

The Meller Educational Trust

Annual Report and Financial Statements

31 August 2017

Company Limited by Guarantee
Registration Number
6933010 (England and Wales)

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Reference and administrative information

Members	Mr D R Meller Mrs L B Gadd (appointed June 2017) Mr A J Sheach Ms R Halbright Mrs G Wiscarson
Directors	Mr D R Meller (Chair) Mr R Elms Ms R Halbright Mr A J Sheach Mrs G Wiscarson Mrs K Bearman (appointed May 2017) Mr D R Hughes (appointed December 2016)* * Company Secretary
Management of the Academy Trust	Mr R Elms (Chief Executive Officer and Accounting Officer) Mr D Hughes (Director of Finance and Operations)
Registered office	From July 2017, the registered office was: 18 Colonial Way, Watford, WD 24 4PT Prior to then, the registered office was: Millbank Tower, 6th Floor, 21-24 Millbank, London SW1P 4QP
Company registration number	6933010 (England and Wales)
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL

Reference and administrative information

Bankers	Lloyds Bank plc The Strand London WC2N 5LL
	HSBC Bank plc 73 High Street Watford Hertfordshire WD17 2DS
	Scottish Widows Bank plc 67 Morrison Street Edinburgh EH3 8YJ
	Natwest Bank Plc 135 Bishopsgate, London EC2M 3UR
Solicitors	Veale Wasbrough Vizards Orchard Court Orchard Lane Bristol BS1 5WS

Directors' report Year to 31 August 2017

The Meller Educational Trust (MET) was established as a charitable company in June 2009 as Bushey Academy, on the academisation of that school. It became a multi academy trust, when Francis Combe Academy joined on 1 September 2016. MET has a master funding agreement with the Department for Education, and each of its two schools has a supplementary funding agreement in place.

MET provided services in the year to a number of other academies as an umbrella trust under service level agreements. These trusts were all separate entities as shown below.

- ◆ Hertswood Academy
- ◆ The Harefield Academy (joined on 1 January 2017)
- ◆ Watford UTC
- ◆ Elstree UTC (ceased on 31 August 2017)
- ◆ Global Academy (joined on 1 September 2016)

Performance and governance within this report pertains to the corporate MET.

The directors of The Meller Educational Trust ('the Academy Trust'), who are also trustees of the charitable company for the purposes of charity law, present their statutory report and the audited financial statements for the year ended 31 August 2017. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The financial statements have been prepared in accordance with the accounting policies set out on pages 28 to 33 of the attached financial statements and comply with the Academy Trust's memorandum and articles of association, applicable laws and 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 United Kingdom and Republic of Ireland (FRS 102), effective from accounting periods commencing 1 January 2015 or later and Update Bulletin 1 issued on 2 February 2016.

OBJECTIVES AND ACTIVITIES

The principal objective of the Academy Trust during the year to 31 August 2017 as set out in its memorandum of association was as follows:

- ◆ to advance for the public benefit, education in the United Kingdom by establishing, maintaining, carrying on, managing and developing schools offering a broad curriculum with strong emphasis on, but in no way limited to business and communication; and
- ◆ to provide facilities for the recreational and other leisure time occupation for the community at large in the interest of social welfare and with the object of improving the conditions of the life of the said community.

OBJECTIVES AND ACTIVITIES (continued)

Vision

The vision of the Academy Trust is to ensure that young people are educated to an extremely high level and possess all of the skills necessary to ensure they are happy; fulfilled; socially aware; community minded and successful.

Core values

Our core values inform the operation of the Academy Trust. They are:

- ◆ Aspiration;
- ◆ Compassion; and
- ◆ Excellence.

Public benefit

When setting the objectives of the Academy Trust, the directors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary guidance on advancing education. The Trust academies provide free education to all students on roll. Admission to the Academy is in accordance with the published admissions policy.

The directors confirm that they have complied with their duties under the Charities Act 2011. They have considered the public benefit guidance published by the Charity Commission and believe that they have followed its guidance in this area. The directors' report gives a description of the activities undertaken by the Academy Trust during the period in furtherance of its charitable purposes, and the directors are satisfied that such activities provide public benefit.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Academy Trust is a company limited by guarantee with no share capital (Registration Number 6933010). It is an exempt charitable company under the Charities Act 2011, regulated by the Secretary of State for Education. On 1 August 2011, the Academy Trust became an exempt charity for the purposes of the Charities Act 2011. The Education and Skills Funding Agency (ESFA), carries out the role of the principal regulator on behalf of the DfE.

The Academy Trust obtained approval from the DfE to become a multi academy trust with effect from 1 September 2014 and adopted the 'Multi Academy Model' Articles of Association for multi academy trusts issued by the ESFA.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Constitution (continued)

The Academy Trust's Memorandum and Articles of Association are the primary governing documents. As set out in the Memorandum and Articles of Association, the members of the Academy Trust shall comprise the: principal sponsor; up to five persons appointed by the principal sponsor; the chairman of the board of directors and any additional member as the members may agree by passing a special resolution in writing. The principal sponsor is Mr D R Meller.

Under the Articles of Association of the Academy Trust, the number of directors shall be not less than three, but unless otherwise determined by ordinary resolution, shall not be subject to any maximum.

The sponsor is entitled to appoint up to 7 directors, and Members may appoint up to three directors. Directors can also be co-opted to the Board. Currently the Academy Trust has seven directors.

Members' liability

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

Director

The following directors were in office at 31 August 2017 and served throughout the financial year under review except where indicated:

Directors

Mr D R Meller (Chair)
Mrs K Bearman (appointed May 2017)
Ms R Halbright
Mr R Elms
Mr A J Sheach
Mrs G Wiscarson
Mr D R Hughes (appointed December 2016)

No director receives remuneration for their role as director. No expenses were reimbursed to the non-executive directors in the year (2016 - none), but they are entitled to claim for reimbursement of expenses incurred in carrying out their duties, in accordance with the MET expenses policy. Other transactions with directors are disclosed in note 22 to the financial statements. The Chief Executive Officer and the Director of Finance and Operations are directors of the company. They received remuneration only in their capacity as executive directors of the Academy Trust under a contract of employment. They were also reimbursed for a total of £7,000 for expenses in the course of the business in accordance with the MET expenses policy.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Director (continued)

In accordance with normal commercial practice the Academy Trust has obtained insurance/cover to protect directors, governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The cover provides up to £10,000,000 on any one claim. The cover for 2016-17 was provided under the ESFA's risk protection arrangement, and the cost for this cover is not separately identified within the scheme (2015 - £1,325 through commercial insurance).

Method of recruitment, appointment or election of directors

Regard is given to the skills mix of the directors to ensure that the board of directors has all the necessary skills required to contribute fully to the Academy Trust's development.

The number of directors should not be less than three. The details of the method of recruitment and appointment of directors are given in the articles of association.

New directors are invited to attend all directors' meetings and each full directors' meeting has a specific area of focus to support the development of directors and governors within The Meller Educational Trust organisation. In addition, external training is offered and proactively sourced. A review of the training needs of the directors is on-going and the necessary requirements for further training and the induction of any new directors is considered in each period.

Organisational structure

The Academy Trust is governed by a board of directors constituted under the memorandum and articles of association. The board of directors is responsible for ensuring that high standards of corporate governance are maintained. It exercises its powers and functions with a view to fulfilling a largely strategic leadership role in the running of the Academy Trust, addressing such matters as:

- ◆ policy development and strategic development;
- ◆ ensuring sound management and administration of the Academy Trust;
- ◆ ensuring compliance with legal requirements;
- ◆ establishing and maintaining effective internal controls;
- ◆ the management of all resources;
- ◆ the monitoring of performance;
- ◆ helping the Academy Trust to be responsive to the needs of parents, carers and the community; and
- ◆ assessing and managing risk.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Arrangements for setting pay and remuneration of key management personnel

The Board appoints the Chief Executive Officer and the Principals at member Academies. They determine remuneration on appointment, and review annually. Performance management for the Principals was overseen by the Chief Executive Officer, and a non-executive director conducts the performance management review for the Chief Executive Officer.

Member schools have their own remuneration and performance management policies, which are overseen by the local governing body.

The Academies

Each Academy has a local governing body that is responsible for setting the strategic direction of the Academy in accordance with the MET Scheme of Governance. The Principal at each Academy has the delegated responsibility for the day to day running of the school.

The MET has developed a Scheme of Governance for application across the Trust. This prescribes the governance for the Trust and at each Academy, including terms of reference for the local governing body and a delegated decision making matrix identifying who has responsibility in key areas.

Risk management

The directors have assessed the major risks to which the Academy Trust is exposed, in particular those relating to teaching, provision of facilities and other operational areas of the Trust and its Academies. The directors have implemented systems to assess risks that the Trust faces, and the Board regularly reviews the risks, risk appetite and risk management across the Trust.

Other educational organisations

Hertswood Academy, a company limited by guarantee, and an exempt charity, is sponsored by Mr D R Meller, a director and member of The Meller Educational Trust, and has an "umbrella" arrangement with The Meller Educational Trust. Governors at Hertswood Academy have agreed to join the MET formally during 2017-18. This is subject to approval by the Department for Education and Headteachers' Board.

Harefield Academy is also a company limited by guarantee and an exempt charity. Mr Meller is also a sponsor of that Academy. Their directors have approved joining the Trust in 2017-2018, and this has been approved by the Department for Education and the Headteachers' Board.

Watford UTC has committed to joining the Trust formally in due course, in line with the conditions of the transition funding provided by the Department for Education. Global UTC has committed to a long term relationship with the Trust, on service level agreement.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

The Academy Trust (continued)

Other educational organisations (continued)

The Trust is seeking to grow through other academies joining over the coming years. This will be done in consultation and agreement with the Regional Schools Commissioner, with a view to taking on schools that require our support and fit with our ethos and aims. This growth will support the sharing of best practice, development of teaching and learning across the Trust, and economies of scale in procurement and administrative services.

The Trust charges its schools 3 per cent (from September 2017) of the non-ring-fenced grant from DfE for a defined set of services, support and governance.

STRATEGIC REPORT

Achievement and performance

The Trust is directly responsible for the educational performance of its two core schools: Bushey Academy and Francis Combe Academy. Students are measured both on attainment in key stage 4 (pre 16) and key stage 5 exams (post 16) and their progress whilst at the school. This is generally measured across 8 key subjects, with specific weighting towards English and Maths. The Bushey Academy saw a dip in results this summer. The Trust took decisive action prior to this, with the appointment of a new principal and a series of central support structures to address teaching and learning in the classroom. This is against a background of a period of delivering sustained improvement at this Academy, which has seen it steadily improve its results since being part of the Trust. Francis Combe Academy's results were similar to the previous year. The Trust has identified a need to strengthen science across the Trust, and appointed a central specialist in September 2017 to work alongside the expanded team of subject experts. The Trust has strengthened its Maths and English support also as part of a co-ordinated approach to taking the Trust schools and those we work with under a service level agreement to the next stage in educational performance.

The following table shows the results in the two schools, with the national average for state schools as comparison. Note that, due to a change in the exam structure and the Government's performance data, prior year data is not directly comparable.

Academy	Student numbers	Progress 8 score	Attainment 8 score	Percentage of students with grade 5 English and Maths	Percentage of students entering education, employment or training after school
Bushey	182	-0.42	37.5	24	87
Francis Combe	186	-0.10	39.5	32	98
National ave	-	-0.03	46	42.2	94

STRATEGIC REPORT (continued)

Achievement and performance (continued)

At key stage 5, both schools continued to show good performance and progress on their respective improvement plan targets. Both schools remain below average, and continue to focus on incremental improvement in the sixth form provision. The post 16 progress data published by the Department for Education shows:

- ◆ The Bushey Academy (28 students): -0.03, determined as “average”, with an average grade of C-
- ◆ Francis Combe Academy (59 students): -0.5, determined as “below average”, with an average grade of D+
- ◆ National Average: 0.0

Government also measure absence rates, and both schools are on or around the national average. The Trust is developing a co-ordinated approach to managing student absence and to achieving a higher level of attendance, particularly in respect of those students who have a high rate of absence.

- ◆ Bushey 6.1% overall rate of absence, with 17.1% of students missing at least 4 weeks per annum;
- ◆ Francis Combe 5% overall absence, with 11.2% persistent absence
- ◆ National average: 5.2% overall (for secondaries) and 13.1% for persistent absence.

Both schools have been rated as “good” by Ofsted, with Bushey Academy due for its next inspection during the coming academic year.

Across the two schools, there were 2149 students on roll in year, of which 33.2 per cent come from a disadvantaged background (national average 29.1%)

Financial review

The financial statements have been prepared in accordance with current statutory requirements and the Academy Trust’s governing documents and include the financial results of The Bushey Academy, together with the central office activities.

During the year to 31 August 2017, the Trust saw a net increase in funds of £22,459,555. This is primarily due to the acquisition of Francis Combe Academy on 1 September 2016 for no consideration. A net asset of £22,642,214 has been recorded within the Statement of Financial Activity in respect of this transfer, for which acquisition accounting has been applied. The addition of this academy has provided the Trust with a solid financial foundation on which to support its future activities and growth. Net current assets at 31 August 2017 were £1,722,195 (2016 £676,724), of which cash was £2,738,482 (2016: £859,676).

STRATEGIC REPORT (continued)

Financial review (continued)

Excluding the impact of the transfer transaction, and the movement on the pension reserve, the Trust incurred a deficit of £69,695 (2016: surplus of £83,641) on expenditure of £15,730,470 (2016: £7,383,946). The Trust has cumulative reserves, meaning it can absorb these planned deficits, which were set to ease the impact of funding cuts in the education sector. In order to ensure sufficient reserves to manage cashflow and to plan for future capital investment, Trustees have resolved to set at least a break even target for future years on revenue activities.

The total net movement in pension funds for the year after actuarial gains of £2.1 million (2016 – actuarial losses of £726,000) reflects the most recent external valuation by the independent pension scheme administrators. In particular, the account includes a fair value adjustment on acquisition in relation to the pension assets and liabilities of Francis Combe. The Local Government Pension Scheme is administered on behalf of Hertfordshire County Council, and is entirely independent of the Trust.

The student populations continue to grow steadily across the Trust, with both schools at capacity in the entry year 7. Maintaining student numbers is crucial to maximising revenue streams and to fund the education of the students. There remains a high local demand for school places, and the Trust anticipates being able to maintain the solid financial base, and grow the number of academies in order to benefit from economies of scale.

Financial and risk management objectives and policies

The financial objective for the Academy Trust is to maintain sufficient funds in order to ensure that it is able to meet its reserves policy and plans for the future.

The financial risk management objective is to ensure financial stability. The Academy Trust's exposure to financial risks including credit, cash flow and liquidity are successfully managed by the principal financial management policies, processes and procedures adopted by the Academy Trust.

Further detail of risk and control framework is provided in the attached Governance Statement.

Reserves policy

Schools within the Trust retain their reserves. Each is expected to:

- ◆ Hold sufficient revenue reserves to meet immediate commitments and cash flow. Individual trusts are expected to break even each year and to have surplus restricted and unrestricted reserves year on year
- ◆ Build capital reserves to replenish plant and equipment at the end of their lifecycle, and to fund capital projects that meet other objectives agreed with the Chief Executive.

STRATEGIC REPORT (continued)

Financial review (continued)

Reserves policy (continued)

The Trust does not seek to hold central reserves, other than to cover commitments and cashflow. Any balance at the end of the year is rolled forward for the benefit of member schools in the following academic year and to meet any outstanding obligations and commitments.

The fixed asset reserve represents the value of tangible fixed assets held by the member trust that can only be realised by disposing of those assets.

Restricted reserves represent the balance of government funds and any other grants or donations received. Unrestricted funds represent any other source of revenue. More information on each reserve is presented below.

With respect to the pension reserve deficit, the valuation for the financial statements takes account of the latest triennial valuation. Following this valuation, the pension administrators increased the employer contribution rates from April 2017, and these are reflected in the contributions shown within the statement of financial activities. The valuation for the financial statements is a consolidated valuation, and the Trust has combined pension reserves for the local government pension scheme. The administrators are entirely independent of the member Academies and The Meller Educational Trust.

The Academy Trust balance on restricted general funds (excluding pension reserve) plus the balance on unrestricted funds at 31 August 2017 was £1,361,054.

Investment of reserves

The core aim of the Academy Trust's investment strategy is to ensure that it maximises investment returns, taking into account the restrictions set by the funding agreement with the ESFA and with minimal risk to the investment.

The Academy Trust is conscious of the need to safeguard public monies as well as recognising the current financial climate it operates in. Consequently, the available funds are invested with the following aims:

- ◆ To invest in a product where there is minimal risk of losing the capital;
- ◆ To earn a higher rate of return than the current base rate;
- ◆ To invest in a product that does not require active management;
- ◆ To have liquidity so that the Academy Trust's commitments can be honoured in time;
- ◆ To invest in a product that does not attract management fees;
- ◆ To invest in a product with a known rate of return; and
- ◆ To invest ethically.

STRATEGIC REPORT (continued)

Financial review (continued)

Designated funds

The unrestricted funds £53,364 (2016 - £53,364) is designated for specific purposes as detailed in note 16 to the financial statements.

The directors agreed to designate in the Academy Trust's financial statements a fund out of The Bushey Academy's accumulated surplus. The purpose of the 'Directors' Fund' is to finance additional staffing costs, including the training and development, retention and recruitment of high calibre teachers; and to maintain the infrastructure of The Bushey Academy's buildings in line with the cycle for the upkeep and improvement of the Academy's premises.

Further details of designated funds are included above and in note 16 to the financial statements.

Financial position

The Academy Trust held fund balances at 31 August 2017 of £48,456,205 (2016 - £26,005,648) comprising £47,256,002 (2016 - £25,433,899) of restricted funds, including a fixed assets fund of £47,104,149 (2016 - £26,386,899) and a surplus on the unrestricted general fund of £1,209,201. (2016 - £571,749). The unrestricted funds include designated funds of £53,364 (2016 - £53,364), giving free reserves of £1,155,837.

The Academy Trust has a combined pension scheme asset of £900,000 as at 31 August 2017 which in accordance with UK accounting standards is not recognised as an asset in the financial statements. The pension asset does not mean that the surplus is available to the Academy Trust to further its objectives. Parliament has agreed, at the request of the Secretary of State for Education, in the event of Academy closures, outstanding Local Government Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013. In the short term, the cash flow impact of having a pension scheme liability may be that the employer contribution rates may increase in order to reduce the liability. The Academy Trust will always pay the employer contribution rates set by the pension scheme administrators.

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the principal accounting policies statement on page 28.

PRINCIPAL RISKS AND UNCERTAINTIES

The Academy Trust has continued to strengthen its risk management process through regular and thorough review by key Academy Trust staff, governors and directors.

The principal risks and uncertainties facing the Academy Trust are as follows:

Financial – the Trust's primary source of revenue is government funding, which is directly linked to student numbers. A fall in student numbers would have a significant impact on the income base. Both Francis Combe and Bushey Academy have strong student numbers currently, and the local authority's commissioning plan shows a shortage of secondary school places in South Hertfordshire over the foreseeable future as the local population grows, meaning that demand will remain high. The introduction of the National Funding Formula in 2018 provides some clarity around future funding streams.

Failures in governance – the risk in this area arises from potential failure to consistently deliver adequate educational provision, meet statutory requirements, and to manage finances sustainably. The Trust is building its governance and supporting structures, with the introduction of a Scheme of Governance in March 2017 that sets clear responsibilities and delegated authorities. The Trust is increasing the size of its Board in line with best practice, creating separation between the members and the directors, and also strengthening local governing bodies to mitigate this risk.

Reputational – the continuing success of the Academy Trust is dependent on continuing to attract applicants in sufficient numbers by maintaining the highest educational standards. To mitigate this risk, directors ensure that student success and achievement are closely monitored and reviewed. The Trust has also introduced performance management processes for the principals, and an inspection regime of peer review to assess standards and support continual improvement.

Safeguarding and child protection – the directors continue to ensure that the highest standards are maintained in the areas of selection and monitoring of staff, the operation of child protection policies and procedures, health and safety and discipline.

FUTURE EVENTS

The Trust plans to grow steadily over the coming periods to build the core set of schools and enjoy the economies of scale and peer support this opportunity presents. During 2017-18, we anticipate Harefield Academy and Hertswood Academy formally joining the Trust. This will formalise the existing relationship that has been underpinned by a service level agreement. The directors of each school have approved the transition, and the headteachers' board approved the transfer of Harefield Academy in June 2017. We anticipate receiving headteachers' Board approval for the Hertswood approval in the winter of 2017. Watford UTC directors have also agreed to join the Trust formally, but no timetable has yet been set for this transition.

In April 2017, the Department for Education approved the Trust's application to open a free school in Islington in September 2019. The Trust was awarded a pre-opening grant to support the pre-opening phase.

Directors' report Year to 31 August 2017

FUTURE EVENTS (continued)

The Trust agreed with Elstree UTC to end the service level agreement as at 31 August 2017, and the UTC is no longer part of the wider Trust family of schools.

For the 2016-17 financial year, academies paid contributions of 2 per cent of their non-ring fenced General Annual Grant. Directors determined that this contribution rate would rise to 3 per cent from September 2017 in order to allow the Trust to fulfil its objectives in supporting school improvement.

These developments are part of a wider growth strategy set by the Board to build the size of the multi academy trust to around 12-15 schools in a steady, sustainable way, plus primary hubs around our most successful schools. The Board aims to grow at a rate that maximises economies of scale, and the impact of education improvement programmes, without losing the identity of the Trust. To support this programme, the Board is seeking to increase its size to around eight directors, and create more separation between Members and directors, in line with DfE best practice. We are also strengthening the local governing boards who carry out the Board's functions at each school.

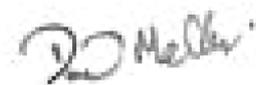
AUDITOR

In so far as the directors are aware:

- ◆ there is no relevant audit information of which the Academy Trust's auditor is unaware; and
- ◆ the directors 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.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

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



Director

Approved on:



Director

Approved on:

21/12/2017

Governance statement

Scope of responsibility

The directors acknowledge that they have overall responsibility for ensuring that the 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 directors have delegated the day-to-day responsibility to the Chief Executive Officer of the Academy Trust as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between the Academy Trust and the Secretary of State for Education. The Chief Executive Officer is also responsible for reporting to the directors any material weaknesses or breakdowns in internal control. The Principal oversees the day to day running of the Academy Trust.

Governance

The information on governance included here supplements that described in the directors' report and in the statement of directors' responsibilities. The directors have formally met 4 times during the year. Attendance during the year at director meetings was as follows:

Directors	Number of meetings attended	Out of a possible
Mr D R Meller (Chair)	4	4
Mr R Elms	4	4
Mrs K Bearman	1	1
Ms R Halbright	4	4
Mr A J Sheach	4	4
Mrs G Wiscarson	4	4
Mr D R Hughes	4	4

Governance reviews

The directors reviewed the size of the Board during the year, and decided that they would increase the number of directors from six to eight over time. As a result, Mrs K Bearman joined the Board in May 2017, and Members expect to appoint an additional director during 2018.

The directors also introduced a trust-wide Scheme of Governance, which established a formal governance structure throughout the Trust. It sets responsibilities and delegated authorities, and also provides terms of reference for the local governing bodies (LGB). At each school, the LGB acts as a sub-committee of the Board and undertakes certain delegated actions. The LGB consists of non-executive governors and a director.

Governance statement

Review of value for money

As Accounting Officer the Chief Executive Officer has responsibility for ensuring that the Academy Trust delivers good value in the use of public resources. The Accounting Officer is aware of the guide to academy value for money statements published by the Education and Skills Funding Agency and understands that value for money refers to the educational and wider societal outcomes achieved in return for the resources received.

The Trust and its schools seek to provide an efficient education system that targets the needs of its students, irrespective of background or prior attainment. This is supported by collaborative working across the Trust and our partner schools, peer support and review, shared and common continuing professional development, and centralised procurement to gain economies of scale.

The Trust continually strives to improve value for money: tighter governance, formal Trust systems, and closer monitoring and control have been introduced this year to support the schools develop their teaching and learning. Results for Bushey and Francis Combe in the summer of 2017 did not show an incremental improvement from the previous year, but action had already been taken to attend to the underlying issues, which has resulted in increased central support and challenge from September 2017. In the year, we also saw the start of a central procurement programme that saw the appointment of a Trust-wide catering contractor and IT service support partner. These will support more efficient use of resources as well as support improved services. The Trust has also procured a common financial system to support financial management and monitoring throughout the Trust.

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 the Academy Trust's 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 at the Academy Trust for the year ended 31 August 2017 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The directors have 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. They are of the view that there is an ongoing process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the year ended 31 August 2017 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the directors.

Governance statement

The risk and control framework

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

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

The directors have appointed the external auditors to undertake the 'Responsible Officer' (RO) function. On a quarterly basis, reports are provided to the Governing Body on the operation of key systems and controls, and on the discharge of the directors and the Governing Body's financial responsibilities.

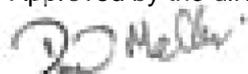
Review of effectiveness

As Accounting Officer, the Chief Executive Officer has responsibility for reviewing the effectiveness of the system of internal control. During the year in question, the review has been informed by:

- ◆ the work of the Responsible Officer function;
- ◆ the work of the external auditor;
- ◆ the financial management and governance self assessment process;
- ◆ the oversight by the Director of Finance and Operations of the individual school finances and financial management practices.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Local Governing Bodies and central Trust reviews. A plan to ensure continuous improvement of the system is in place.

Approved by the directors and signed on their behalf by:


Chair of Directors

Director

Approved on:

Chief Executive Officer and
Accounting Officer


21/12/2017

Statement on regularity, propriety and compliance 31 August 2017

As Accounting Officer of the Academy Trust, I have considered my responsibility to notify the Academy Trust's directors, 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 our consideration we have had due regard to the requirements of the Academies Financial Handbook 2016.

I confirm that I and the Academy Trust's directors are able to identify any material irregular or improper use of funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's funding agreement and the Academies Financial Handbook 2016.

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

Director



Approved on:

21/12/2017

Chief Executive Officer
and Accounting Officer

Statement of directors' responsibilities 31 August 2017

The directors (who are also the trustees of The Meller Educational Trust ("The Academy Trust") for the purposes of charity law) are responsible for preparing the directors' report and the financial statements in accordance with the Annual Accounts Requirements 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 directors to prepare financial statements for each financial year. Under company law, the directors 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 Academy Trust and of its income and expenditure, for that period. In preparing these financial statements, the directors are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in the Charities' SORP 2015 and the Academies Accounts Direction 2016 to 2017;
- ◆ make judgments and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards (FRS 102) 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 Trust will continue in operation.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Academy Trust's transactions and disclose with reasonable accuracy at any time the financial position of the Academy Trust 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 Academy Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that in its conduct and operation the Corporate Trust 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 have been applied for the purposes intended.

The directors are responsible for the maintenance and integrity of the Academy and financial information included on the Academy's Trust'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 board of directors on
and signed on its behalf by:

Director



Director



Approved on:

21/12/2017

Independent auditor's report to the members of The Meller Educational Trust

Opinion

We have audited the financial statements of The Meller Educational Trust (the 'charitable company') for the year ended 31 August 2017 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the related notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), 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) (the Charities SORP 2015) and the Academies Accounts Direction 2016 to 2017.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company'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 charitable company's affairs as at 31 August 2017 and of its income and expenditure for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006; and
- ◆ have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2016 to 2017.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the 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 directors' report including the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the directors' report including the strategic report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report including the strategic report.

Matters on which we are required to report by exception (continued)

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 or returns; or
- ◆ certain disclosures of directors' remuneration specified by law are not made; or
- ◆ we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors 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 directors 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 directors are responsible for assessing the charitable company'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 directors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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



Katharine Patel (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

28 December 2017

Reporting accountant's assurance report on regularity to The Meller Educational Trust and the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 17 September 2015 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Meller Educational Trust ('the Academy Trust') during the period from 1 September 2016 to 31 August 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of The Meller Educational Trust's Accounting Officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of The Meller Educational Trust funding agreement with the Secretary of State for Education dated 30 June 2009 and the Academies Financial Handbook, extant from 1 September 2016, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2016 to 2017. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period from 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

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

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

Approach (continued)

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.

The work undertaken to draw to our conclusion includes:

- ◆ An assessment of the risk of material irregularity and impropriety across all of the Academy Trust's activities;
- ◆ Further testing and review of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- ◆ Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

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 from 1 September 2016 to 31 August 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

28 December 2017

Statement of financial activities Year ended 31 August 2017
(Including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

	Notes	Unrestricted funds £	Restricted funds		Total 2017 £	Total 2016 £
			General £	Fixed assets £		
Income and expenditure						
Income from:						
Donations and capital grants	1	286,527	—	26,255	312,782	25,151
Transfer from another academy trust	2	317,000	447,000	21,878,214	22,642,214	—
Charitable activities						
. Funding for the Academy Trust's educational operations	5	276,523	12,930,715	—	13,207,238	6,510,911
Other trading activities	3	636,803	—	—	636,803	225,272
Investments	4	2,988	—	—	2,988	1,389
Total income		<u>1,519,841</u>	<u>13,377,715</u>	<u>21,904,469</u>	<u>36,802,025</u>	<u>6,762,723</u>
Expenditure:						
Charitable activities						
. Academy Trust's educational operations	6	505,213	14,038,038	1,187,219	15,730,470	7,383,946
Total expenditure		<u>505,213</u>	<u>14,038,038</u>	<u>1,187,219</u>	<u>15,730,470</u>	<u>7,383,946</u>
Net income (expenditure) before transfers		1,014,628	(660,323)	20,717,250	21,071,555	(621,223)
Transfers between funds	16	(377,176)	377,176	—	—	—
Net income (expenditure) for year		637,452	(283,147)	20,717,250	21,071,555	(621,223)
Other recognised gains and losses						
Actuarial gains (losses) on defined benefit pension scheme	19	—	1,388,000	—	1,388,000	(726,000)
Net movement in funds		637,452	1,104,853	20,717,250	22,459,555	(1,347,223)
Reconciliation of funds						
Fund balances brought forward at 1 September 2016		571,749	(953,000)	26,386,899	26,005,648	27,352,871
Fund balances carried forward at 31 August 2017		<u>1,209,201</u>	<u>151,853</u>	<u>47,104,149</u>	<u>48,456,203</u>	<u>26,005,648</u>

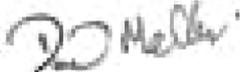
All of the Academy Trust's activities derived from continuing operations during the above two financial periods.

The Academy Trust has no recognised gains or losses other than those shown above.

Balance sheet 31 August 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible fixed assets	13		46,743,008		26,351,924
Current assets					
Debtors	14	581,363		389,846	
Cash at bank and in hand		2,738,482		859,676	
		3,319,845		1,249,522	
Liabilities					
Creditors: amounts falling due within one year	15	(1,597,650)		(572,798)	
Net current assets			1,722,195		676,724
Net assets excluding pension liability					
			48,465,203		27,028,648
Pension scheme liability	19		—		(1,023,000)
Total net assets			48,465,203		26,005,648
The funds of the Academy Trust:					
Restricted funds					
Fixed assets fund			47,104,149		26,386,899
Restricted income fund			151,853		70,000
Pension reserve			—		(1,023,000)
Total restricted funds			47,256,002		25,433,899
Unrestricted income funds					
General fund			1,155,837		518,385
Designated fund	16		53,364		53,364
Total funds			48,465,203		26,005,648

Approved by the directors of The Meller Educational Trust, Company Registration No. 6933010 (England and Wales) and signed on their behalf by:



Director



Director

Approved on:

Approved on:



Statement of cash flows Year to 31 August 2017

	Notes	2017 £	2016 £
Net cash flow from operating activities			
Net cash provided by operating activities	A	1,974,628	57,580
Cash flows from investing activities			
	B	(95,822)	(4,062)
Change in cash and cash equivalents in the year		1,878,806	53,518
Reconciliation of net cash flow to movement in net funds:			
Cash and cash equivalents at 1 September 2016		859,676	806,158
Cash and cash equivalents at 31 August 2017		2,738,482	859,676
A Reconciliation of net expenditure to net cash flow from operating activities			
		2017 £	2016 £
Net income (expenditure) for the year (as per the statement of financial activities)		21,071,555	(621,223)
Adjusted for:			
Inherited tangible fixed assets (note 13)		(21,459,214)	—
Inherited pension scheme liability		25,000	—
Depreciation charges		1,187,219	704,557
Capital grants from DfE and other capital income		(26,255)	(18,621)
Interest receivable		2,988	(1,389)
Defined benefit pension scheme cost less contributions payable		314,000	32,000
Defined benefit pension scheme finance cost		26,000	11,000
Increase in debtors		(191,517)	(112,636)
Increase in creditors		1,024,852	63,892
Net cash provided by operating activities		1,974,628	57,580
B Cash flows from investing activities			
		2017 £	2016 £
Interest (paid) received		(2,988)	1,389
Purchase of tangible fixed assets		(119,089)	(24,072)
Capital grants from DfE/ESFA		26,255	18,621
Net cash used in investing activities		(95,822)	(4,062)
C Analysis of cash and cash equivalents			
		2017 £	2016 £
Cash at bank and in hand		2,738,482	859,676
Total cash and cash equivalents		2,738,482	859,676

Statement of accounting policies

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

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

The Meller Educational Trust meets the definition of a public benefit entity under FRS 102.

Going concern

The directors assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Academy Trust to continue as a going concern. The directors 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 income is 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.

Income (continued)

Grants (continued)

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

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

Donations

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

Other trading 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.

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.

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 expenditure is stated net of recoverable VAT.

Tangible fixed assets

All assets costing more than £1,500 and with an expected useful life exceeding one year are capitalised and are carried at cost, net of depreciation and any provision for impairment.

Tangible fixed assets (continued)

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. 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 such assets is charged to the restricted fixed asset fund in the statement of financial activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Academy Trust's depreciation policy.

Depreciation is charged on a straight line basis beginning in the period in which the asset is brought into use at the following annual rates:

◆ Leasehold buildings (new)	2% straight line
◆ Leasehold buildings (old)	6% straight line
◆ Furniture and fittings	20% straight line
◆ Office equipment	20% straight line
◆ Computer equipment	33% straight line

Liabilities

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

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 instruments (continued)

Financial liabilities – trade creditors, accruals and other creditors are financial instruments, 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 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.

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. As stated in note 19, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

Pensions benefits (continued)

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

Where the present value of the defined benefit obligation at the reporting date is less than the fair value of scheme assets at that date, the scheme has a surplus. The Academy Trust recognises the scheme assets only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

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 directors.

The designated fund represents those monies set aside out of general funds and designated for specific purposes by the directors.

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

Restricted general funds comprise all other grants received from the Education and Skills Funding Agency.

Restricted other funds comprise all other restricted funds received and include grants from the Local Authority, Hertfordshire County Council.

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 areas of judgement (continued)

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 for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgement

The directors do not consider that there are any areas of judgement which are critical to the Academy Trust's financial statements.

Notes to the financial statements 31 August 2017

1 Donations and capital grants

	Unrestricted funds £	Restricted funds £	Restricted fixed assets funds £	2017 Total funds £	2016 Total funds £
Capital grants	—	—	26,255	26,255	18,621
Donated assets on conversion and acquisition	317,000	447,000	21,878,214	22,642,214	—
Other donations	286,527	—	—	286,527	6,530
	<u>603,527</u>	<u>447,000</u>	<u>21,904,469</u>	<u>22,954,996</u>	<u>25,151</u>

2 Transfer from another academy trust

On 1 September 2016 the assets and liabilities of the Francis Combe Academy were transferred to the Meller Educational Trust.

	Value reported by transferring trust £	Fair value adjustments £	Transfer in recognised £
Tangible fixed assets			
Leasehold land and buildings	21,267,214	—	21,267,214
Furniture and equipment	173,000	—	173,000
Computer equipment	19,000	—	19,000
Current financial assets			
Debtors due after one year	371,000	—	371,000
Cash in bank and in hand	1,517,000	—	1,517,000
Liabilities			
Creditors due in less than one year	(680,000)	—	(680,000)
Pension scheme			
Pensions – pension assets	5,918,000	(442,000)	5,476,000
Pensions – pension liabilities	(6,762,000)	1,261,000	(5,501,000)
Net assets transferred	<u>21,823,214</u>	<u>819,000</u>	<u>22,642,214</u>

The LGPS scheme actuaries carried out a revaluation of Francis Combe Academy's share of scheme assets and liabilities as at 1 September 2016 using the 2016 triennial valuation. The LGPS obligation reported in Francis Combe Academy's financial statements for the year ended 31 August 2016 was estimated using the 2013 triennial valuation as the results of the 2016 triennial valuation were not available at the time. As a result, fair value adjustments have been made at the transfer date.

Notes to the financial statements 31 August 2017

3 Other trading activities

	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
Hire of facilities	232,076	—	232,076	160,860
Trip income	116,884	—	116,884	64,412
Catering income	190,289	—	190,289	—
Miscellaneous income	97,554	—	97,554	—
	636,803	—	636,803	225,272

4 Investment income

	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
Interest receivable	2,988	—	2,988	1,389
	2,988	—	2,988	1,389

5 Funding for the Academy Trust's educational operations

	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
DfE/ESFA grants				
. General Annual Grant (GAG)	—	12,095,263	12,095,263	5,822,913
. Start Up Grants	—	80,733	80,733	24,115
. Other DfE/ESFA grants	—	672,866	672,866	310,917
	—	12,848,862	12,848,862	6,157,945
Other Government grants				
. Local authority grants	—	81,853	81,853	7,750
	—	81,853	81,853	7,750
Other income from the Academy Trust's educational operations	276,523	—	276,523	345,216
2017 total funds	276,523	12,930,715	13,207,238	6,510,911

Notes to the financial statements 31 August 2017

6 Expenditure

	Staff costs (note 9) £	Non-pay expenditure		Total 2017 £	Total 2016 £
		Premises £	Other costs £		
Academy's educational operations (note 7)					
. Direct costs	8,655,151	1,187,219	623,333	10,465,703	4,718,245
. Support costs	2,475,149	1,021,619	1,767,999	5,264,767	2,665,701
	11,130,300	2,208,838	2,391,332	15,730,470	7,383,946

Net income/(expenditure) for the year includes:

Operating lease rentals	16,168	9,168
Depreciation	1,187,219	704,557
Fees payable to auditor for		
. Audit	17,500	12,950
. Other services	7,150	3,939

7 Charitable activities – Academy's educational operations

	2017 Total funds £	2016 Total funds £
Direct costs	10,465,703	4,718,245
Support costs	5,264,767	2,665,701
	15,730,470	7,383,946

	2017 Total funds £	2016 Total funds £
Analysis of support costs		
Support staff costs	2,475,149	1,350,305
Depreciation	2,939	9,212
Technology costs	256,846	104,515
Premises costs	1,021,619	691,123
Other support costs	1,334,089	413,199
Governance costs	174,125	97,347
Total support costs	5,264,767	2,665,701

Notes to the financial statements 31 August 2017

8 Comparative information

Analysis of income and expenditure in the year ended 31 August 2016 between restricted and unrestricted funds:

	Unrestricted funds £	Restricted funds		Total 2016 £
		General £	Fixed assets £	
Income and expenditure				
Income from:				
Donations and capital grants	6,530	—	18,621	25,151
Charitable activities				
. Funding for the Academy Trust's educational operations	275,216	6,235,695	—	6,510,911
Other trading activities	225,272	—	—	225,272
Investments	1,389	—	—	1,389
Total income	508,407	6,235,695	18,621	6,762,723
Expenditure:				
Charitable activities				
. Academy Trust's educational operations	79,163	6,600,226	704,557	7,383,946
Total expenditure	79,163	6,600,226	704,557	7,383,946
Net income (expenditure) before transfers	429,244	(364,531)	(685,936)	(621,223)
Transfers between funds	(415,603)	391,531	24,072	—
Net income (expenditure) for year	13,641	27,000	(661,864)	(621,223)
Other recognised gains and losses				
Actuarial losses on defined benefit pension scheme	—	(726,000)	—	(726,000)
Net movement in funds	13,641	(699,000)	(661,864)	(1,347,223)
Reconciliation of funds				
Fund balances brought forward at 1 September 2015	558,108	(254,000)	27,048,763	27,352,871
Fund balances carried forward at 31 August 2016	571,749	(953,000)	26,386,899	26,005,648

9 Staff

a) Staff costs

Staff costs during the year ended 31 August 2017 were as follows:

	Total 2017 £	Total 2016 £
Wages and salaries	8,882,832	3,768,329
Social security costs	757,991	304,745
Pension costs	1,322,834	620,442
	10,963,657	4,693,516
Supply staff costs	130,543	326,179
Staff restructuring costs	36,100	—
	11,130,300	5,019,695

b) Staff restructuring costs

Included in staff costs above are non-statutory/non-contractual severance payments totalling £36,100 made to one employee (2016 – £nil).

c) Higher paid staff

The number of employees who earned £60,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the year was as follows:

	2017 Number	2016 Number
£60,001 - £70,000	5	—
£70,001- £80,000	1	2
£80,001 - £90,000	2	—
£90,001 - £100,000	1	—
£110,001 - £120,000	2	—
£120,001 - £130,000	1	—
£140,001- £150,000	—	1

Employer contributions were made to the Teacher's Pension Scheme in respect of the above employees and these amounted to £153,096 (2016 - £52,680).

In the prior period, the executive directors were contractors and were omitted from this table. All central staff are now paid through the payroll.

9 Staff (continued)

d) Staff numbers

The average number of persons (including the senior management team) employed by the charitable company during the year ended 31 August 2017 was as follows:

	2017 Number	2016 Number
Teachers	150	58
Administration and support	114	47
Management	20	7
	284	112

e) Key management personnel

The key management personnel of the Academy Trust comprise the directors and the senior management team as listed on page 1. The total amount of employee benefits (including employee pension contributions) received by key management personnel for their services to the academy trust was £258,924 (2016: £647,053).

10 Directors' remuneration and expenses

The Chief Executive Officer and Director of Finance and Operations received remuneration for their roles as employees. During the year, total remuneration of £217,000 (2016: £95,000) was paid and pension contributions of £14,090 were made. Additional benefits in kind or expense allowance of £600 were paid (2016 - None).

11 Directors', governors' and officers' insurance

In accordance with normal commercial practice the Academy Trust has purchased, with effect from January 2007, insurance to protect directors and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The Academy Trust was part of the Academies Risk Protection Arrangement (RPA) and the cost of insurance covering directors, governors and officials cannot be separately identified.

12 Taxation

The Academy Trust, as a charitable company, is not liable to income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

Notes to the financial statements 31 August 2017

13 Tangible fixed assets

	Leasehold buildings £	Furniture, fittings and equipment £	Computer, equipment & software £	Total £
Cost				
At 1 September 2016	28,778,388	57,269	2,016,578	30,852,235
Transfer from another academy trust (note 2)	21,267,214	173,000	19,000	21,459,214
Additions	72,693	5,952	40,444	119,089
At 31 August 2017	50,118,295	236,221	2,076,022	52,430,538
Depreciation				
At 1 September 2016	2,453,781	37,207	2,009,323	4,500,311
Charge for period	1,090,867	53,671	42,681	1,187,219
At 31 August 2017	3,544,648	90,878	2,052,004	5,687,530
Net book values				
At 31 August 2017	46,573,647	145,343	24,018	46,743,008
At 31 August 2016	26,324,607	20,062	7,255	26,351,924

Francis Combe Academy joined the Trust on 1 September 2016. The academy was previously a single academy trust, sponsored by West Herts College. The value of the buildings and other assets transferred on 1 September 2016 is included within tangible fixed assets.

14 Debtors

	2017 £	2016 £
Trade debtors	111,581	22,770
VAT recoverable	150,773	210,085
Other debtors	45,806	—
Prepayments and accrued income	273,203	156,991
	581,363	389,846

15 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	375,570	126,035
Taxation and social security	284,711	159,895
ESFA creditor: abatement of GAG	355,573	120,512
Other creditors	93,238	—
Accruals and deferred income	488,558	166,356
	1,597,650	572,798

	2017 £	2016 £
Deferred income		
Deferred income at 1 September 2016	111,761	89,963
Released during the year	(111,761)	(89,963)
Resources deferred in the year	281,136	111,761
Deferred income at 31 August 2017	281,136	111,761

Notes to the financial statements 31 August 2017

15 Creditors: amounts falling due within one year (continued)

Deferred income relates to funds received in advance for trips, lettings and music lessons of £48,864 (2016 - £74,765). In addition the Academy Trust had received ESFA funding in advance for the 2017/18 year amounting to £202,620 (2016 - £36,996).

16 Funds

	At 1 September 2016 £	Income £	Expenditure £	Gains/ losses and transfers £	At 31 August 2017 £
Restricted general fund					
. General Annual Grant	—	12,095,263	(12,472,439)	377,176	—
. Start Up Grant	—	80,733	(80,733)	—	—
. Pupil Premium	—	612,961	(612,961)	—	—
. Donated current assets on conversion and acquisition	—	447,000	(447,000)	—	—
. Other DfE/ESFA grants	—	59,905	(59,905)	—	—
. Pension reserve	(1,023,000)	—	(365,000)	1,388,000	—
	<u>(1,023,000)</u>	<u>13,295,862</u>	<u>(14,038,038)</u>	<u>1,765,176</u>	<u>—</u>
Restricted fixed asset fund					
. Transfer on conversion	26,134,351	21,878,214	—	—	48,012,565
. DfE/ESFA capital grants	34,975	26,255	(1,187,219)	—	(1,125,989)
. Fixed assets funded from unrestricted funds	188,613	—	—	—	188,613
. Hertfordshire County Council capital grant	28,960	—	—	—	28,960
	<u>26,386,899</u>	<u>21,904,469</u>	<u>(1,187,219)</u>	<u>—</u>	<u>47,104,149</u>
Other restricted funds					
. Local authority grants	—	81,853	—	—	81,853
. Other restricted funds	70,000	—	—	—	70,000
	<u>70,000</u>	<u>81,853</u>	<u>—</u>	<u>—</u>	<u>151,853</u>
Total restricted funds	<u>25,433,899</u>	<u>35,282,184</u>	<u>(15,225,257)</u>	<u>1,765,176</u>	<u>47,256,002</u>
Unrestricted funds					
. General funds	518,385	1,202,841	(505,213)	(377,176)	838,837
. Donated current assets on conversion and acquisition	—	317,000	—	—	317,000
. Designated funds	53,364	—	—	—	53,364
Total unrestricted funds	<u>571,749</u>	<u>1,519,841</u>	<u>(505,213)</u>	<u>(377,176)</u>	<u>1,209,201</u>
Total funds	<u>26,005,648</u>	<u>36,802,025</u>	<u>(15,730,470)</u>	<u>1,388,000</u>	<u>48,465,203</u>

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

Notes to the financial statements 31 August 2017

16 Funds (continued)

Restricted general fund

This fund represents grants received for the Academy Trust's operational activities and development.

General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, the Bushey Academy was subject to a limit on the amount of GAG that it could carry forward at 31 August 2017. The limit has not been exceeded.

The transfer to General Annual Grant represents GAG related expenditure which was funded from unrestricted funds.

Pension reserve

The pension reserve forms part of the restricted general fund and relates to the Academies share of the deficit of the Hertfordshire County Council Pension Fund.

Fixed asset fund

This fund represents grants received from the ESFA, Hertfordshire County Council and private sponsors to fund tangible fixed assets.

Analysis of fund balances

Fund balances at 31 August 2017 were allocated as follows:

	Total 2016 £
The Bushey Academy	695,924
Francis Combe Academy	658,096
Central services	6,488
Total funds before fixed asset and pension reserves	1,360,508
Restricted fixed asset fund	47,104,695
Total	48,465,203

Analysis of costs (excluding depreciation)

	Teaching and educational support cost £	Other support staff costs £	Other costs (excluding depreciation) £	Total 2017 £
The Bushey Academy	4,228,630	1,041,017	1,673,570	6,943,217
Francis Combe Academy	4,426,520	1,065,187	1,774,349	7,266,056
Central Services	—	330,457	242,661	573,118
Total	8,655,150	2,436,661	3,690,580	14,782,391

17 Analysis of net assets between funds

	Unrestricted funds £	Restricted general funds £	Restricted fixed asset funds £	Total 2017 £
Fund balances at 31 August 2017 are represented by:				
Tangible fixed assets	—	—	46,743,008	46,743,008
Current assets	1,209,201	1,749,503	361,141	3,319,845
Current liabilities	—	(1,597,650)	—	(1,597,650)
Pension scheme liability	—	—	—	—
Total net assets	1,209,201	151,853	47,104,149	48,465,203

18 Capital commitments

	2017 £	2016 £
Contracted for, but not provided in the financial statements	118,804	—

19 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 Hertfordshire County Council Pension Fund. Both are multi-employer defined benefit schemes.

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

Contributions amounting to £92,650 were payable to the schemes at 31 August 2017 (2016: £70,997) and are included within creditors.

Teachers' Pension Scheme

Introduction

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

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

19 Pension and similar obligations (continued)

Teachers' Pension Scheme (continued)

Valuation of the Teachers' Pension Scheme

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

- ◆ employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge)
- ◆ total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- ◆ an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- ◆ the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

The employer's pension costs paid to TPS in the period amounted to £418,476 (2016: £336,557).

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 Academy 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.

19 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2017 was £319,000, of which employer's contributions totalled £252,000 and employees' contributions totalled £67,000.

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

Principal Actuarial Assumptions	At 31 August 2017	At 31 August 2016
Rate of increase in salaries	2.5%	3.6%
Rate of increase for pensions in payment / inflation	2.4%	2.1%
Discount rate for scheme liabilities	2.5%	2.1%

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

	At 31 August 2017	At 31 August 2016
<i>Retiring today</i>		
Males	22.5 years	22.3 years
Females	24.9 years	24.3 years
<i>Retiring in 20 years</i>		
Males	24.1 years	24.5 years
Females	26.7 years	26.7 years

	Approx. increase to defined benefit obligation £'000	Approx. monetary value £'000
Sensitivity analysis for the year ended 31 August 2017		
0.5% decrease in real discount rate	12%	1,261
0.5% increase in the salary increase rate	2%	214
0.5% increase in the pension increase rate	10%	1,028

19 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

The Academy's share of the assets and liabilities in the scheme were:

	Fair value at 31 August 2017 £'000	Fair value at 31 August 2016 £'000
Equities	7,243	2,351
Gilts	2,786	1,045
Property	780	261
Cash and other liquid assets	334	74
Total market value of assets	11,143	3,731
Present value of scheme liabilities		
Funded	(10,243)	(4,754)
Surplus (deficit) in the scheme	900	(1,023)

The pension scheme surplus of £0.9m has not been recognised in the financial statements. The total actuarial gains for the year amounted to £2.288m, of which £1.388m has been recognised in the statement of financial activities.

The actual return on scheme assets was 7.7% (2016: 8.1%).

Amounts recognised in statement of financial activities	2017 £'000	2016 £'000
Current service cost	692	284
Interest income	(197)	(117)
Interest cost	223	128
Benefit changes, gain/(loss) on curtailment and gain/(loss) on settlement	—	(19)
Total amount recognised in the SOFA	718	276
Analysis of pension finance income/(costs)		
Expected return on pension scheme assets	197	117
Interest on pension liabilities	(223)	(128)
Pension finance costs	(26)	(11)

19 Pension and similar obligations (continued)

Changes in the present value of defined benefit obligations were as follows:	2017 £'000	2016 £'000
At 1 September 2016	4,754	3,197
Current service cost	692	284
Interest cost	223	128
Employee contributions	117	67
Actuarial (gain)/loss	(988)	1,097
Benefits paid	(56)	(19)
Effect of business combinations	5,501	—
At 31 August 2017	10,243	4,754

Changes in the fair value of the Academy's share of scheme assets:	2017 £	2016 £
At 1 September 2016	3,731	2,943
Interest income	197	117
Actuarial gain	1,300	—
Expected return on assets	—	371
Employer contributions	378	252
Employee contributions	117	67
Effect of business combinations	5,476	—
Effect of non-routine settlements	(56)	(19)
At 31 August 2017	11,143	3,731

20 Operating leases

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

	2017 £	2016 £
Amounts due within one year	14,548	9,168
Amounts due between two and five years inclusive	12,320	16,807
	26,868	25,975

21 Members' liability

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

22 Related party transactions

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

Mr D R Meller and Mrs L B Gadd, director and Member of the Academy Trust respectively, are also trustees of Greenhouse Sports Limited, a charitable company. The Academy Trust participates in a table tennis programme operated by Greenhouse Sports Limited. The Academy Trust made no contributions to Greenhouse Sports Limited during the year (2016 - £17,500). Neither Mr D R Meller nor Mrs L B Gadd received any remuneration or benefits from Greenhouse Sports Limited.

22 Related party transactions (continued)

Mrs L B Gadd, resigned from her position as a director of the Academy Trust in July 2016. In the year ended 31 August 2017 Mrs L B Gadd received no in payments from the Academy Trust (2016: £79,607). The payments were made in connection with consultancy services and were made on an arm's length basis.

The names of other educational establishments related to The Meller Educational Trust are given in the directors' report.

During the year, the Trust provided educational support and administrative services to the following academies, under service level agreement as part of an umbrella trust arrangement.

The income was as follows:

	2017 £	2016 £
Hertswood Academy	136,934	146,360
Harefield Academy	66,137	—
Elstree UTC	39,076	70,101
Watford UTC	19,467	35,751
Global UTC	19,813	—
	281,427	252,212

23 Agency arrangements

The Academy Trust acts as paying agent for the ESFA for the dispensing of 16-19 Bursaries onto students. Funds received in the year ended 31 August 2017 of £22,323 and disbursed £6,222 from the fund. An amount of £6,672 is included in other creditors relating to undistributed funds that are repayable to the ESFA.

24 Central services

MET is a multi academy trust and, as such, provides educational and administrative support services to its member schools. In addition, the Trust provides the governance structure overseeing and holding to account the performance of each academy in accordance with the Master Funding Agreement in place with the Education and Skills Funding Agency.

Central services charges for these services on the following basis:

A fee of 2% of the School Budget Share and LACSEG income. The actual amounts charged within the Academy Trust during the year were as follows:

	2017	2016
	£	£
The Bushey Academy	119,224	117,530
Francis Combe Academy	119,915	—
	239,139	117,530

In addition, charges to schools and UTCs outside the Trust are set out in note 22.