>

20 RECONCILIATION OF NET (DEFICIT)/ INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2019 £'000	2018 £'000
Net (deficit)/ income for the reporting period (as per the statement of financial	(278)	10,320
Adjusted for:		
Depreciation (note 13)	249	43
Fixed Assets donation	-	(11,749)
LGPS pension deficit transfer	-	1,843
Capital grants from DfE and other capital income	(40)	(15)
Interest receivable	(1)	-
Defined benefit pension scheme cost less contributions payable (note 26)	170	44
Defined benefit pension scheme finance cost (note 26)	52	18
Decrease/(increase) in debtors	133	(190)
Increase in creditors	20	87
Net cash provided by operating activities	<u>305</u>	<u>401</u>

21 CASH FLOWS FROM INVESTING ACTIVITIES

	2019 £'000	2018 £'000
Interest received	1	-
Purchase of tangible fixed assets	(31)	(58)
Capital grants from DfE/ESFA	40	15
Receipts from sale of tangible fixed assets	-	-
Net cash provided by/(used in) investing activities	<u>10</u>	<u>(43)</u>

22 CASH FLOWS FROM FINANCING ACTIVITIES

Repayments of borrowing	-	-
Cash inflows from new borrowing	-	-
Net cash provided by financing activities	<u>-</u>	<u>-</u>

23 ANALYSIS OF CASH AND CASH EQUIVALENTS

	At 31 Aug 2019	At 31 Aug 2018
	£'000	£'000
Cash in hand and at bank	673	358
Total cash and cash equivalents	<u>673</u>	<u>358</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)**24 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 serving 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 purpose of 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.

25 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.

26 PENSION AND SIMILAR OBLIGATIONS

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

The total pension cost to the Academy during the period ended 31 August 2019 was £669,000 (2018 : £214,000) of which £218,000 (2018 : £71,000) relates to the TPS and £451,000 (2018 : £143,000) relates to LGPS.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and of the LGPS 31 March 2016.

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

McCloud Judgement

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, have rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

Teachers' Pension Scheme**Introduction**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

26 PENSION AND SIMILAR OBLIGATIONS (cont'd)**Valuation of the Teachers' Pension Scheme**

The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%). The timing of the implementation is to align its introduction with employers' budget planning cycles. Until then, employers will pay the current rate of 16.48%.

Scheme Changes

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of a Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015.

The employers pension costs paid to TPS in the period amounted to £218,000 (2018 : £71,000).

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

Under the definitions set out in FRS 102, the TPS is 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 the assets held in a separate trustee administered funds. The total contributions made for the year ended 31 August 2019 was £519,000 (2018 : £167,000) of which employers contributions totalled £451,000 (2018 : £143,000) and employees contributions totalled £68,000 (2018 : £24,000). The agreed employers contributions for future years are 22.9% (2018 : 22.9%) for Welcombe Hills School and 22.9% (2018 : 22.9%) for Arden Fields School. The agreed contributions for employees are 6.9%.

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 liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

Principal Actuarial Assumptions

The major assumptions used by the actuary were:

	At 31 August 2019 % per annum	At 31 August 2018 % per annum
Discount rate	1.9%	2.8%
Salary increases	2.9%	2.9%
Pension increase	2.3%	2.3%

Sensitivity analysis for the principal assumptions used to measure the scheme liabilities were as follows:

	At 31 August 2019 Approx % Increase to Employers Liability	At 31 August 2019 Approx £'000	At 31 August 2018 Approx % Increase to Employers Liability	At 31 August 2018 Approx £'000
Discount rate reduced by 0.5% per annum	13%	694	12%	515
Assumed pension increased by 0.5% per annum	9%	464	10%	398
Salary growth increased by 0.5% per annum	4%	95	3%	109

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

	2019 years	2018 years
Longevity at age 65 retiring today		
- Men	21.4	22.5
- Women	23.6	24.7
Longevity at age 65 retiring in 20 years		
- Men	22.4	24.3
- Women	25.0	26.7

	Fair value at 31 Aug 2019 £'000	Fair value at 31 Aug 2018 £'000
The Academy's share of the assets in the scheme were:		
Equity instruments	1,706	1,477
Debt instruments	726	516
Property	335	281
Cash	28	70
Total market value of assets	2,795	2,344
Present value of scheme liabilities		
- Funded	(2,795)	(2,344)
- Unfunded	(2,753)	(1,828)
Total liabilities	(5,548)	(4,172)
Deficit in the scheme	(2,753)	(1,828)

The actual return on the scheme assets in the year was £154,000 (2018 : £96,000).

Amounts recognised in the Statement of Financial Activities	2019 £'000	2018 £'000
Current service cost	349	125
Past service cost	50	-
Interest cost	122	38
Interest income	(70)	(20)
Total operating charge	451	143

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

26 PENSION AND SIMILAR OBLIGATIONS (cont'd)

	2019 £'000	2018 £'000
Movement in deficit during the period		
Deficit in the scheme at 1 September 2018	1,828	1,843
Movement in year:		
- Employer service cost (net of employee contributions)	349	125
- Past service cost	50	-
- Employer contributions	(229)	(81)
- Expected return on scheme assets	(70)	(20)
- Interest cost	122	38
- Actuarial losses/(gains)	703	(77)
Deficit in the scheme at 31 August 2019	2,753	1,828

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

	2019 £'000	2018 £'000
Scheme liabilities at 1 September 2018	4,172	3,986
Current service cost	349	125
Past service cost	50	-
Interest cost	122	38
Contributions by scheme participants	68	24
Benefits paid	-	-
Actuarial losses/(gains)	787	(1)
Scheme liabilities at 31 August 2019	5,548	4,172

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

	2019 £'000	2018 £'000
Fair value of scheme assets at 1 September 2018	2,344	2,143
Expected return on scheme assets	70	20
Actuarial gains	84	76
Contributions by employer	229	81
Benefits paid	-	-
Contributions by scheme participants	68	24
Fair value of scheme assets at 31 August 2019	2,795	2,344

The estimated value of employers contributions for the year ended 31 August 2020 is £233,000 (2019 : £245,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019 (cont'd)

27 RELATED PARTY TRANSACTIONS

Owing to the nature of the academy trust's operations and the composition of the board of trustees being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of trustees may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the requirements of the Academies Financial Handbook, including notifying the ESFA of all transactions made on or after 1 April 2019 and obtaining their approval where required, and with the academy trust's financial regulations and normal procurement procedures relating to connected and related party transactions. During the period ended 31 August 2019 there were no such transactions.

In entering into the transactions the trust has complied with the requirements of the Academies Financial Handbook 2018.

No related party transactions took place in the period of account, other than a certain trustee's remuneration and expenses already disclosed in note 11.

28 CONVERSION TO AN ACADEMY TRUST

On 1 May 2018 Welcombe Hills School converted to Academy status under the Academies Act 2010. On 1 May 2018 Arden Fields School converted to Academy status under the Academies Act 2010. All the operations and assets and liabilities were transferred to South Warwickshire Academy Trust from Warwickshire County Council for nil consideration.

The transfers have been accounted for as a combination that is in subsistence a gift. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain/(loss) in the Statement of Financial Activities as donations transferred from local authority on conversion.

The following tables sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the Statement of Financial Activities.

	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000
Welcombe Hills School			
Leasehold land and buildings	-	-	7,452
Budget surplus on LA funds	146	181	-
LGPS pension deficit	-	(1,089)	-
Net assets / (liabilities)	146	(908)	7,452

The above net assets/liabilities include £327,000 that were transferred as cash.

From 1 May 2018, during the year, the leasehold land and buildings were transferred on a 125 year lease at a peppercorn rent from Warwickshire County Council to South Warwickshire Academy Trust.

	Unrestricted Funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Funds £'000
Arden Fields School			
Leasehold land and buildings	-	-	4,297
Budget surplus on LA funds	118	-	-
LGPS pension deficit	-	(754)	-
Net assets / (liabilities)	118	(754)	4,297

The above net assets/liabilities include £118,000 that were transferred as cash.

From 1 May 2018, during the year, the leasehold land and buildings were transferred on a 125 year lease at a peppercorn rent from Warwickshire County Council to South Warwickshire Academy Trust.

29 EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no material adjusting or non adjusting events arising after the balance sheet date.