

Company Registration Number: 08565187 (England and Wales)

LOUGHTON SCHOOL
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

LOUGHTON SCHOOL
(A company limited by guarantee)

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**REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 AUGUST 2018**

Members

Sandy Blackledge
Mark Duggan
Stephen Fortune (resigned 14 September 2017)
Ben Friday
Rachael Parkin (resigned 19 July 2018)

Trustees

Sandy Blackledge, Chair¹
Sarah Greenwood (appointed 12 December 2017)
Graham Cuthbert¹
Mark Duggan¹
Stephen Fortune (resigned 14 September 2017)
Ben Friday¹
Ellie Frost, Associate Staff Trustee
Andy George, Headteacher and accounting officer¹
Neil Goodman-Smith
Lucy Hazlewood, Staff Trustee (resigned 31 May 2018)¹
Luke Hodgson, Staff Trustee (appointed 4 June 2018)
Cyprel Ijeh¹
Monica Maughan, Staff Trustee¹
Rachael Parkin (resigned 19 July 2018)¹
Chris Pottinger (resigned 15 December 2017)
Andy Smith (resigned 20 September 2017)
Jacqueline Watson-Yarngo
Manjula Nambiar (appointed 28 January 2018)
Jane Solloway, Staff Trustee (appointed 16 July 2018)
Neil Stickland (appointed 13 December 2017)
Geoffrey Twiselton (appointed 24 May 2018)

¹ Resources committee

Company registered number

08565187

Company name

Loughton School

Principal and registered office

Loughton School
Bradwell Road
Loughton
Milton Keynes
MK5 8DN

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2018**

Advisers (continued)

Senior management team

Andy George, Headteacher
Rebekah Green, Deputy Headteacher
Grant Malloch, Assistant Headteacher (resigned 31 August 2018)
Ellie Frost, Assistant Headteacher

Independent auditors

Streets Audit LLP
Chartered Accountants
Statutory Auditors
Potton House
Wyboston Lakes
Great North Road
Wyboston
Beds
MK44 3BZ

Bankers

Lloyds Bank PLC
Lloyds Court
28 Secklow Gate West
Milton Keynes
Bucks
MK9 3EH

Solicitors

Schofield Sweeney LLP
Church Bank House
Church Bank
Bradford
BD1 4DY

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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2018

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

The trust operates an academy for pupils aged 7 to 11 serving a catchment area in West Milton Keynes. It has a pupil capacity of 480 and had a roll of 482 in the school census on 4 October 2018.

STRUCTURE, GOVERNANCE AND MANAGEMENT

a. CONSTITUTION

The academy trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust. The trustees of Loughton School are also the directors of the charitable company for the purposes of company law. The charitable company is known as Loughton School.

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

b. MEMBERS' LIABILITY

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

c. TRUSTEES' INDEMNITIES

In accordance with normal commercial practice the academy trust has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on business of the academy trust. The insurance provides cover up to £1,000,000 in any one claim. However, whilst this is the limit for any one claim, it is also the total aggregate limit during any one year.

d. METHOD OF RECRUITMENT AND APPOINTMENT OR ELECTION OF TRUSTEES

The articles of association require the academy trust to appoint a minimum of 3 and a maximum of 8 trustees. The articles of association contain provisions for the appointment of additional trustees, including staff and parent trustees. There is no maximum number of trustees. Trustees are appointed for fixed term of 4 years, but are eligible for re-election at the end of the fixed term.

There are currently 8 co-opted trustees, the headteacher, and 3 staff trustees (employed by the academy trust and elected by the staff), 1 associate staff trustee and 4 parent trustees (elected by the parents).

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

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

New trustees receive induction and support from the development trustee and the clerk to the governing board. All trustees are offered training opportunities through the Milton Keynes Council Governance and Leadership training programme.

f. ORGANISATIONAL STRUCTURE

The trustee roles and responsibilities were reviewed on 24 October 2017. The trustees are organised into a number of committees who form policy about key areas. The committees comprise Environment, Resources, Audit, Pay, Teaching and Learning, Complaints and Discipline, and Independent Appeals. The trustees are responsible for setting general policy, adopting an annual plan and budget, monitoring the finances of the academy by the use of budgets and making major decisions about the direction of the academy, capital expenditure and senior staff appointments. During the period under review the trustees held 6 full governing board meetings. Regular emails have been sent to the trustees keeping them informed of significant events and most have visited the academy during daytime activities. All trustees have access to all policies, procedures, minutes, accounts, budgets and plans that they need to discharge their duties. The responsible officer has monitored the changes to processes and makes regular reports to the trustees. The trustees approve the statutory accounts. The levels of authorisation of budget spend are detailed in the academy finance manual. The day to day management of the academy is delegated by the trustees to the headteacher who is the accounting officer. The headteacher is supported by the deputy headteacher and the finance officer.

g. ARRANGEMENTS FOR SETTING PAY AND REMUNERATION OF KEY MANAGEMENT PERSONNEL

The academy trust defines key management personnel as the senior leadership team. The pay and remuneration of the senior leadership team is set by the trustees by the annual approval of a pay policy linked with an appraisal policy. The performance management of all staff is overseen by the trustees. The headteacher is appraised annually by a panel of three trustees, including the chair of trustees and the chair of the resources committee. The trustees use the services of an independent advisor to assist with this process.

h. TRADE UNION FACILITY TIME

Relevant union officials

| | |
|---|---|
| Number of employees who were relevant union officials during the year | 1 |
| Full-time equivalent employee number | 1 |

Percentage of time spent on facility time

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

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

| | | |
|---|------------------|---|
| Percentage of pay bill spent on facility time | £ | |
| Total cost of facility time | 542 | |
| Total pay bill | 1,669,925 | |
| Percentage of total pay bill spent on facility time | - | % |
| Paid trade union activities | | |
| Time spent on paid trade union activities as a percentage of total paid facility time hours | 100 | % |

i. RELATED PARTIES AND OTHER CONNECTED CHARITIES AND ORGANISATIONS

There are no related parties which either control or significantly influence the decisions and operations of the academy. There are no sponsors. The academy continues to work closely with the Friends of Loughton School Association to fund the principal activities of the academy. The academy works with many school networks to further the principal activities of the academy.

OBJECTIVES AND ACTIVITIES

a. OBJECTS AND AIMS

The principal objective of the academy trust is the operation of Loughton School.

In accordance with the articles of association the academy trust aims to advance for the public benefit education by managing and developing a school offering a broad and balanced curriculum.

b. OBJECTIVES, STRATEGIES AND ACTIVITIES

In June 2018 the board of trustees undertook a strategic review, facilitated by the vice chair. At the review, trustees prepared an analysis of the strengths, weaknesses, opportunities and threats of the academy. They assessed the academy's position in the local educational landscape and considered the merits of joining or forming a multi-academy trust.

The board of trustees concluded that their strategy should be for the academy to be the best provider of holistic education, both locally and nationally. The experience for a child attending the academy should be outstanding. The strong pastoral offer and a re-designed broad, balanced and creative curriculum will inspire the development of the whole child. Children will flourish in a supportive, safe, happy and caring environment. Children and staff will be excited by their learning and as a result, academic outcomes will be of the highest standard. Loughton Immersive Learning will prepare children for the next stage in their learning - emotionally, socially and academically. It will focus on inspiring children to be creative, resilient, independent and respectful.

This vision will be shared with stakeholders during 2018/2019, following a strategic plan. The academy will aim for continuous improvement, through strong leadership and governance, working with others, inclusion and celebrating our successes.

Our motto remains : 'Inspiring children'.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

c. PUBLIC BENEFIT

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

STRATEGIC REPORT

ACHIEVEMENTS AND PERFORMANCE

a. KEY PERFORMANCE INDICATORS

There was a short inspection by Ofsted on 15 March 2016. The inspector said that the school continues to be good. The Ofsted report to the headteacher said:

- You have determinedly ensured that pupils flourish as a result of the good care and rich learning experiences that you and your staff provide. Your unstinting focus on improving the quality of the curriculum has ensured that pupils are developing deep knowledge and gaining skills across a wide range of subjects. Pupils and parents value these well-planned opportunities. The collaborative, creative ventures in which the whole school participates have helped to build a harmonious school community.
- You have developed your pupils' communication skills very well so they can confidently articulate the delight they feel at discovering a new fact or working out how different concepts are linked. This creates a positivity which is palpable throughout your school. You and your leaders systematically and efficaciously have ensured that all pupils are clear about their role in creating the right conditions for learning. You are explicit about what positive attitudes to learning look and feel like.
- You have successfully developed subject leaders' skills.
- Before the school's conversion to academy status, in the previous inspection report, leaders were asked to improve the quality of teaching. You have successfully achieved this.
- Safeguarding is effective. You and your trustees have established strong and effective safeguarding protocols and procedures which are properly implemented. You ensure all safeguarding requirements are fully met.
- You and the trustees know the school very well.
- Subject leaders have made a strong and effective contribution to improving teaching, learning and assessment in the subjects they manage.
- trustees have made a positive difference to the school.
- Pupils behave very well.
- Pupils who have special educational needs or disability are making stronger progress now that you have developed the dedicated room where they receive additional help.
- Pupils' spiritual, moral, social and cultural development is a strength of the school.

The school was oversubscribed for the 2017/2018 intake and remains full in all year groups.

Pupil attendance is higher than the national average attendance.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

The staff and trustees at the academy continue to be proud of the achievements of the children at Loughton School, not just in their SATS results, where attainment and progress compares well nationally, but in the diversity and opportunity of the successes of the children in the school in all areas.

The academy trust is also monitored through the completion and submission to the ESFA of the budget forecast for the year ahead and the accounts annual return produced from the annual financial statements.

b. GOING CONCERN

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

FINANCIAL REVIEW

The academy trust's financial objectives are to:

- Apply at all times best value principles in all purchases
- Monitor and evaluate the value for money of all staff
- Prevent all areas of wastage
- Generate extra income through external sources

These objectives were achieved in the year ended 31 August 2018.

The academy trust reviews annually its finance policy and procedures and complies with the Academies Financial Handbook.

Most of the academy trust's income is obtained from the ESFA in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the ESFA during the year ended 31 August 2018 and the associated expenditure are shown as restricted funds in the statement of financial activities. The academy trust also receives grants for fixed assets from the ESFA. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP FRS 102), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.

This is the first full year of the provision of Wrap around care which has contributed £92,263 of income for the academy trust.

In January 2018 the School Fund was brought under the control of the academy trust.

During the year ended 31 August 2018 total income (excluding capital funding) was £1,947,125 and expenditure was £2,150,590 (excluding capital expenditure, depreciation and the movement on the LGPS actuary valuation). The excess of revenue expenditure over revenue income for the year was £203,465 (2017 £30,676) .

At 31 August 2018 the net book value of fixed assets was £3,812,521 and movements in tangible fixed assets are shown in note 14 to the financial statements. The assets were used exclusively for providing education and the associated support services to pupils.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

The academy trust held fund balances at 31 August 2018 of £3,337,701. This comprised restricted funds of £2,994, restricted fixed asset funds of £3,853,857, a pension reserve deficit of £717,000 and £197,850 of unrestricted general funds.

a. RESERVES POLICY

The trustees review the reserve levels of the academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The trustees have determined that the appropriate level of free reserves should be equivalent to 4 weeks of expenditure, approximately £150,000. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance. The academy trust currently has free reserves of £200,844.

b. INVESTMENT POLICY

The academy trust holds surplus cash balances on short fixed term deposits with Lloyds Bank.

c. PRINCIPAL RISKS AND UNCERTAINTIES

The academy trust has undertaken work during the year to further develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the academy trust's assets and reputation. The academy trustees undertake a comprehensive review of the risks to which the academy trust is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the academy trust. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the trustees will also consider any risks which may arise as a result of a new area of work being undertaken by the academy trust.

A risk register is maintained which is reviewed at least annually by the Audit Committee, reporting to the Resources Committee, and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the academy trust and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. Outlined below is a description of the principal risk factors that may affect the academy trust. Not all the factors are within the academy trust's control. Other factors besides those listed below may also adversely affect the academy trust.

1. Government funding

The academy trust has considerable reliance on continued government funding through the ESFA. In 2017/18, 91% of the academy trust's revenue was ultimately public funded and this level of requirement is expected to continue. There is no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms. This risk is mitigated in a number of ways:

- Funding is derived through a number of direct and indirect contractual arrangements
- Ensuring the academy trust is rigorous in delivering high quality education
- Placing considerable focus and investment on maintaining and managing key relationships with the ESFA

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2018

2. Maintain adequate funding of pension liabilities

The financial statements report the share of the pension scheme deficit on the academy trust's balance sheet in line with the requirements of Financial Reporting Standard (FRS) 17. This deficit relates to non-teaching staff who are members of the Buckinghamshire Pension Fund. At 31 August 2018 the deficit amounted to £(717,000). The pension scheme liability is an on-going liability which is not expected to crystallise until the retirement of the employees in the scheme. The academy trust makes contributions to the scheme on behalf of its employees. During the year the academy trust made contributions to the scheme of £102,000. The contributions are determined by the scheme's actuaries and are designed to eliminate the deficit over the estimated future working lives of the employees in the scheme.

PLANS FOR FUTURE PERIODS

The academy trust intends to action fully the areas of development as detailed on the School Development Plan 2018/19.

FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS

There are no funds held as Custodian Trustee on behalf of others.

AUDITORS

Insofar as the trustees are aware:

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

The trustees re-appoint Streets Audit LLP as auditors.

The Trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 12/12/18 and signed on its behalf by:



Sandy Blackledge
Chair of Trustees

LOUGHTON SCHOOL
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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

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

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

GOVERNANCE

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

| Trustee | Meetings attended | Out of a possible |
|--|-------------------|-------------------|
| Sandy Blackledge, Chair | 6 | 6 |
| Sarah Greenwood (appointed 12.12.17) | 4 | 4 |
| Graham Cuthbert | 4 | 6 |
| Mark Duggan | 5 | 6 |
| Ben Friday | 4 | 6 |
| Ellie Frost, Associate Staff Trustee | 5 | 6 |
| Andy George, (headteacher and accounting officer) | 6 | 6 |
| Neil Goodman-Smith | 6 | 6 |
| Lucy Hazlewood, (staff trustee, resigned 31.05.18) | 2 | 5 |
| Luke Hodgson, Staff Trustee (appointed 4.06.18) | 1 | 1 |
| Cyprel Ijeh | 5 | 6 |
| Monica Maughan, Staff Trustee | 4 | 6 |
| Rachael Parkin (resigned 19.07.18) | 2 | 6 |
| Chris Pottinger (resigned 15.12.17) | 0 | 2 |
| Jacqueline Watson-Yarngo | 5 | 6 |
| Manjula Nambiar (appointed 28.01.18) | 4 | 4 |
| Jane Solloway, Staff Trustee (appointed 16.07.18) | 0 | 0 |
| Neil Stickland (appointed 13 December 2017) | 4 | 4 |
| Geoffrey Twiselton (appointed 24.05.18) | 1 | 1 |

The board of trustees undertook a governing body effectiveness skills audit using tools provided by the National Governors Association, in June 2018. It was found that the board of trustees has a broad and diverse range of skills to enable them to perform and function as an effective board. Areas for improvement identified in the governing board self-evaluation, undertaken in June 2017, had been successfully addressed. During the year, the board of trustees undertook a group training session on Analysing School Performance. They also undertook many governor training sessions via the National Governors Association online training and training courses run by Milton Keynes Council. The board of trustees will undertake a group training session on safeguarding in 2017/2018.

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GOVERNANCE STATEMENT (continued)

The Resources Committee is a sub-committee of the main board of trustees. Its purpose is to ensure the school community has the resources available to fulfil its aims, so that:

- The academy's financial reporting, accounting systems and internal controls are overseen by the academy trustees.
- Ensure the risks of the academy, financial and otherwise, are effectively reviewed and that the annual financial statements give a true and fair view of the activities of the school.

Attendance at meetings in the year was as follows:

| Trustee | Meetings attended | Out of a possible |
|---|-------------------|-------------------|
| Sandy Blackledge | 6 | 6 |
| Graham Cuthbert | 4 | 6 |
| Mark Duggan | 6 | 6 |
| Ben Friday (chair) | 6 | 6 |
| Andy George, Headteacher and accounting officer | 6 | 6 |
| Cyprel Ijeh | 2 | 6 |
| Lucy Hazlewood, Staff Trustee (resigned 31.05.18) | 3 | 5 |
| Monica Maughan, Staff Trustee | 2 | 6 |
| Rachael Parkin (resigned 19.07.18) | 4 | 6 |

The audit committee is also a sub-committee of the main board of trustees. Its purpose is to help the trustees meet their responsibility for risk management, having effective internal controls, and the efficient and effective use of funds.

Attendance at meetings in the year was as follows:

| Trustee | Meetings attended | Out of a possible |
|---|-------------------|-------------------|
| Ben Friday | 2 | 2 |
| Andy George, Headteacher and accounting officer | 2 | 2 |
| Rachael Parkin | 2 | 2 |

REVIEW OF VALUE FOR MONEY

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

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

- Reviewing the provision of in-house wraparound care to raise additional funds
- Embedding full management accounting to improve financial reporting and monitoring
- Successfully bidding for new fencing and safeguarding protection via the ESFA Condition Improvement Fund, thus reducing repair costs, enhancing the school environment and giving children more outdoor space.
- Review of role of senior and middle leaders to make efficiencies, and to enable better development of staff.

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GOVERNANCE STATEMENT (continued)

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Loughton School for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

CAPACITY TO HANDLE RISK

The board of trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

THE RISK AND CONTROL FRAMEWORK

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

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

The board of trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Trustees have appointed Shola Ajose, a responsible officer from Strictly Education, to perform additional checks each term.

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

- testing of payroll systems
- testing of purchase systems
- testing of control account/ bank reconciliations
- reviewing the governance in terms of statutory responsibilities
- reviewing the budgeting process

On a termly basis the responsible officer reports to the board of trustees, through the Resources Committee, on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

The responsible officer has delivered their schedule of work as planned. No material control issues were reported in 2017/18 as a result of their work.

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GOVERNANCE STATEMENT (continued)

REVIEW OF EFFECTIVENESS

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

- the work of the responsible officer;
- the work of the external auditors;
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Audit Committee and the Resources Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on 21 November 2018 and signed on their behalf, by:



Sandy Blackledge
Chair of Trustees



Andy George
Accounting Officer

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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

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

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

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



Andy George
Accounting Officer

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STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2018

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP (FRS 102) and the Academies Accounts Direction 2017 to 2018;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the board of trustees on 12/12/18 and signed on its behalf by:



Sandy Blackledge
Chair of Trustees

LOUGHTON SCHOOL
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
LOUGHTON SCHOOL**

OPINION

We have audited the financial statements of Loughton School (the 'academy') for the year ended 31 August 2018 which comprise the Statement of financial activities incorporating income and expenditure account, the Balance sheet, the Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018 issued by the Education & Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the academy's affairs as at 31 August 2018 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP (FRS102) and the Academies Accounts Direction 2017 to 2018 issued by the Education & Skills Funding Agency.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the academy'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.

LOUGHTON SCHOOL
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
LOUGHTON SCHOOL**

OTHER INFORMATION

The Trustees are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditors' 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.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Trustees' report including the Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' report and 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 our knowledge and understanding of the academy and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' report including the Strategic report.

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

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

RESPONSIBILITIES OF TRUSTEES

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

LOUGHTON SCHOOL
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
LOUGHTON SCHOOL**

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

AUDITORS' 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 Auditors' 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 Auditors' report.

OTHER MATTERS

Only partial disclosure has been made in respect of Trustees remuneration (note 12).

USE OF OUR REPORT

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

Jonathan Day (Senior statutory auditor)

for and on behalf of

Streets Audit LLP

Chartered Accountants
Statutory Auditors

Potton House
Wyboston Lakes
Great North Road
Wyboston
Beds
MK44 3BZ
Date:

LOUGHTON SCHOOL
(A company limited by guarantee)

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO LOUGHTON SCHOOL AND THE EDUCATION & SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 30 October 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Loughton School during the year 1 September 2017 to 31 August 2018 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 Loughton School and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Loughton School 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 Loughton School and the ESFA, for our work, for this report, or for the conclusion we have formed.

RESPECTIVE RESPONSIBILITIES OF LOUGHTON SCHOOL'S ACCOUNTING OFFICER AND THE REPORTING ACCOUNTANT

The Accounting Officer is responsible, under the requirements of Loughton School's funding agreement with the Secretary of State for Education dated 27 June 2013, and the Academies Financial Handbook extant from 1 September 2017, 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 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2017 to 31 August 2018 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 2017 to 2018 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

LOUGHTON SCHOOL
(A company limited by guarantee)

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO LOUGHTON SCHOOL AND THE EDUCATION & SKILLS FUNDING AGENCY (continued)

The work undertaken to draw our conclusions included:

- Review of the Academy's systems and controls to ensure effective design;
- Confirmation of satisfactory operation of controls during the year, including authorisation of invoices, payments and salary adjustments;
- Review of a sample of expenses focussing on those nominal codes considered to include transactions of a greater risk;
- Review of the reports from internal scrutiny work undertaken during the year;
- Discussions with the Finance Team.

CONCLUSION

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Jonathan Day (Senior statutory auditor)

Streets Audit LLP

Chartered Accountants
Statutory Auditors

Potton House
Wyboston Lakes
Great North Road
Wyboston
Beds
MK44 3BZ

Date:

LOUGHTON SCHOOL
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2018**

| | Note | Unrestricted funds 2018 £ | Restricted funds 2018 £ | Restricted fixed asset funds 2018 £ | Total funds 2018 £ | Total funds 2017 £ |
|---|------|------------------------------------|----------------------------------|---|-----------------------------|-----------------------------|
| INCOME FROM: | | | | | | |
| Donations and capital grants | 2 | 18,147 | 15,352 | 93,608 | 127,107 | 142,716 |
| Charitable activities | 5 | 92,375 | 1,801,055 | - | 1,893,430 | 1,840,759 |
| Other trading activities | 3 | 19,541 | - | - | 19,541 | 34,495 |
| Investments | 4 | 655 | - | - | 655 | 761 |
| TOTAL INCOME | | 130,718 | 1,816,407 | 93,608 | 2,040,733 | 2,018,731 |
| EXPENDITURE ON: | | | | | | |
| Charitable activities | | 87,794 | 2,062,796 | 163,053 | 2,313,643 | 2,153,787 |
| TOTAL EXPENDITURE | 6 | 87,794 | 2,062,796 | 163,053 | 2,313,643 | 2,153,787 |
| NET INCOME / (EXPENDITURE) BEFORE TRANSFERS | | | | | | |
| Transfers between Funds | 18 | 42,924 (66,320) | (246,389) 67,315 | (69,445) (995) | (272,910) - | (135,056) - |
| NET EXPENDITURE BEFORE OTHER RECOGNISED GAINS AND LOSSES | | | | | | |
| | | (23,396) | (179,074) | (70,440) | (272,910) | (135,056) |
| Actuarial gains on defined benefit pension schemes | 22 | 162,000 | - | - | 162,000 | 127,000 |
| NET MOVEMENT IN FUNDS | | 138,604 | (179,074) | (70,440) | (110,910) | (8,056) |
| RECONCILIATION OF FUNDS: | | | | | | |
| Total funds brought forward | | 221,246 | (696,932) | 3,924,297 | 3,448,611 | 3,456,667 |
| TOTAL FUNDS CARRIED FORWARD | | 359,850 | (876,006) | 3,853,857 | 3,337,701 | 3,448,611 |

LOUGHTON SCHOOL
(A company limited by guarantee)
REGISTERED NUMBER: 08565187

BALANCE SHEET
AS AT 31 AUGUST 2018

| | Note | £ | 2018 £ | £ | 2017 £ |
|--|------|----------------|-------------------------|----------------|-------------------------|
| FIXED ASSETS | | | | | |
| Tangible assets | 14 | | 3,812,521 | | 3,904,761 |
| CURRENT ASSETS | | | | | |
| Debtors | 15 | 89,603 | | 87,314 | |
| Investments | 16 | 122,691 | | 122,178 | |
| Cash at bank and in hand | | 173,483 | | 133,712 | |
| | | <u>385,777</u> | | <u>343,204</u> | |
| CREDITORS: amounts falling due within one year | 17 | (143,597) | | (75,354) | |
| NET CURRENT ASSETS | | | <u>242,180</u> | | <u>267,850</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>4,054,701</u> | | <u>4,172,611</u> |
| Defined benefit pension scheme liability | 22 | | (717,000) | | (724,000) |
| NET ASSETS INCLUDING PENSION SCHEME LIABILITIES | | | <u><u>3,337,701</u></u> | | <u><u>3,448,611</u></u> |
| FUNDS OF THE ACADEMY | | | | | |
| Restricted income funds: | | | | | |
| Restricted income funds | 18 | 2,994 | | 27,068 | |
| Restricted fixed asset funds | 18 | 3,853,857 | | 3,924,297 | |
| Restricted income funds excluding pension liability | | 3,856,851 | | 3,951,365 | |
| Pension reserve | | (717,000) | | (724,000) | |
| Total restricted income funds | | | <u>3,139,851</u> | | <u>3,227,365</u> |
| Unrestricted income funds | 18 | | <u>197,850</u> | | <u>221,246</u> |
| TOTAL FUNDS | | | <u><u>3,337,701</u></u> | | <u><u>3,448,611</u></u> |

The financial statements on pages 21 to 46 were approved by the Trustees, and authorised for issue, on 12/12/18 Complete 'ACCOUNTS COMPLETION' section and are signed on their behalf, by:


Sandy Blackledge
Chair of Trustees


Andy George
Head Teacher

LOUGHTON SCHOOL
(A company limited by guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2018

| | Note | 2018 £ | 2017 £ |
|--|------|-----------------|-----------|
| Cash flows from operating activities | | | |
| Net cash provided by operating activities | 20 | 83,555 | 69,374 |
| Cash flows from investing activities: | | | |
| Dividends, interest and rents from investments | | 655 | 761 |
| Purchase of tangible fixed assets | | (43,926) | (10,930) |
| Interest received | | (513) | (625) |
| Net cash used in investing activities | | (43,784) | (10,794) |
| Change in cash and cash equivalents in the year | | 39,771 | 58,580 |
| Cash and cash equivalents brought forward | | 133,712 | 75,132 |
| Cash and cash equivalents carried forward | | 173,483 | 133,712 |

LOUGHTON SCHOOL
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES

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

1.1 Basis of preparation of financial statements

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

Loughton School constitutes a public benefit entity as defined by FRS 102.

1.2 Going concern

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

1.3 Income

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

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

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

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

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

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

LOUGHTON SCHOOL
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.4 Expenditure

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

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

All expenditure is inclusive of irrecoverable VAT.

1.5 Tangible fixed assets and depreciation

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

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

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

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

| | | |
|---------------------|---|-----------------------------|
| Freehold buildings | - | 4% straight line per annum |
| Plant and equipment | - | 20% straight line per annum |
| Computer equipment | - | 20% straight line per annum |

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

LOUGHTON SCHOOL
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.6 Taxation

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

1.7 Debtors

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

1.8 Cash at Bank and in hand

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

1.9 Liabilities and provisions

Liabilities and provisions are recognised when there is an obligation at the Balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.10 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 22, 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.

LOUGHTON SCHOOL
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (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/asset is also recognised in the Statement of financial activities incorporating income and expenditure account and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

1.11 Financial instruments

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

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

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

1.12 Fund accounting

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

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

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

LOUGHTON SCHOOL
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

1. ACCOUNTING POLICIES (continued)

1.13 Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, 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 2018. 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 judgment:

The annual depreciation charge for each class of tangible fixed asset is based on an estimate of the useful economic life of the respective assets. This is reviewed periodically by the directors to ensure that they reflect both the external and internal factors.

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

| | Unrestricted funds 2018 £ | Restricted funds 2018 £ | Restricted fixed asset funds 2018 £ | Total funds 2018 £ | Total funds 2017 £ |
|-------------------|------------------------------------|----------------------------------|---|-----------------------------|-----------------------------|
| Donations | - | 9,199 | - | 9,199 | 7,053 |
| Capital grants | - | - | 93,608 | 93,608 | 135,663 |
| School Fund | 18,147 | 6,153 | - | 24,300 | - |
| | <u>18,147</u> | <u>15,352</u> | <u>93,608</u> | <u>127,107</u> | <u>142,716</u> |
| <i>Total 2017</i> | <u>-</u> | <u>7,053</u> | <u>135,663</u> | <u>142,716</u> | |

LOUGHTON SCHOOL
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

3. OTHER TRADING ACTIVITIES

| | Unrestricted funds 2018 £ | Restricted funds 2018 £ | Total funds 2018 £ | Total funds 2017 £ |
|----------------------|------------------------------------|----------------------------------|-----------------------------|-----------------------------|
| Hire of facilities | 16,122 | - | 16,122 | 33,517 |
| Community activities | 3,419 | - | 3,419 | 794 |
| Course Fees | - | - | - | 184 |
| | <u>19,541</u> | <u>-</u> | <u>19,541</u> | <u>34,495</u> |
| <i>Total 2017</i> | <u>34,495</u> | <u>-</u> | <u>34,495</u> | |

4. INVESTMENT INCOME

| | Unrestricted funds 2018 £ | Restricted funds 2018 £ | Total funds 2018 £ | Total funds 2017 £ |
|---------------------|------------------------------------|----------------------------------|-----------------------------|-----------------------------|
| Interest receivable | 655 | - | 655 | 761 |
| | <u>761</u> | <u>-</u> | <u>761</u> | |
| <i>Total 2017</i> | <u>761</u> | <u>-</u> | <u>761</u> | |

LOUGHTON SCHOOL
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

5. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

| | Unrestricted funds 2018 £ | Restricted funds 2018 £ | Total funds 2018 £ | Total funds 2017 £ |
|--|------------------------------------|----------------------------------|-----------------------------|-----------------------------|
| DfE/ESFA grants and other funding | | | | |
| General Annual Grant (GAG) | - | 1,595,336 | 1,595,336 | 1,632,962 |
| Other DfE / ESFA grants | - | 110,746 | 110,746 | 103,973 |
| | - | 1,706,082 | 1,706,082 | 1,736,935 |
| Other government grants | | | | |
| Local authority grants | - | 75,758 | 75,758 | 81,855 |
| | - | 75,758 | 75,758 | 81,855 |
| Other funding | | | | |
| Music Tuition | - | 19,060 | 19,060 | 18,654 |
| Other income | - | 155 | 155 | 3,315 |
| Wrap around care | 92,375 | - | 92,375 | - |
| | 92,375 | 19,215 | 111,590 | 21,969 |
| | 92,375 | 1,801,055 | 1,893,430 | 1,840,759 |
| <i>Total 2017</i> | - | 1,840,759 | 1,840,759 | |

6. EXPENDITURE

| | Staff costs 2018 £ | Premises 2018 £ | Other costs 2018 £ | Total 2018 £ | Total 2017 £ |
|--------------------------------|--------------------------|-----------------------|--------------------------|--------------------|--------------------|
| Educational Activities: | | | | | |
| Direct costs | 1,402,137 | - | 126,464 | 1,528,601 | 1,448,235 |
| Support costs | 394,005 | 292,314 | 98,723 | 785,042 | 705,552 |
| | 1,796,142 | 292,314 | 225,187 | 2,313,643 | 2,153,787 |
| <i>Total 2017</i> | 1,595,307 | 202,875 | 355,605 | 2,153,787 | |

LOUGHTON SCHOOL
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

7. CHARITABLE ACTIVITIES

| | Total funds 2018 £ | <i>Total funds 2017 £</i> |
|--|---------------------------------------|---------------------------------------|
| DIRECT COSTS - EDUCATIONAL OPERATIONS | | |
| Wages and salaries | 1,118,936 | 1,054,334 |
| National insurance | 82,601 | 73,466 |
| Pension cost | 174,933 | 164,922 |
| Educational supplies | 100,920 | 91,426 |
| Staff development | 20,212 | 9,475 |
| Supply teacher costs | 30,999 | 54,612 |
| | <u>1,528,601</u> | <u>1,448,235</u> |
| SUPPORT COSTS - EDUCATIONAL OPERATIONS | | |
| Wages and salaries | 209,044 | 143,394 |
| National insurance | 10,674 | 7,209 |
| Pension cost | 174,287 | 97,370 |
| Depreciation | 136,165 | 134,846 |
| Pension cost (FRS102) | 18,000 | 16,000 |
| Recruitment and HR/Payroll support | 8,779 | 10,523 |
| Maintenance of premises and equipment | 87,929 | 159,618 |
| Cleaning | 5,088 | 9,172 |
| Rent and rates | 11,956 | 12,129 |
| Energy costs | 16,971 | 15,741 |
| Insurance | 23,336 | 24,533 |
| Other support costs | 32,185 | 26,590 |
| Technology costs | 22,964 | 21,808 |
| Catering | 12,668 | 10,843 |
| Governance costs - legal and professional fees | 7,163 | 6,888 |
| Governance costs - audit and accountancy costs | 7,833 | 8,888 |
| | <u>785,042</u> | <u>705,552</u> |
| | <u><u>2,313,643</u></u> | <u><u>2,153,787</u></u> |

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

8. ANALYSIS OF EXPENDITURE BY ACTIVITIES

| | Activities undertaken directly 2018 £ | Support costs 2018 £ | Total 2018 £ | Total 2017 £ |
|------------------------|---|-------------------------------|--------------------|--------------------|
| Educational Activities | 1,528,601 | 785,042 | 2,313,643 | 2,153,787 |
| <i>Total 2017</i> | <u>1,448,235</u> | <u>705,552</u> | <u>2,153,787</u> | |

9. NET INCOME/(EXPENDITURE)

This is stated after charging:

| | 2018 £ | 2017 £ |
|--|--------------|--------------|
| Depreciation of tangible fixed assets: - owned by the charity | 136,166 | 134,846 |
| Auditors' remuneration - audit | 5,500 | 5,500 |
| Auditors' remuneration - other services | <u>2,333</u> | <u>3,388</u> |

LOUGHTON SCHOOL
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

10. STAFF COSTS

a. Staff costs

Staff costs were as follows:

| | 2018 £ | 2017 £ |
|--|-------------------------|-------------------------|
| Wages and salaries | 1,327,980 | 1,197,728 |
| Social security costs | 93,275 | 80,675 |
| Operating costs of defined benefit pension schemes | 349,220 | 262,292 |
| | <u>1,770,475</u> | <u>1,540,695</u> |
| Agency staff costs | 25,667 | 54,612 |
| | <u><u>1,796,142</u></u> | <u><u>1,595,307</u></u> |

b. Staff numbers

| | 2018 No. | 2017 No. |
|----------------------------|-------------|-------------|
| Teachers | 18 | 18 |
| Administration and support | 31 | 28 |
| Management | 4 | 4 |
| | <u>53</u> | <u>50</u> |

Average headcount expressed as a full time equivalent:

| | 2018 No. | 2017 No. |
|---------------|-------------|-------------|
| Teachers | 25 | 26 |
| Support staff | 44 | 54 |
| Management | 4 | 5 |
| | <u>73</u> | <u>85</u> |

c. Higher paid staff

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

| | 2018 No. | 2017 No. |
|-------------------------------|-------------|-------------|
| In the band £80,001 - £90,000 | 1 | 1 |

The above employees participated in the Teachers' Pension Scheme.

LOUGHTON SCHOOL
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

10. STAFF COSTS (continued)

d. Key management personnel

The key management personnel of the academy comprise of the senior leadership team as listed on page 1. The total employee benefits (including employers pension contributions) received by key management personnel for their services to the academy was £257,508 (2017 £246,493).

11. TRUSTEES' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £10,000,000 on any one claim. It is not possible to quantify the Trustees and officers indemnity element from the overall cost of the insurance.

12. TRUSTEES' REMUNERATION AND EXPENSES

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

| | | 2018 £ | 2017 £ |
|-------------------------------------|----------------------------|-----------------|---------------|
| Head Teacher and Accounting Officer | Remuneration | 80,000-85,000 | 80,000-85,000 |
| | Pension contributions paid | 10,000-15,000 | 10,000-15,000 |
| Staff Trustees | Remuneration | 135,000-140,000 | 80,000-85,000 |
| | Pension contributions paid | 20,000-25,000 | 15,000-20,000 |

During the year, no Trustees received any benefits in kind (2017 - £NIL).

During the year ended 31 August 2018, no Trustees received any reimbursement of expenses (2017 - £NIL to Trustees).

13. OTHER FINANCE INCOME

| | 2018 £ | 2017 £ |
|--|-----------------|-----------------|
| Interest income on pension scheme assets | 20,000 | 13,000 |
| Interest on pension scheme liabilities | (38,000) | (29,000) |
| | <u>(18,000)</u> | <u>(16,000)</u> |

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

14. TANGIBLE FIXED ASSETS

| | Freehold property £ | Plant and equipment £ | Computer equipment £ | Total £ |
|-----------------------|---------------------------|-----------------------------|----------------------------|------------------|
| Cost | | | | |
| At 1 September 2017 | 4,318,000 | 9,648 | 39,817 | 4,367,465 |
| Additions | - | 30,230 | 13,696 | 43,926 |
| At 31 August 2018 | <u>4,318,000</u> | <u>39,878</u> | <u>53,513</u> | <u>4,411,391</u> |
| Depreciation | | | | |
| At 1 September 2017 | 430,090 | 1,131 | 31,483 | 462,704 |
| Charge for the year | 125,880 | 1,930 | 8,356 | 136,166 |
| At 31 August 2018 | <u>555,970</u> | <u>3,061</u> | <u>39,839</u> | <u>598,870</u> |
| Net book value | | | | |
| At 31 August 2018 | <u>3,762,030</u> | <u>36,817</u> | <u>13,674</u> | <u>3,812,521</u> |
| At 31 August 2017 | <u>3,887,910</u> | <u>8,517</u> | <u>8,334</u> | <u>3,904,761</u> |

Included in land and buildings is freehold land at £1,171,000 (2017 £1,171,000), which is not depreciated.

15. DEBTORS

| | 2018 £ | 2017 £ |
|--------------------------------|---------------|---------------|
| Trade debtors | 216 | 4,621 |
| VAT Debtor | 9,168 | 29,899 |
| Prepayments and accrued income | 80,219 | 52,794 |
| | <u>89,603</u> | <u>87,314</u> |

16. CURRENT ASSET INVESTMENTS

| | 2018 £ | 2017 £ |
|--------------------------|----------------|----------------|
| Fixed term cash deposits | <u>122,691</u> | <u>122,178</u> |

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

17. CREDITORS: Amounts falling due within one year

| | 2018 £ | 2017 £ |
|-------------------------------------|----------------|---------------|
| Trade creditors | 38,283 | 17,631 |
| Other taxation and social security | 26,673 | 26,286 |
| Accruals and deferred income | 78,641 | 31,437 |
| | <u>143,597</u> | <u>75,354</u> |
| | 2018 £ | 2017 £ |
| Deferred income | | |
| Deferred income at 1 September 2017 | 14,352 | 5,483 |
| Wrap around care income deferred | 11,215 | 8,596 |
| Rates relief | 5,866 | 5,756 |
| School trips and activities | 34,704 | - |
| Amounts released from previous year | (14,352) | (5,483) |
| Deferred income at 31 August 2018 | <u>51,785</u> | <u>14,352</u> |

18. STATEMENT OF FUNDS

| | Balance at 1 September 2017 £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Balance at 31 August 2018 £ |
|---------------------------|---|----------------|------------------|--------------------------|-------------------------|--------------------------------------|
| Unrestricted funds | | | | | | |
| General Funds - all funds | 221,246 | 112,571 | (77,561) | (66,481) | - | 189,775 |
| School Fund | - | 18,147 | (10,233) | 161 | - | 8,075 |
| | <u>221,246</u> | <u>130,718</u> | <u>(87,794)</u> | <u>(66,320)</u> | <u>-</u> | <u>197,850</u> |

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

Restricted funds

| | Balance at 1 September 2017 £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Balance at 31 August 2018 £ |
|-------------------------------|---|------------------|--------------------|--------------------------|-------------------------|--------------------------------------|
| General Annual Grant (GAG) | 27,068 | 1,595,336 | (1,689,632) | 67,228 | - | - |
| Other DfE/ESFA | - | 110,746 | (110,746) | - | - | - |
| LA Funding | - | 75,758 | (75,758) | - | - | - |
| Donations | - | 9,199 | (9,199) | - | - | - |
| Other Income | - | 19,215 | (19,302) | 87 | - | - |
| School Fund | - | 6,153 | (3,159) | - | - | 2,994 |
| Pension reserve | (724,000) | - | (155,000) | - | 162,000 | (717,000) |
| | <u>(696,932)</u> | <u>1,816,407</u> | <u>(2,062,796)</u> | <u>67,315</u> | <u>162,000</u> | <u>(714,006)</u> |

Restricted fixed asset funds

| | Balance at 1 September 2017 £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Balance at 31 August 2018 £ |
|-------------------------------------|---|------------------|--------------------|--------------------------|-------------------------|--------------------------------------|
| Tangible Fixed Assets | 3,904,761 | - | (105,935) | 13,695 | - | 3,812,521 |
| Devolved Formula Capital Funding | 5,311 | 9,400 | (21) | (14,690) | - | - |
| CIF Funding | 14,225 | 84,208 | (57,097) | - | - | 41,336 |
| | <u>3,924,297</u> | <u>93,608</u> | <u>(163,053)</u> | <u>(995)</u> | <u>-</u> | <u>3,853,857</u> |
| Total restricted funds | <u>3,227,365</u> | <u>1,910,015</u> | <u>(2,225,849)</u> | <u>66,320</u> | <u>162,000</u> | <u>3,139,851</u> |
| Total of funds | <u>3,448,611</u> | <u>2,040,733</u> | <u>(2,313,643)</u> | <u>-</u> | <u>162,000</u> | <u>3,337,701</u> |

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

General Funds:

The Academy's general funds income and expenditure relating to activities undertaken by the Academy as part of its charitable activities including lettings of facilities, child care, school trips and other fundraising activities. The Academy can then use these funds for any purpose.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

18. STATEMENT OF FUNDS (continued)

Restricted Funds:

The Academy received a number of grants during the year for the purpose of providing educational services to its pupils. These funds included grants from the ESFA for the General Annual Grant (GAG) and Pupil Premium. Special Educational Needs grants were also received from the Local Authority. These grants have been used for staff costs, educational resources and general costs incurred in the running of the Academy.

The Academy Trust received other restricted income for the provision of educational training and support which have been used in accordance with the wishes of the donors.

Pension Reserve - as stated in note 22 the Academy is a participating employer in two defined benefit pension schemes. The liabilities relating to the Loughton School can only be determined for one of these schemes. A separate reserve has been included to show the impact of the changes in valuation of this pension scheme.

Restricted Fixed Asset Funds:

The Academy received Devolved Capital Formula funding to be spent on repairs and the purchase of new equipment which has been fully utilised in the year. Assets which are capitalised in the accounts are represented by a separate fund within the Fixed Asset Reserve.

STATEMENT OF FUNDS - PRIOR YEAR

| | Balance at 1 September 2016 £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Balance at 31 August 2017 £ |
|----------------------------|--|-------------|------------------|--------------------------|-------------------------|--------------------------------------|
| General Funds - all funds | 185,990 | 35,256 | - | - | - | 221,246 |
| Restricted funds | | | | | | |
| | Balance at 1 September 2016 £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Balance at 31 August 2018 £ |
| General Annual Grant (GAG) | - | 1,661,984 | (1,630,674) | (4,242) | - | 27,068 |
| Other DfE/ESFA | - | 103,973 | (103,973) | - | - | - |
| LA Funding | - | 81,855 | (81,855) | - | - | - |
| Pension reserve | (758,000) | - | (93,000) | - | 127,000 | (724,000) |
| | (758,000) | 1,847,812 | (1,909,502) | (4,242) | 127,000 | (696,932) |

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

18. STATEMENT OF FUNDS (continued)

Restricted fixed asset funds

| | Balance at 1 September 2016 £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Balance at 31 August 2018 £ |
|--------------------------|--|------------------|--------------------|--------------------------|-------------------------|--------------------------------------|
| Tangible Fixed Assets | 4,028,677 | - | (134,846) | 10,930 | - | 3,904,761 |
| Devolved Formula Capital | | | | | | |
| Funding | - | 14,883 | (2,884) | (6,688) | - | 5,311 |
| CIF Funding | - | 120,780 | (106,555) | - | - | 14,225 |
| | <u>4,028,677</u> | <u>135,663</u> | <u>(244,285)</u> | <u>4,242</u> | <u>-</u> | <u>3,924,297</u> |
| Total restricted funds | <u>3,270,677</u> | <u>1,983,475</u> | <u>(2,153,787)</u> | <u>-</u> | <u>127,000</u> | <u>3,227,365</u> |
| Total of funds | <u>3,456,667</u> | <u>2,018,731</u> | <u>(2,153,787)</u> | <u>-</u> | <u>127,000</u> | <u>3,448,611</u> |

A CURRENT YEAR 12 MONTHS AND PRIOR YEAR 12 MONTHS COMBINED POSITION IS AS FOLLOWS:

| | Balance at 1 September 2016 £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Balance at 31 August 2018 £ |
|---------------------------|---|----------------|------------------|--------------------------|-------------------------|--------------------------------------|
| Unrestricted funds | | | | | | |
| General Funds | 185,990 | 35,256 | - | - | - | 221,246 |
| General Funds | - | 112,571 | (77,561) | (66,481) | - | (31,471) |
| School Fund | - | 18,147 | (10,233) | 161 | - | 8,075 |
| | <u>185,990</u> | <u>165,974</u> | <u>(87,794)</u> | <u>(66,320)</u> | <u>-</u> | <u>197,850</u> |

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

18. STATEMENT OF FUNDS (continued)

Restricted funds

| | <i>Balance at 1 September 2016 £</i> | <i>Income £</i> | <i>Expenditure £</i> | <i>Transfers in/out £</i> | <i>Gains/ (Losses) £</i> | <i>Balance at 31 August 2018 £</i> |
|----------------------------|--|---------------------|--------------------------|-----------------------------------|----------------------------------|--|
| General Annual Grant (GAG) | - | 3,257,320 | (3,320,306) | 62,986 | - | - |
| Other DfE/ESFA | - | 214,719 | (214,719) | - | - | - |
| LA Funding | - | 157,613 | (157,613) | - | - | - |
| | - | 9,199 | (9,199) | - | - | - |
| | - | 19,215 | (19,302) | 87 | - | - |
| | - | 6,153 | (3,159) | - | - | 2,994 |
| Pension reserve | (758,000) | - | (248,000) | - | 289,000 | (717,000) |
| | <u>(758,000)</u> | <u>3,664,219</u> | <u>(3,972,298)</u> | <u>63,073</u> | <u>289,000</u> | <u>(714,006)</u> |

Restricted fixed asset funds

| | <i>Balance at 1 September 2016 £</i> | <i>Income £</i> | <i>Expenditure £</i> | <i>Transfers in/out £</i> | <i>Gains/ (Losses) £</i> | <i>Balance at 31 August 2018 £</i> |
|----------------------------------|--|---------------------|--------------------------|-----------------------------------|----------------------------------|--|
| Tangible Fixed Assets | 4,028,677 | - | (240,781) | 24,625 | - | 3,812,521 |
| Devolved Formula Capital Funding | - | 24,283 | (2,905) | (21,378) | - | - |
| CIF Funding | - | 204,988 | (163,652) | - | - | 41,336 |
| | <u>4,028,677</u> | <u>229,271</u> | <u>(407,338)</u> | <u>3,247</u> | <u>-</u> | <u>3,853,857</u> |
| | <u>3,270,677</u> | <u>3,893,490</u> | <u>(4,379,636)</u> | <u>66,320</u> | <u>289,000</u> | <u>3,139,851</u> |
| Total of funds | <u>3,456,667</u> | <u>4,059,464</u> | <u>(4,467,430)</u> | <u>-</u> | <u>289,000</u> | <u>3,337,701</u> |

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

19. ANALYSIS OF NET ASSETS BETWEEN FUNDS

| | Unrestricted funds 2018 £ | Restricted funds 2018 £ | Restricted fixed asset funds 2018 £ | Total funds 2018 £ |
|--|------------------------------------|----------------------------------|---|-----------------------------|
| Tangible fixed assets | - | - | 3,812,521 | 3,812,521 |
| Current assets | 322,338 | 22,103 | 41,336 | 385,777 |
| Creditors due within one year | (121,494) | (22,103) | - | (143,597) |
| Provisions for liabilities and charges | - | (717,000) | - | (717,000) |
| | <u>197,850</u> | <u>(714,006)</u> | <u>3,853,857</u> | <u>3,337,701</u> |

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

| | Unrestricted funds 2017 £ | Restricted funds 2017 £ | Restricted fixed asset funds 2017 £ | Total funds 2017 £ |
|--|------------------------------------|----------------------------------|---|-----------------------------|
| Tangible fixed assets | - | - | 3,904,761 | 3,904,761 |
| Current assets | 282,248 | 41,420 | 19,536 | 343,204 |
| Creditors due within one year | (61,002) | (14,352) | - | (75,354) |
| Provisions for liabilities and charges | - | (724,000) | - | (724,000) |
| | <u>221,246</u> | <u>(696,932)</u> | <u>3,924,297</u> | <u>3,448,611</u> |

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

| | 2018 £ | 2017 £ |
|---|---------------|---------------|
| Net expenditure for the year (as per Statement of Financial Activities) | (272,910) | (135,056) |
| Adjustment for: | | |
| Depreciation charges | 136,166 | 134,846 |
| Dividends, interest and rents from investments | (655) | (761) |
| Increase in debtors | (2,289) | (45,243) |
| Increase in creditors | 68,243 | 22,588 |
| Defined benefit pension scheme obligation | 155,000 | 93,000 |
| Net cash provided by operating activities | <u>83,555</u> | <u>69,374</u> |

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

21. ANALYSIS OF CASH AND CASH EQUIVALENTS

| | 2018 £ | 2017 £ |
|--------------|----------------|----------------|
| Cash in hand | 173,483 | 133,712 |
| Total | <u>173,483</u> | <u>133,712</u> |

22. PENSION COMMITMENTS

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

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

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

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018

22. PENSION COMMITMENTS (continued)

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

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 £111,139 (2017 - £115,048).

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £131,000 (2017 - £88,000), of which employer's contributions totalled £102,000 (2017 - £68,000) and employees' contributions totalled £29,000 (2017 - £20,000). The agreed contribution rates for future years are 20% for employers and varying% for employees.

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

Principal actuarial assumptions:

| | 2018 | 2017 |
|--|--------|--------|
| Discount rate for scheme liabilities | 2.65 % | 2.60 % |
| Rate of increase in salaries | 3.80 % | 4.20 % |
| Rate of increase for pensions in payment / inflation | 2.30 % | 2.70 % |

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

| | 2018 | 2017 |
|----------------------|------|------|
| Retiring today | | |
| Males | 24.0 | 23.9 |
| Females | 26.1 | 26.0 |
| Retiring in 20 years | | |
| Males | 26.3 | 26.2 |
| Females | 28.5 | 28.3 |

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FOR THE YEAR ENDED 31 AUGUST 2018**

22. PENSION COMMITMENTS (continued)

| Sensitivity analysis | At 31 August 2018 £ | At 31 August 2017 £ |
|--|------------------------------------|------------------------------------|
| Discount rate +0.1% | 1,542,000 | 1,409,000 |
| Discount rate -0.1% | 1,615,000 | 1,476,000 |
| Mortality assumption - 1 year increase | 1,633,000 | 1,493,000 |
| Mortality assumption - 1 year decrease | 1,525,000 | 1,393,000 |

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

| | Fair value at 31 August 2018 £ | Fair value at 31 August 2017 £ |
|-------------------------------------|---|---|
| Equities | 452,000 | 400,000 |
| Gilts | 102,000 | 70,000 |
| Bonds | 106,000 | 94,000 |
| Property | 63,000 | 53,000 |
| Cash and other liquid assets | 51,000 | 25,000 |
| Other | 87,000 | 76,000 |
| Total market value of assets | 861,000 | 718,000 |

The actual return on scheme assets was £25,000 (2017 - £74,000).

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

| | 2018 £ | 2017 £ |
|---------------------------------------|-------------------|-------------------|
| Current service cost | (137,000) | (77,000) |
| Past service cost | (9,555) | (423) |
| Interest income | 20,000 | 13,000 |
| Interest cost | (38,000) | (29,000) |
| Employer contributions | 102,000 | 68,000 |
| Total | (62,555) | (25,423) |
| Actual return on scheme assets | 25,000 | 74,000 |

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22. PENSION COMMITMENTS (continued)

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

| | 2018 £ | 2017 £ |
|--|------------------|------------------|
| Opening defined benefit obligation | 1,519,000 | 1,332,000 |
| Current service cost | 238,000 | 145,000 |
| Current service cost | 137,000 | 77,000 |
| Interest cost | 38,000 | 29,000 |
| Actuarial gains | (157,000) | (27,000) |
| Benefits paid | (12,000) | (57,000) |
| Contributions by scheme participants and other employers | 29,000 | 20,000 |
| | <u>1,792,000</u> | <u>1,519,000</u> |
| Closing defined benefit obligation | <u>1,792,000</u> | <u>1,519,000</u> |

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

| | 2018 £ | 2017 £ |
|-------------------------------------|----------------|----------------|
| Opening fair value of scheme assets | 718,000 | 574,000 |
| Interest income | 20,000 | 13,000 |
| Actuarial losses | 5,000 | 100,000 |
| Employer contributions | 102,000 | 68,000 |
| Benefits paid | (12,000) | (57,000) |
| Admin expense | (1,000) | - |
| Employee contributions | 29,000 | 20,000 |
| | <u>861,000</u> | <u>718,000</u> |
| Closing fair value of scheme assets | <u>861,000</u> | <u>718,000</u> |

23. OPERATING LEASE COMMITMENTS

At 31 August 2018 the total of the Academy trust's future minimum lease payments under non-cancellable operating leases was:

| | 2018 £ | 2017 £ |
|-------------------------|--------------|---------------|
| Amounts payable: | | |
| Within 1 year | 3,475 | 4,169 |
| Between 1 and 5 years | 3,572 | 7,047 |
| | <u>7,047</u> | <u>11,216</u> |
| Total | <u>7,047</u> | <u>11,216</u> |

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24. RELATED PARTY TRANSACTIONS

Owing to the nature of the academy trust and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the trust's financial regulations and normal procurement procedures. The following related party transaction took place in the period of account.

The wife of Mark Duggan, a trustee, is employed by Loughton School. This appointment was made prior to the conversion to an academy and followed the staff recruitment policy. During the period the value of remuneration fell within the band £10,000 - £15,000 (2017 £10,000 - £15,000).

During the year donations were received from Friends of Loughton amounting to £6,916 (2017 £5,881).

During the year the academy brought into its control the School Fund. This resulted in an initial donation of £22,329.

No other related party transactions took place in the period of account.

25. MEMBERS' LIABILITY

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