

HEDINGHAM SCHOOL AND SIXTH FORM

(A company limited by guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019

HEDINGHAM SCHOOL AND SIXTH FORM
(A company limited by guarantee)

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REFERENCE AND ADMINISTRATIVE DETAILS

Members	Mr M Scrivens Ms J King Mrs S Ford
Trustees	Mrs J Barnes (resigned 28 November 2018) Mr M Scrivens, Chairman (resigned 27 November 2019) Ms J King, Vice Chairman Mr J Panayi, Headteacher and Accounting Officer Mrs E Brown Mrs S Ford Mr A Harvison, Deputy Headteacher Mr S Jarvis Mr D Lee Mr M Lee Mrs N Barton (appointed 27 November 2018) Mrs J Barnes (resigned 28 November 2018) Mr D Hopper (resigned 28 November 2018) Mrs R Poynter (resigned 22 March 2019)
Company registered number	08330173
Company name	Hedingham School and Sixth Form
Principal and registered office	Yeldham Road Sible Hedingham Halstead Essex CO9 3QH
Company Secretary	Mrs H Carter
Senior Management Team	Mr J Panayi, Headteacher and Accounting Officer Mr A Harvison, Senior Deputy Headteacher Mr P Finch, Deputy Headteacher Mr D Nash, Assistant Headteacher Mr J Pearson, Assistant Headteacher Mrs K Hillman, Assistant Headteacher Mrs H Carter, Bursar
Independent Auditors	Price Bailey LLP Chartered Accountants Causeway House 1 Dane Street Bishop's Stortford Hertfordshire CM23 3BT

HEDINGHAM SCHOOL AND SIXTH FORM
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2019

The Trustees present their Annual Report together with the financial statements and Auditor's Report of Hedingham School and Sixth Form (the Academy, The Trust or the Charitable Company) for the year ended 31 August 2019. The Annual Report serves the purposes of both a Trustees' Report, and a Directors' Report under company law.

The Trust operates an Academy School (the School) for pupils aged 11 to 19 serving a catchment area in North West Essex. It has a pupil capacity of 1,230 and had a roll of 1,119 in the Summer 2019 school census.

Structure, Governance and Management

The Trust is a Company limited by guarantee and an exempt charity. The Charitable Company's Memorandum and Articles of Association are its primary governing documents. The Trustees of The Charitable Company are also the Directors for the purposes of company law. The terms Trustee, Director and Governor are interchangeable. The Charitable Company is known as Hedingham School and Sixth Form.

Details of the Trustees who served during the year are included in the Reference and Administrative Details section.

Members' Liability

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

Trustees and Officers' Indemnities

In accordance with normal commercial practice the Trust has purchased insurance to protect Trustees and Officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The insurance provides cover up to £5,000,000 on any one claim and details of the costs are disclosed in Note 12 to the accounts.

Method of Recruitment and Appointment or Election of Trustees

The arrangements are as set out in the Articles and Funding Agreement.

Trustees are appointed for a fixed term. The Headteacher is an ex officio member of the Governing Body. Parent Trustees and the staff Trustees are elected to office or appointed if there are insufficient candidates offering themselves for election. The Articles of Association make provision for 15 Trustees (5 Parents, 2 Staff – Teaching, 1 Staff non-teaching, 6 others plus the Headteacher).

Policies and Procedures Adopted for the Induction and Training of Trustees

The Charitable Company is committed to providing adequate opportunities for Trustees to undertake and receive suitable training so as to enable them to perform their role effectively. To this end the Trust provides an internal programme continued professional development led by School staff and links with a number of local training providers.

Trustees will complete a skills audit, based on National Governors' Association Template, as a useful way of assessing the skills, knowledge and experience of the Governing Body. The results are used to identify training needs, when recruiting new Trustees, when reviewing the Trustees Self Evaluation Form and for succession planning.

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All new Trustees are entitled to an induction to the role, according to their need, which may include, introductory sessions, mentoring and formal courses. This process will involve a meeting with the Chairman of Trustees and Headteacher or Deputy Headteacher. All Trustees are provided with a handbook plus copies of policies and procedures documents that are appropriate to the role they undertake as Trustees with particular emphasis on the committee work that they will undertake.

Organisational Structure

The governance of the Academy is defined in the Memorandum and Articles of Association together with the Funding Agreement with the Department of Education.

The Governing Body, which meets on at least 3 occasions per year and the two main committees (Finance and Premises Committee and Personnel and Curriculum Committee) at least 3 times per year and the Pay and Headteacher's Pay Committees which meet at least once a year, is responsible for the strategic direction of the Trust. The Governing Body reviews progress towards educational objectives and results; approves major expenditure requests; sets the budget for the following year; sets the organisational staffing structure; agrees the performance objectives of the Headteacher with the School Improvement Partner, and reviews them.

The Headteacher is the designated Accounting Officer and has overall responsibility for the day to day financial management of the Charitable Company. The Headteacher has delegated responsibility for low values of expenditure to specific budget holders who are responsible for managing their own departments within their allocated budgets. A system of financial controls is in place to manage this process.

The Headteacher manages the Academy on a daily basis supported by a Senior Management Team (SMT). The SMT meets frequently to discuss emerging matters and to help to develop strategies for future development to be put to the Headteacher and the Board of Trustees as required for approval. Each Member of the SMT has specific responsibilities to assist the Headteacher to manage certain aspects of the Academy.

Arrangements for setting pay and remuneration of the key management personnel

Key management personnel include Academy Trustees and those staff to whom the Trustees have delegated significant authority and responsibility in the day-to-day running of the Trust.

Key Management Personnel at the School have been identified as its Senior Management Team (Headteacher, 2 Deputy Headteachers, 3 Assistant Headteachers and the Bursar). The process for determining the pay and remuneration of the Academy's key management personnel is laid out in the School's pay policy.

Progression

Progression within the salary range for all Key Management Personnel, will be subject to the individual demonstrating a sustained high quality of performance having regard to the most recent review carried out under the performance management policy.

Senior Leadership Team

The Headteacher will be responsible for determining the starting salary, and for making pay progression recommendations, following annual performance management, for posts on the leadership pay ranges. Such decisions will be ratified by the Governing Body Pay Committee.

Headteacher

The Headteacher's Pay Committee will approve annual pay progression for the Headteacher having carried out an annual performance review, supported by an independent external advisor. When determining annual pay progression they take account of the outcome and recommendations arising from the annual review.

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Trade Union Facility Time

During the year the three employees of the Trust acted as union officials on a 100% full time equivalent contract. The employees spent 228 hours (equating to 6.32%) of their time on union facility. The total cost of facility time is £5,219 for the year, this equates to 0.141% of the total pay bill spent on facility time.

Related Parties and other Connected Charities and Organisations

Owing to the nature of the Trust's operations and the composition of the Governing Body being drawn from local public and private sector organisations, it is inevitable that from time to time transactions will take place with organisations in which members of the Governing Body may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy's financial regulations and normal procedures. Any transaction where the Trustee may have a pecuniary interest is only undertaken in accordance with the 'at cost' principle described in the Academies Financial Handbook.

The Trust co-operated with the following organisations during the academic year in pursuit of its charitable activities:

- Acorn and Rainbow Children's Centre
- Anglia Ruskin University
- Association of Secondary Headteachers in Essex
- Behaviour and Attendance Partnership
- Braintree Learning Partnership
- Colne Valley Consortium
- Earls Colne Educational Trust
- Essex County Council Road Safety
- Essex Music Services
- Essex Youth Services
- Families and Schools Together
- Football Foundation
- Jack Petchey Awards Scheme
- Make Happen
- Nanjing Jiangning Senior High School
- Saffron Alliance – as a strategic partner of this teaching school
- Sible Hedingham Parish Council
- St Peter's Primary School, Sible Hedingham

The Trust does not have a formal sponsor.

Objectives and Activities

The principal object and aim of the Charitable Company is the operation of the School to provide free education and care for pupils of different abilities between the ages of 11 and 19.

The School's aims acknowledge and encompass that we are all learners working together to make a better future:

The School:

- aims to provide a high quality, comprehensive educational experience for all students which ensures that each fulfils their highest academic potential;
- values and addresses students individual needs and the contribution they make to the community;
- provides a supportive, caring and safe learning community within a 21st Century environment which promotes lifelong learning; and
- celebrates achievements at every opportunity because every student is an asset and at the heart of everything the School does.

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The School's core purpose is personalising learning: At Hedingham School every student will have every opportunity to learn successfully and achieve their targets within a personalised learning programme which has high expectations.

During the academic year the School has worked towards achieving these aims by providing high quality:

Learning and teaching from well-qualified, skilled teachers and associate staff which:

- motivates and challenges students;
- supports students with a curriculum that is appropriate to their personal needs and has a clear learning pathway; and
- allows students to enjoy their learning both actively and independently in a safe, bright and attractive environment with access to the latest technology.

Assessment of student progress:

- with targets that challenge students, support them and tell them how to improve;
- that gives them the chance to reflect on their own progress;
- with the opportunity for their parents/carers to discuss their progress with teachers and see their improvement online; and
- that recognises and celebrates their achievements at every opportunity in a number of different ways.

Information, advice and guidance from teachers and associate staff about:

- how they learn best and how they can become a better learner;
- what their next step in education should be; and
- how they can get a career that matches their skills and ambition.

Active Citizenship opportunities through:

- a supportive mentoring programme from their personal tutor which supports their learning and social skills;
- a wide range of School clubs and societies;
- the opportunity to work with the local, wider and international community; and
- the opportunity to express their opinions through student voice.

Our success in fulfilling our aims can be measured by:

Achievement:

- performance targets for different groups eg. Gender, Pupil Premium students, SEND.
- current progress of groups (KS 3,4 and 5):
- students achieving 'more than expected progress; and
- A Level achievement.

Quality of teaching:

- progress;
- all students (including groups of students) to be making progress in line with aspirational targets KS3-5;
- assessment to support learning;
- established assessment systems;
- effective forms of feedback and marking;
- challenge;
- forensic use of performance data;
- appropriate tasks to meet the needs of students ;
- engagement & enthusiasm;
- learning tasks employed that bring variety, inspiration and motivation; and
- students' attitudes to learning.

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Behaviour and safety:

- health and safety in lessons;
- pupils' attitudes to learning;
- managing behaviour-systematic and consistent approach;
- attendance and punctuality; and
- E-safety.

Quality of leadership and management:

- impact on teaching and learning;
- self-evaluation;
- curriculum reform;
- Key Stage 3 Assessment;
- expectations and target setting; and
- address areas of underachievement.

Public Benefit

The Trustees believe that by working towards the objects and aims of the School as detailed above, they have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission.

Strategic Report

Achievements and Performance

The Trust continued its mission to ensure that students achieved their potential in public examinations; encouraged a wide range of extra-curricular activities; developed and retained suitable staff and guided students in suitable progression when they left the School.

Exam results

The Trustees report another good year for examination results.

GCSE:

Trustees are delighted with the wonderful GCSE results achieved by Year 11 students, credit must go to their hard work and continued resilience throughout their examination journey. The examination results show a consistency in excellent outcomes for students in their GCSE examinations despite the more demanding nature of reformed GCSE courses.

Post 16:

It has been another successful year at A Level with students achieving a good set of results. 96% of students gained a pass in their A Level examinations and a pleasing 62% achieved a pass rate at A* to C grade. 36% of students achieved A*-B. A special mention must go to the Art department where 11 of the students achieved an A* grade. These positive results continue to consolidate Hedingham's reputation as a high achieving school.

The exam season is intense and we always look to provide the support and guidance for our students. This is a key priority for Hedingham School. Furthermore, our aim is to provide them with the skills to prepare them for the next step in their lives. Governors wish them all a successful future. There were superb results in a number of subjects and a large number of outstanding individual performances Trustees are extremely pleased with the GCSE and A level results gained by our students and wish to congratulate them for their commitment and hard work to attain their excellent examination outcomes.

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Key Performance Indicators

The Trustees serving on the Finance and Premises Committee and the SMT receive monthly financial information to enable them to monitor the financial performance of the Trust compared to aims, strategies and financial budgets.

Governors unanimously agreed the Key Performance Indicators as below:

- achieve the attainment targets set for all students; and
- to achieve the key priorities identified within the School Development Plan.

Five Year Budget Plan

Included in the Budget Plan is a five year forecast representing anticipated pupil numbers and known changes in staffing. The plan demonstrates the Trust's continued financial viability over time. The plan will be kept under review and careful financial planning monitoring will continue to ensure a balanced budget can be set in the future.

Going Concern

After making appropriate enquiries, the Governing Body has a reasonable expectation that the 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 principal source of funding for the Trust is the GAG and other grants that it receives from the Education and Skills Funding agency (ESFA). For the year ended 31 August 2018 the Trust received £6,075,900 of GAG and other income. A high percentage of this income is spent on wages and salaries and support costs to deliver the Academy's primary objective of the provision of education. During the year the Trust spent £6,167,953 on general running costs and spent £79,188 to support capital maintenance and improvement projects on the School site. The Academy brought forward from 17/18, £95,870 restricted funding, £1,000 Funds held on behalf of the Braintree Learning Partnership and £72,168 unrestricted funding. The carry forward for 18/19 is £117,092 restricted funding, £1,000 Funds held on behalf of the Braintree Learning Partnership, £4,017 capital carry forward for items not completed before 31st August 2019 and £133,688 unrestricted funding.

Due to the accounting rules for the Local Government Pension Scheme under FRS102, the Trust is recognising a significant pension fund deficit of £3,472,000. This does not mean that an immediate liability for this amount crystallises and such a deficit generally results in a cash flow effect in the form of increased employer contributions over a number of years.

Reserves Policy

The Trustees are aware of the requirement to balance current and future needs and always aim to set a balanced budget with annual income balancing annual expenditure. The Trustees will monitor estimated year-end carry forward figures via the monthly reports from the Bursar. The budget plan will identify how any carry forward will be allocated in the budget plan for the following academic year, including the identification of any funds earmarked for a specific project or purpose eg. sink fund for artificial pitch.

The Academy's current level of free reserves (total funds less the amount held in fixed assets and restricted funds) is £72,168. This has been built up from a mixture of locally raised income and balances transferred from the predecessor school.

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The Trustees earmark restricted and unrestricted reserves where they feel it is appropriate.

The Trustees are obliged to restrict balances of £109,150 for the Artificial Pitch Sinking Fund, and are holding other unrestricted funds of £107,133 to cover future increases in costs and expenditure that may arise from uninsurable losses. The Trust always plans to maintain this level of carry forward to assist the Trustees in making strategic decisions to keep in line with national funding changes and curriculum needs.

Reserves

The budget plan 2018/19 has been prepared based on current and known staffing changes which indicates that a balanced budget can be set with a small (£10k) unallocated funds.

The cash balance of the Academy has been very healthy all year, ending the year with a balance of £397,482. A significant proportion of this cash is held against specific projects and is not available to meet normal recurring expenditure. The Trustees monitor cash flow as part of the Finance and Premises Committee Business Manager reports and attempt to hold a minimum of £94,000 to cover short term cash flow variances.

Investment Policy

An investment policy was reviewed and approved by the Governing Body on 22nd March 2017 as part of the Trust's financial regulations.

The aim of the policy is to ensure funds that the Academy does not immediately need to cover anticipated expenditure, are invested to maximise the Academy's income but with minimal risk. The aim is to research where funds may be deposited applying prudence in ensuring there is minimum risk.

The Trustees do not consider the investment of surplus funds as a primary activity, rather as good stewardship and as and when circumstances allow. Investments must be made only in accordance with written procedures approved by the Governing Body and clearly held in the Academy's name.

Aspects to consider include:

- objectives;
- risk;
- type of investment and term;
- Academy's financial position;
- financial limit for type of investment;
- spreading investments between providers to ensure savings are covered by the Financial Services Authority;
- security of access;
- rate of return;
- charges;
- business interests of Trust and staff;
- ethical, social and environmental considerations; and
- review including review of performance.

The Academy has no investments at the present time.

Principal Risks and Uncertainties

The Trustees maintain a risk register identifying the major risks to which the Academy is exposed, and identifying actions and procedures to mitigate those risks. A formal review of the risk register process is undertaken on an annual basis and the internal control systems and the exposure to said risks are monitored on behalf of the Trustees by the Finance and Premises Committee. The principal risks facing the Trust are outlined below; those facing the School at an operational level are addressed by its systems and by internal financial and other controls.

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The Trustees report that the Trust's financial and internal controls conform to guidelines issued by the ESFA, and that improvements to the wider framework of systems dealing with business risk and risk management strategy continue to be made and formally documented.

It is recognised that systems can only provide reasonable but not absolute assurance that major risks have been adequately managed.

As an academy school, the level of financial risk is low. Cash flows can be reliably forecast, monitored and reported. Staff costs make up the majority of expenditure and are relatively stable with contingencies in place to cover such items as sickness and maternity.

The Trustees assess the other principal risks and uncertainties facing the Trust as follows:

- Presence of other organisations with similar objects and little scope for differentiation. This risk is mitigated by having an effective marketing strategy and forward financial planning. Maximising students numbers has been a priority since incorporation.
- Change of funding policy and introduction of new education priorities by Government – This risk is mitigated as policy is monitored by the Senior Management Team and core strategy is checked for compliance. Sound forward financial planning supports this.
- Risk that budget will be in a deficit position that cannot be met by reserves. This risk is mitigated by effective budget planning and forecasting against staffing model and pupil numbers.

Other areas of risk are as follows:

- Safeguarding and child protection - the Trustees continue to ensure that the highest standards are maintained in the areas of selection and monitoring of staff, the operation of child protection policies and procedures, health & safety and discipline. This is an area of strength for the School.
- Staffing - the success of the Academy is reliant on the quality of its staff and the Trustees monitor and review policies and procedures and recruitment to ensure continued development and training of staff as well as ensuring there is clear succession planning.
- Fraud and mismanagement of funds - The Academy has appointed Essex County Council to carry out independent and external checks on financial systems and records as required by the Academies Financial Handbook. All finance staff receive training to keep up to date with best practice requirements and develop their skills in this area.
- Defined benefit pension liability – as the Government has agreed to meet the defined benefit pension liability of any school ceasing to exist, the main risk to the Academy is not being able to meet the annual cash flow funding of the deficit. Trustees take these payments into account when setting the annual budget plan.

The Academy has continued to strengthen its risk management process throughout the year by improving the process and ensuring staff awareness.

Fundraising

The Trust only held small fundraising events during the year in addition to minor events to raise funds for donating to charities. The Trust does not work with professional fundraisers or companies who carry out fundraising on its behalf. During the year no complaints or issues have arisen as a result of the fundraising events.

Plans for Future Periods

The Trust will continue striving to improve the levels of performance of its students at all levels, and will attempt to maintain its recent progress in ensuring the number of students on roll properly reflects the demand for places.

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The Trustees intend to enhance and expand facilities in pursuance of the School's commitment to ensure that all students achieve their potential. It is recognised that students with differing abilities and aptitudes will have differing curriculum requirements and that a greater diversity of learning environments will be required to deliver these.

The Trust continues to seek opportunities to engage with local schools with the ultimate aim of building a family of schools of exceptional quality.

Funds Held as Custodian Trustee on Behalf of Others

The Trust hold funds for the Braintree Learning Partnership which is a group arising from the Braintree Deputy Headteacher's group. These funds are used to provide a Careers Fair each September for Year 11 students. The Trust holds these funds in a separate cost centre. It receives funding from participating schools and uses these to meet the cost of the Careers Fair. Any funds being held at year end are carried forward into the following year. This year £1,000 was carried forward.

Auditor

Insofar as the Trustees are aware:

- there is no relevant audit information of which the Charitable Company's Auditor is unaware, and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

The Trustees' Report, incorporating a Strategic Report, was approved by the Board of Trustees on 4 December 2019 and signed on its behalf by:

Mrs Sarah Ford
Chair of Trustees

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GOVERNANCE STATEMENT

Scope of responsibility

As Trustees, we acknowledge we have overall responsibility for ensuring that Hedingham School and Sixth Form 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 Hedingham School and Sixth Form 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 3 times during the year. Although the Board met fewer than 6 times in the year, the Trustees are content that the use of sub-committees maintains appropriate oversight of financial control.

Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
Mr M Scrivens, Chairman	3	3
Ms J King, Vice Chairman	1	3
Mr J Panayi, Headteacher and Accounting Officer	3	3
Mrs J Barnes	1	1
Mrs E Brown	2	3
Mrs S Ford	2	3
Mr A Harvison, Deputy Headteacher	3	3
Mr S Jarvis	3	3
Mr D Lee	2	3
Mr M Lee	3	3
Mrs N Barton	2	3
Mr D Hopper	0	1
Mrs R Poynter	0	2

There have been some changes to the Board of Trustees. Mr David Hopper and Mrs Jan Barnes have retired as Governors after many years of hard work on behalf of the School. Mrs Poynter's term of office has come to an end. Mrs Sarah Ford was appointed as a Member on the retirement of Mrs Barnes. Mrs Nicola Barton have joined the Governing Body this year. There are 4 vacancies on the Board of Trustees and an active recruitment process is taking place.

The Governing Body carried out a self-evaluation in the Summer term. This audit, based on National Governors' Association Template, is a useful way of assessing the skills, knowledge and experience of the Governing Body. The results have been used to identify training needs, when recruiting new Governors, when reviewing the Governors Self Evaluation Form and for succession planning.

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GOVERNANCE STATEMENT (CONTINUED)

Governance (continued)

Committees

The Finance and Premises Committee is a sub-committee of the Board of Trustees. The Committee meets termly and its main areas of responsibility are:

- budget setting;
- budget monitoring;
- premises – maintenance and improvement;
- health and safety;
- risk management.

Attendance during the year at meetings was as follows:

Trustee	Meetings attended	Out of a possible
Mrs S Ford	1	1
Mr A Harvison	2	3
Mr S Jarvis	3	3
Ms J King	1	3
Mr D Lee	2	3
Mr M Lee	3	3
Mr J Panayi	3	3
Mr M Scrivens	3	3

The Audit Committee is also a sub-committee of the Board of Trustees. It is responsible for keeping under review the strategic objectives of the School and to be responsible for advising the Governing Body through the Finance & Premises Committee in matters relating to the accounting function. They have particular a responsibility for internal and external audit. The committee received three internal audit reports and the Report of the external Auditor arising from 11 days of audit visits. There were few management points which reflects the high level of financial compliance the School delivers. Trustees were pleased to note all management points were swiftly addressed and recommendations fully implemented.

Attendance during the year at meetings was as follows:

Trustee	Meetings attended	Out of a possible
Ms J King	1	3
Mr M Lee	3	3
Mr J Panayi	3	3
Mr M Scrivens	2	2

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GOVERNANCE STATEMENT (CONTINUED)

Review of value for money

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

The Accounting Officer considers how the Academy's use of its resources has provided good value for money during each academic year, and reports to the Board of Trustees where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer has delivered improved value for money during the year in the following ways:

- Year 11 GCSE and A level Results - Students GCSE examination results demonstrate a consistency in excellent outcomes for students in a period of real uncertainty due to significant examination reform. Three Students from our small Sixth Form are going on to study medicine at University, one at Cambridge.
- Recruitment Advertising – The School took out a subscription for Recruitment Advertising with the TES in 2018/19. This fixed recruitment costs at £22k. At the end of this year the School has placed advertisement that would have cost £63k had they been placed on a pay by advert basis and have had strong fields during recruitment. This subscription will continue next year.
- LED Lighting - The Academy has used capital funding to replace outdated lighting with LED lighting. This is more cost effective in terms of energy use and provides a more suitable light for students and staff to work in.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Academy policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Hedingham School and Sixth Form for the year 1 September 2018 to 31 August 2019 and up to the date of approval of the Annual Report and financial statements.

Capacity to handle risk

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

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GOVERNANCE STATEMENT (CONTINUED)

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

The Board of Trustees has considered the need for a specific internal audit function and has decided to appoint Essex County Council, now trading as Juniper Education (from April 2019) as Internal Auditor.

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

Governance and Financial Management, Accounting and Reporting:

- financial oversight;
- financial planning and monitoring;
- transparency;
- gifts (received and given);
- expenses;
- risk management;
- internal scrutiny;
- budget monitoring;
- reporting to Trustees;
- internal control.

Banking:

- internal control;
- cash management

Payroll and Expenses:

- payroll processing;
- mileage and subsistence payments;
- payments for additional hours worked;
- special payments.

Income:

- receipt of payments from students and parents;
- generated income;
- internal control.

HEDINGHAM SCHOOL AND SIXTH FORM
(A company limited by guarantee)

GOVERNANCE STATEMENT (CONTINUED)

The risk and control framework (continued)

Assets:

- fixed assets & inventory;
- disposals.

Expenditure:

- internal procedure;
- proper and regular use of public funds;
- internal control;
- related parties;
- tax implications.

On a termly basis, the Internal Auditor reports to the Board of Trustees through the Audit Committee on the operation of the systems of control and on the discharge of the Trustees' financial responsibilities.

The Internal Auditor has delivered their schedule of work as planned and there were no material control issues arising as a result of their work.

Review of effectiveness

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

- the work of the Internal Auditor;
- the work of the external Auditors;
- the work of the executive managers within the Academy who have responsibility for the development and maintenance of the internal control framework.

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

Approved by the Board of Trustees on 4 December 2019 and signed on their behalf by:

Mrs Sarah Ford
Chair of Trustees

Mr J Panayi
Accounting Officer

HEDINGHAM SCHOOL AND SIXTH FORM
(A company limited by guarantee)

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of Hedingham School and Sixth Form I have considered my responsibility to notify the Board of Trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the Academy, under the funding agreement in place between the Academy and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2018.

I confirm that I and the Academy Board of Trustees are able to identify any material irregular or improper use of all funds by the Academy, or material non-compliance with the terms and conditions of funding under the Academy's Funding Agreement and the Academies Financial Handbook 2018.

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

Mr J Panayi
Accounting Officer
Date: 4 December 2019

HEDINGHAM SCHOOL AND SIXTH FORM
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STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2019

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 Academies Accounts Direction published by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the 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 2015 and the Academies Accounts Direction 2018 to 2019;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The 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 27 November 2019 and signed on its behalf by:

Mrs Sarah Ford
Chair of Trustees

HEDINGHAM SCHOOL AND SIXTH FORM
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
HEDINGHAM SCHOOL AND SIXTH FORM**

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 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.

HEDINGHAM SCHOOL AND SIXTH FORM
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**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
HEDINGHAM SCHOOL AND SIXTH FORM (CONTINUED)**

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. Other information includes the Reference and Administrative Details, the Trustees' Report including the Strategic Report, and the Governance Statement. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our Report, we do not express any form of assurance conclusion thereon.

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 have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Academy and its environment obtained in the course of the audit, we have not identified material misstatements in the 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.

HEDINGHAM SCHOOL AND SIXTH FORM
(A company limited by guarantee)

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF
HEDINGHAM SCHOOL AND SIXTH FORM (CONTINUED)**

Responsibilities of trustees

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

In preparing the financial statements, the Trustees are responsible for assessing the Academy'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.

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.

Gary Miller (senior statutory auditor)
for and on behalf of

Price Bailey LLP
Chartered Accountants

Statutory Auditors
Causeway House
1 Dane Street
Bishop's Stortford
Hertfordshire
CM23 3BT

Date: 10 December 2019

HEDINGHAM SCHOOL AND SIXTH FORM
(A company limited by guarantee)

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO HEDINGHAM SCHOOL AND SIXTH FORM AND THE EDUCATION & SKILLS FUNDING AGENCY

In accordance with the terms of our engagement letter dated 5 September 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Hedingham School and Sixth Form during the year 1 September 2018 to 31 August 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of Hedingham School and Sixth Form's Accounting Officer and the Reporting Accountant

The Accounting Officer is responsible, under the requirements of Hedingham School and Sixth Form's funding agreement with the Secretary of State for Education dated 31 December 2012 and the Academies Financial Handbook, extant from 1 September 2018, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

Approach

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

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

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

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

HEDINGHAM SCHOOL AND SIXTH FORM
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INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO HEDINGHAM SCHOOL AND SIXTH FORM AND THE EDUCATION & SKILLS FUNDING AGENCY (CONTINUED)

The work undertaken to draw to our conclusion includes:

- An assessment of the risk of material irregularity, impropriety and non-compliance
- Consideration and corroboration of the evidence supporting the Accounting Officers statement on regularity, propriety and compliance and how the Academy complies with the framework of authorities.
- Evaluation of the general control environment of the Academy, extending the procedures required for financial statements to include regularity, propriety and compliance
- Discussions with and representations from the Accounting Officer and other key management personnel.
- An extension of substantive testing from our audit of the financial statements to cover matters pertaining to regularity, in order to support the regularity conclusion, including governance, internal controls, procurement and the application of income.

Conclusion

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

Reporting Accountant

Price Bailey LLP
Chartered Accountants

Date: 10 December 2019

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

	Note	Unrestricted funds 2019 £	Restricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £	Total funds 2018 £
Income from:						
Donations and capital grants	3	-	226,081	83,205	309,286	196,394
Charitable activities		32,981	5,607,509	-	5,640,490	5,542,789
Other trading activities		104,439	21,328	-	125,767	91,667
Investments	6	357	-	-	357	339
Total income		<u>137,777</u>	<u>5,854,918</u>	<u>83,205</u>	<u>6,075,900</u>	<u>5,831,189</u>
Expenditure on:						
Charitable activities		76,257	6,091,696	331,229	6,499,182	6,305,031
Total expenditure		<u>76,257</u>	<u>6,091,696</u>	<u>331,229</u>	<u>6,499,182</u>	<u>6,305,031</u>
Net movement in funds before other recognised gains/(losses)		<u>61,520</u>	<u>(236,778)</u>	<u>(248,024)</u>	<u>(423,282)</u>	<u>(473,842)</u>
Other recognised gains/(losses):						
Actuarial losses on defined benefit pension schemes	21	-	(439,000)	-	(439,000)	611,000
Net movement in funds		<u>61,520</u>	<u>(675,778)</u>	<u>(248,024)</u>	<u>(862,282)</u>	<u>137,158</u>
Reconciliation of funds:						
Total funds brought forward		72,168	(2,678,130)	12,427,455	9,821,493	9,684,335
Net movement in funds		61,520	(675,778)	(248,024)	(862,282)	137,158
Total funds carried forward		<u>133,688</u>	<u>(3,353,908)</u>	<u>12,179,431</u>	<u>8,959,211</u>	<u>9,821,493</u>

The notes on pages 26 to 47 form part of these financial statements.

HEDINGHAM SCHOOL AND SIXTH FORM
(A company limited by guarantee)

BALANCE SHEET
AS AT 31 AUGUST 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	13	12,175,414	12,427,455
		12,175,414	12,427,455
Current assets			
Debtors	14	172,781	189,756
Cash at bank and in hand		397,482	330,423
		570,263	520,179
Creditors: amounts falling due within one year	15	(314,466)	(351,141)
		255,797	169,038
Net current assets		255,797	169,038
Total assets less current liabilities		12,431,211	12,596,493
Defined benefit pension scheme liability	21	(3,472,000)	(2,775,000)
Total net assets		8,959,211	9,821,493
Funds of the academy			
Restricted funds:			
Fixed asset funds	16	12,179,431	12,427,455
Restricted income funds	16	118,092	96,870
		12,297,523	12,524,325
Restricted funds excluding pension asset	16	12,297,523	12,524,325
Pension reserve	16	(3,472,000)	(2,775,000)
		8,825,523	9,749,325
Total restricted funds	16	8,825,523	9,749,325
Unrestricted income funds	16	133,688	72,168
		8,959,211	9,821,493
Total funds		8,959,211	9,821,493

The financial statements on pages 23 to 47 were approved by the Trustees, and authorised for issue on 4 December 2019 and are signed on their behalf, by:

Mrs Sarah Ford
Chair of Trustees

The notes on pages 26 to 47 form part of these financial statements.

HEDINGHAM SCHOOL AND SIXTH FORM
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Net cash provided by operating activities	18	66,702	390,596
Cash flows from investing activities	19	357	(419,687)
Change in cash and cash equivalents in the year		67,059	(29,091)
Cash and cash equivalents at the beginning of the year		330,423	359,514
Cash and cash equivalents at the end of the year	20	<u>397,482</u>	<u>330,423</u>

The notes on pages 26 to 47 form part of these financial statements

HEDINGHAM SCHOOL AND SIXTH FORM
(A company limited by guarantee)

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

1. Accounting policies

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

1.1 Basis of preparation of financial statements

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

Hedingham School and Sixth Form meets the definition of a public benefit entity under 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 has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the Academy'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 Company status

The Academy is a company limited by guarantee. Those Members who are Trustees are noted on page 3. In the event of the Academy being wound up, the liability in respect of the guarantee is limited to £10 per Member.

1.4 Income

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

• **Grants**

Grants are included in the Statement of Financial Activities 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 meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of Financial Activities incorporating Income and Expenditure Account in the year for which it is receivable and any abatement in respect of the year is deducted from income and recognised as a liability.

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

HEDINGHAM SCHOOL AND SIXTH FORM
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies (continued)

1.4 Income (continued)

- **Donations**

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

- **Other income**

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

1.5 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.

- **Charitable activities**

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

All resources expended are inclusive of irrecoverable VAT.

1.6 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the Academy; this is normally upon notification of the interest paid or payable by the institution with whom the funds are deposited.

1.7 Tangible fixed assets

Assets costing £5,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

HEDINGHAM SCHOOL AND SIXTH FORM
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies (continued)

1.7 Tangible fixed assets (continued)

The estimated useful lives are as follows:

Long-term leasehold property	- 50 - 125 years straight line
Furniture and equipment	- 5 - 20 years straight line
Plant and machinery	- 20 years straight line

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

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

1.8 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.

1.9 Cash at bank and in hand

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

1.10 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.

1.11 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 bases are as follows:

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 14. Prepayments are not financial instruments. Cash at bank is classified as a basic financial instrument and is measured at face value.

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

HEDINGHAM SCHOOL AND SIXTH FORM
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies (continued)

1.12 Pensions

The Academy operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Academy to the fund in respect of the year.

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

1.13 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 the funders where the asset acquired or created is held for a specific purpose.

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

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

HEDINGHAM SCHOOL AND SIXTH FORM
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

2. Critical accounting estimates and areas of judgement

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

3. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Donations	226,081	226,081	172,549
Capital grants	83,205	83,205	23,845
Total 2019	<u>309,286</u>	<u>309,286</u>	<u>196,394</u>
Total 2018	<u>196,394</u>	<u>196,394</u>	

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4. FUNDING FOR ACADEMY TRUST'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
DfE/ESFA grants				
General Annual Grant (GAG)	-	5,210,414	5,210,414	5,171,299
Other DfE / ESFA grants	-	272,014	272,014	224,693
	-	5,482,428	5,482,428	5,395,992
Other government grants				
Local authority grants	-	125,081	125,081	110,729
	-	125,081	125,081	110,729
Other funding				
Catering income	32,981	-	32,981	36,068
Total 2019	32,981	5,607,509	5,640,490	5,542,789
Total 2018	36,068	5,506,721	5,542,789	

5. OTHER TRADING ACTIVITIES

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Hire of facilities	-	21,328	21,328	26,107
Rental income	1,721	-	1,721	3,047
Other income	102,718	-	102,718	62,513
Total 2019	104,439	21,328	125,767	91,667
Total 2018	65,560	26,107	91,667	

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FOR THE YEAR ENDED 31 AUGUST 2019

6. INVESTMENT INCOME

	Unrestricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Bank Interest	357	357	339

7. EXPENDITURE

	Staff Costs 2019 £	Premises 2019 £	Other 2019 £	Total 2019 £	Total 2018 £
Direct costs	3,720,685	-	601,135	4,321,820	4,336,900
Support costs	1,160,792	668,168	348,402	2,177,362	1,968,131
Total 2019	<u>4,881,477</u>	<u>668,168</u>	<u>949,537</u>	<u>6,499,182</u>	<u>6,305,031</u>
Total 2018	<u>4,806,844</u>	<u>596,562</u>	<u>901,625</u>	<u>6,305,031</u>	

In 2018, of total expenditure, £61,528 related to unrestricted funds, £5,946,557 related to restricted funds and £296,946 related to restricted fixed asset funds.

8. Charitable Activities

	2019 £	2018 £
Direct costs	4,321,820	4,336,900
Support costs	2,177,362	1,968,131
	<u>6,499,182</u>	<u>6,305,031</u>

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	2019 £	2018 £
Analysis of support costs		
Support staff costs	1,160,792	1,159,310
Depreciation	252,041	273,101
Technology costs	2,827	182
Premises costs	416,127	323,461
Other support costs	333,175	198,526
Governance costs	12,400	13,551
Total	2,177,362	1,968,131
 9. Net income/(expenditure)		
Net income/(expenditure) for the year includes:		
	2019 £	2018 £
Depreciation of tangible fixed assets	252,041	273,101
Auditors' remuneration - audit	7,110	7,110
Auditors' remuneration - non-audit	4,425	4,425
Operating lease rentals	53,252	63,931
	317,828	348,567
 10. Staff costs		
a. Staff costs		
Staff costs during the year were as follows:		
	2019 £	2018 £
Wages and salaries	3,699,053	3,659,714
Social security costs	338,634	334,794
Pension costs	828,398	791,959
	4,866,085	4,786,467
Supply teachers costs	10,127	5,097
Staff restructuring costs	5,265	15,280
	4,881,477	4,806,844

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10. Staff costs (continued)

a. Staff costs (continued)

Staff restructuring costs comprise:

	2019 £	2018 £
Redundancy payments	5,265	15,280
	5,265	15,280
	5,265	15,280

b. Staff numbers

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

	2019 No.	2018 No.
Teachers	63	65
Administration and Support	78	79
Management	7	7
	148	151
	148	151

c. Higher paid staff

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

	2019 No.	2018 No.
In the band £60,001 - £70,000	-	1
In the band £70,001 - £80,000	1	-
In the band £90,001 - £100,000	1	1
In the band £130,001 - £140,000	1	1
	3	3
	3	3

d. Key management personnel

The key management personnel of the Academy comprise the Trustees and the Senior Management Team as listed on page 1. The total amount of employee benefits (including employer pension contributions and employer national insurance) received by key management personnel for their services to the Academy was £736,542 (2018: £710,790).

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10. Staff costs (continued)

d. Key management personnel (continued)

Included in the above are employer pension contributions of £99,631 (2018: £94,868) and employers national insurance contributions of £68,823 (2018: £67,100).

11. Trustees' remuneration and expenses

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

		2019	2018
		£	£
Mr J Panayi, Headteacher	Remuneration	135,000 - 140,000	130,000 - 135,000
	Pension contributions paid	20,000 - 25,000	20,000 - 25,000
Mr A Harvison, Deputy Headteacher	Remuneration	90,000 - 95,000	90,000 - 95,000
	Pension contributions paid	15,000 - 20,000	15,000 - 20,000
Mr S Jarvis	Remuneration	30,000 - 35,000	30,000 - 35,000
	Pension contributions paid	5,000 - 10,000	5,000 - 10,000
Mrs S Ford	Remuneration	0 - 5,000	0 - 5,000
	Pension contributions paid	0 - 5,000	0 - 5,000

During the year ended 31 August 2019, expenses totalling £37 were reimbursed or paid directly to 1 Trustee (2018 - £83 to 2 Trustees). These related to reimbursements for activities undertaken in respect of their services to the Trust as a staff member.

12. Trustees' and Officers' insurance

In accordance with normal commercial practice, the Academy has purchased insurance to protect Trustees and Officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the year ended 31 August 2019 was included in the total insurance cost.

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13. Tangible fixed assets

	Long-term leasehold property £	Furniture and equipment £	Plant and machinery £	Total £
Cost or valuation				
At 1 September 2018	13,351,346	426,794	266,589	14,044,729
At 31 August 2019	<u>13,351,346</u>	<u>426,794</u>	<u>266,589</u>	<u>14,044,729</u>
Depreciation				
At 1 September 2018	1,196,210	319,418	101,646	1,617,274
Charge for the year	212,261	24,959	14,821	252,041
At 31 August 2019	<u>1,408,471</u>	<u>344,377</u>	<u>116,467</u>	<u>1,869,315</u>
Net book value				
At 31 August 2019	<u><u>11,942,875</u></u>	<u><u>82,417</u></u>	<u><u>150,122</u></u>	<u><u>12,175,414</u></u>
At 31 August 2018	<u><u>12,155,136</u></u>	<u><u>107,376</u></u>	<u><u>164,943</u></u>	<u><u>12,427,455</u></u>

14. Debtors

	2019 £	2018 £
Due within one year		
Trade debtors	13,643	40,860
VAT recoverable	20,241	11,223
Prepayments and accrued income	138,897	137,673
	<u>172,781</u>	<u>189,756</u>

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15. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	19,817	39,304
Other taxation and social security	88,521	85,263
Other creditors	79,420	76,901
Accruals and deferred income	126,708	149,673
	314,466	351,141
	314,466	351,141
	2019 £	2018 £
Deferred income		
Deferred income at 1 September 2018	93,584	60,333
Resources deferred during the year	96,907	93,584
Amounts released from previous periods	(93,584)	(60,333)
	96,907	93,584
	96,907	93,584

Resources deferred at the period end relate to contributions towards future educational visits and music tuition.

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NOTES TO THE FINANCIAL STATEMENTS
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16. Statement of funds

	Balance at 1 September 2018 £	Income £	Expenditure £	Gains/ (Losses) £	Balance at 31 August 2019 £
Unrestricted funds					
Unrestricted funds	72,168	137,777	(76,257)	-	133,688
Restricted general funds					
General Annual Grant (GAG)	821	5,210,414	(5,211,235)	-	-
Other Government grants	1,000	125,081	(125,081)	-	1,000
Restricted ATP sink fund	95,049	21,328	(7,227)	-	109,150
Restricted donations	-	226,081	(224,399)	-	1,682
Other DfE/ESFA grants	-	272,014	(265,754)	-	6,260
Pension reserve	(2,775,000)	-	(258,000)	(439,000)	(3,472,000)
	<u>(2,678,130)</u>	<u>5,854,918</u>	<u>(6,091,696)</u>	<u>(439,000)</u>	<u>(3,353,908)</u>
Restricted fixed asset funds					
Restricted fixed asset fund	12,427,455	-	(252,041)	-	12,175,414
Devolved Formula Capital	-	83,205	(79,188)	-	4,017
	<u>12,427,455</u>	<u>83,205</u>	<u>(331,229)</u>	<u>-</u>	<u>12,179,431</u>
Total Restricted funds	<u>9,749,325</u>	<u>5,938,123</u>	<u>(6,422,925)</u>	<u>(439,000)</u>	<u>8,825,523</u>
Total funds	<u><u>9,821,493</u></u>	<u><u>6,075,900</u></u>	<u><u>(6,499,182)</u></u>	<u><u>(439,000)</u></u>	<u><u>8,959,211</u></u>

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

Unrestricted funds

This represents income received which may be used towards meeting any of the charitable objects of the Academy.

Restricted donations

This fund largely represents contributions made by parents to the running of educational visits for the pupils of the School and the associated costs of running the trips.

Other Government grants

This represents various grants from local and national Government bodies for the provision of specific services to pupils of the School. These grants are generally restrictive in nature.

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

16. Statement of funds (continued)

Other DfE and ESFA grants

This represents funding to be used to help raise achievement and improve outcomes for pupils from low income families who are eligible for free school meals.

Restricted ATP sink fund

This represents the value of a sinking fund that the Academy has an obligation to build up under the agreement for funding in preparation for replacing the all weather pitch.

Pension reserve

This fund represents the Academy's share of the deficit on the Local Government Pension Scheme (LGPS) transferred on conversion from a state controlled school.

Restricted fixed asset fund

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

Devolved Formula Capital grant

This represents funding received from ESFA specifically for the maintenance and improvement of the Academy's buildings and facilities.

General Annual Grant (GAG)

This represents funding from the ESFA to cover the costs of recurrent expenditure.

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

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

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

	Balance at 1 September 2017 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2018 £
Unrestricted funds						
Unrestricted funds	31,729	101,967	(61,528)	-	-	72,168
Restricted funds						
General Annual Grant (GAG)	3,195	5,171,299	(5,173,673)	-	-	821
Other Government grants	1,000	110,729	(110,729)	-	-	1,000
Other DfE and ESFA grants	-	224,693	(224,693)	-	-	-
Restricted donations	-	172,549	(172,549)	-	-	-
Restricted ATP sink fund	86,855	26,107	(17,913)	-	-	95,049
Pension reserve	(3,139,000)	-	(247,000)	-	611,000	(2,775,000)
	<u>(3,047,950)</u>	<u>5,705,377</u>	<u>(5,946,557)</u>	<u>-</u>	<u>611,000</u>	<u>(2,678,130)</u>
Restricted fixed asset funds						
Restricted fixed asset fund	12,280,530	-	(273,101)	420,026	-	12,427,455
Devolved Formula Capital grant	-	23,845	(23,845)	-	-	-
Condition Improvement Fund	420,026	-	-	(420,026)	-	-
	<u>12,700,556</u>	<u>23,845</u>	<u>(296,946)</u>	<u>-</u>	<u>-</u>	<u>12,427,455</u>
Total Restricted funds	<u>9,652,606</u>	<u>5,729,222</u>	<u>(6,243,503)</u>	<u>-</u>	<u>611,000</u>	<u>9,749,325</u>

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16. Statement of funds (continued)

	Balance at 1 September 2017 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2018 £
Total funds	9,684,335	5,831,189	(6,305,031)	-	611,000	9,821,493

17. Analysis of net assets between funds

Analysis of net assets between funds - current year

	Unrestricted funds 2019 £	Restricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £
Tangible fixed assets	-	-	12,175,414	12,175,414
Current assets	133,688	432,558	4,017	570,263
Creditors due within one year	-	(314,466)	-	(314,466)
Provisions for liabilities and charges	-	(3,472,000)	-	(3,472,000)
Total	133,688	(3,353,908)	12,179,431	8,959,211

Analysis of net assets between funds - prior year

	Unrestricted funds 2018 £	Restricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £
Tangible fixed assets	-	-	12,427,455	12,427,455
Current assets	72,168	448,011	-	520,179
Creditors due within one year	-	(351,141)	-	(351,141)
Provisions for liabilities and charges	-	(2,775,000)	-	(2,775,000)
Total	72,168	(2,678,130)	12,427,455	9,821,493

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

	2019 £	2018 £
Net expenditure for the year (as per statement of financial activities)	(423,282)	(473,842)
Adjustments for:		
Depreciation charges	252,041	273,101
Interest	(357)	(339)
Decrease/(increase) in debtors	16,975	277,212
Increase/(decrease) in creditors	(36,675)	67,464
Pension adjustments	258,000	247,000
Net cash provided by operating activities	66,702	390,596

19. Cash flows from investing activities

	2019 £	2018 £
Interest received	357	339
Capital expenditure	-	(420,026)
Net cash provided by/(used in) investing activities	357	(419,687)

20. Analysis of cash and cash equivalents

	2019 £	2018 £
Cash in hand	397,482	330,423
Total cash and cash equivalents	397,482	330,423

21. Pension commitments

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

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

Contributions amounting to £79,420 were payable to the schemes at 31 August 2019 (2018 - £76,901) and are included within creditors.

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21. Pension commitments (continued)

Introduction

The Teachers' Pension Scheme (TPS or scheme) is a statutory, unfunded, defined benefit occupational scheme, governed by the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pension Scheme Regulations 2014 (as amended). These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

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

A copy of the latest valuation report can be found by following this link to the Teachers' Pension scheme website.

Scheme Changes

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

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

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

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21. Pension commitments (continued)

The employer's pension costs paid to TPS in the year amounted to £426,395 (2018 - £426,652).

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

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2019 was £265,000 (2018 - £245,000), of which employer's contributions totalled £211,000 (2018 £193,000) and employees' contributions totalled £ 54,000 (2018 - £52,000). The agreed contribution rates for future years are 24.0 per cent for employers and 6.5 per cent for employees.

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

Principal actuarial assumptions

	2019	2018
	%	%
Rate of increase in salaries	3.70	3.80
Rate of increase for pensions in payment/inflation	2.20	2.30
Discount rate for scheme liabilities	1.85	2.65
Inflation assumption (CPI)	2.20	2.30
Inflation assumption (RPI)	3.20	3.30
Commutations of pensions to lump sums	50	50

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

	2019	2018
	Years	Years
<i>Retiring today</i>		
Males	21.3	22.3
Females	23.6	24.8
<i>Retiring in 20 years</i>		
Males	23.0	24.5
Females	25.4	27.1

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21. Pension commitments (continued)

As at 31 August 2019 the Academy had a pension liability of £3,472,000 (2018 - £2,775,000). The sensitivity analysis detailed below would increase/(decrease) the closing defined benefit obligation in the following way;

Sensitivity analysis

	2019 £	2018 £
Discount rate +0.1%	(133,000)	(110,000)
Discount rate -0.1%	137,000	112,000
Mortality assumption - 1 year increase	237,000	168,000
Mortality assumption - 1 year decrease	(228,000)	(163,000)
CPI rate +0.1%	117,000	96,000
CPI rate -0.1%	(114,000)	(94,000)

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

	At 31 August 2019 £	At 31 August 2018 £
Equities	1,620,000	1,417,000
Gilts	141,000	119,000
Corporate bonds	144,000	130,000
Property	205,000	199,000
Cash and other liquid assets	75,000	76,000
Alternative assets	251,000	200,000
Other managed funds	132,000	86,000
Total market value of assets	2,568,000	2,227,000

The actual return on scheme assets was £193,000 (2018 - £125,000).

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

	2019 £	2018 £
Current service cost	(334,000)	(360,000)
Past service cost	(63,000)	-
Interest income	61,000	52,000
Interest cost	(132,000)	(131,000)
Administrative expenses	(1,000)	(1,000)
Total amount recognised in the Statement of financial activities	(469,000)	(440,000)

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21. Pension commitments (continued)

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

	2019 £	2018 £
At 1 September	5,002,000	5,034,000
Interest cost	132,000	131,000
Employee contributions	54,000	52,000
Actuarial losses/(gains)	571,000	(538,000)
Benefits paid	(116,000)	(37,000)
Current service cost	334,000	360,000
Past service costs	63,000	-
At 31 August	<u>6,040,000</u>	<u>5,002,000</u>

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

	2019 £	2018 £
At 1 September	2,227,000	1,895,000
Interest income	61,000	52,000
Actuarial gains	132,000	73,000
Employer contributions	211,000	193,000
Employee contributions	54,000	52,000
Benefits paid	(116,000)	(37,000)
Administrative expenditure	(1,000)	(1,000)
At 31 August	<u>2,568,000</u>	<u>2,227,000</u>

22. Operating lease commitments

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

	2019 £	2018 £
Within 1 year	40,640	52,064
Between 1 and 5 years	46,643	61,310
	<u>87,283</u>	<u>113,374</u>

HEDINGHAM SCHOOL AND SIXTH FORM
(A company limited by guarantee)

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

23. 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.

24. Related party transactions

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

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