
KING EDWARD VI EDUCATION TRUST
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

KING EDWARD VI EDUCATION TRUST
(A company limited by guarantee)

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REFERENCE AND ADMINISTRATIVE DETAILS
FOR THE YEAR ENDED 31 AUGUST 2017

Members

Rev N Brown
Mr H Burgin (resigned 6 March 2017)
Mr A Harrison
Mrs M Haynes
Mrs M Johnson
Mrs S Locking (appointed 6 March 2017)

Trustees

Mrs M Johnson, Chairperson until 31 August 2017 (resigned 31 August 2017)
Mr A Harrison, Chairperson from 1 September 2017
Mr S Chesman
Mr J A Claypole
Mr D Crombleholme
Mrs J Salt (resigned 26 January 2017)
Rev N Brown
Mr D Hardcastle (resigned 10 November 2016)
Lord Norton of Louth
Mr J Lascelles, Principal and Accounting Officer
Miss A Jay (appointed 28 September 2017)
Mrs M Haynes (resigned 31 August 2017)

Company registered number

09635329

Company name

King Edward VI Education Trust

Principal and registered office

King Edward VI Grammar School, Edward Street, Louth, Lincs, LN11 9LL

Principal and Accounting Officer

Mr J Lascelles

Senior leadership team

Mr J Lascelles, Principal
Mr T Taylor, Vice Principal
Mr M Hunkin, Vice Principal
Mrs R Mowbray, Chief Financial Officer

Independent auditors

Streets Audit LLP, Windsor House, A1 Business Park, Long Bennington, Notts, NG23 5JR

Bankers

Lloyds Bank Plc, 24 Mercer Row, Louth, Lincs, LN11 9JH

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2017**

Advisers (continued)

Solicitors

Wilkin Chapman, Cartergate House, 26 Chantry Lane, Grimsby, N E Lincs, DN31 2LJ

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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2017

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

The trust operates an academy for pupils aged 11 to 18 serving a catchment area in Lincolnshire. It has a pupil capacity of 854 and had a roll of 832 in the school census in October 2017.

Structure, Governance and Management

Constitution

The academy trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust. The trustees of King Edward VI Education Trust Limited are also the directors of the charitable company for the purposes of company law. The charitable company is known as King Edward VI Education Trust (KEVIET). Details of the trustees who served during the year are included in the Reference and Administrative Details on page 1.

Members' Liability

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

Trustees' Indemnities

Trustees' benefit from indemnity through the Risk Protection Arrangement for academy trusts (RPA) purchased at the Academy Trust's expense to cover the liability of the Trustees which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of trust or breach of duty of which they may be guilty in relation to the Academy Trust. This is proved that any such indemnity shall not extend to any claim arising from any act or omission which the Trustees know to be a breach of trust or breach of duty or which was committed by the Trustees in reckless disregard to whether it was a breach of trust or breach of duty or not, and provided also that any such indemnity shall not extend to the costs of any unsuccessful defence to a criminal prosecution brought against the Trustees in their capacity as Directors of the Academy Trust. The limit of this liability is £10,000,000 any one loss and any one membership year.

Method of Recruitment and Appointment or Election of Trustees

The Trust is governed by a Board of Directors representing different sectors of the wider community in order to ensure that the Trust is effective and diverse in its make up.

KEVIET is governed by Directors constituted under a Memorandum of Association and Articles of Association. This Board of Directors (Board) is responsible for ensuring that high standards of corporate governance are maintained. It will exercise its powers and functions with a view to fulfilling a largely strategic leadership role in the running of the Academies. This will allow greater opportunities for collaboration not only with regards to teaching but also in terms of the management of each Academy, including the procurement of goods and services.

The Board is also governed by the terms of any Funding Agreements that are in place, the Academies Financial Handbook and the Treasury publications "Guidance on Codes of Practice for Board Members of Public Bodies" and "The Orange Book: Management of Risk – Principles and Concepts".

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The 6 Founding Directors were initially nominated by the Members of which one is linked to the incumbent Rector of the Parish of St James' Church and one is the Warden for the time being of the King Edward VI and Almshouse Charity. These Founding Directors then appoint the Education Directors to represent the primary, and secondary sectors of the Trust; one to represent higher education and a fourth to represent the local authority/LLP. There are then four Business Directors appointed by the Founding Directors to cover Accountancy, Legal, Business, and HR skills.

The size of the Board has been reduced during the past year in accordance with guidance issued by the Department for Education that a Board should not be larger than it needs to be. An essential core of skills has been retained within the Board covering legal, business, HR, management and accountancy skills.

Any further appointments to the Board will be made as needs are identified and determined by annual review by way of skills audit.

Policies and Procedures Adopted for the Induction and Training of Trustees

All Directors are able to remotely access, at any time, an electronic folder maintained by the Clerk, which contains all policies, procedures, governance documents, budget plans and finance reports, minutes and papers of meetings. In addition there is an electronic folder of legal documents concerning the Trusts legal status, other such publications issued by the DFE, ESFA and Charity Commission concerning the Academies and the role of a Trustee. New Directors meet individually with the CEO and members of the Senior Leadership Team to gain an understanding of the organisational structure and the senior roles and responsibilities and are given a tour of the School. They are encouraged to attend relevant training as the opportunities arise which the Clerk circulates and to make use of specialist online training available for Directors.

Organisational Structure

The Academy opened on 1st September 2015. The structure of the organisation consists of a number of levels. The Directors of the Trust are responsible for setting the overall strategic direction of the Trust and its Academies and are also solely accountable for financial and educational standards. This responsibility is discharged to the CEO of the Trust who is responsible for the overall strategic and operational day to day life of the Trust and is charged with the line management of the Headteachers/Heads of School of any joining schools. All Academies under the Trust will have a Local Governing Body responsible for standards across their individual academy. Within each academy the Headteacher or Head of School and SLT are then charged with the overall operational life of the academy. At present King Edward's remains the only school within the Trust but the situation is currently under review by the Trust Board.

The Finance Director and CEO work together to lead the financial life of the school. The Finance Director runs a team that is responsible for HR, Payroll and Finance and Budget control within King Edwards and across a number of different schools under the terms of a Memorandum of Understanding (MOU).

Arrangements for setting pay and remuneration of key management personnel

In setting the pay and remuneration of key management personnel the Trust is mindful of attracting and retaining talent in the isolated rural setting of Lincolnshire where talent management and recruitment at all levels of the organisation are exceptionally challenging.

Trustees ensure that recruitment to the board is a rigorous process and use a variety of methods including advertisements and detailed person and job specifications to ensure that an appropriate field is gathered rather than awaiting for a candidate to appear.

Trustees are not paid and may only claim expenses.

For the position of CEO, FD and Headteachers the Trust recognises the importance of these positions and

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

adopts a robust approach to recruitment, local benchmarking of pay and remuneration in order to attract and most importantly retain talent.

The Trust uses a rigorous benchmarking process to ensure that pay and remuneration at this level is consistent with similar roles in the local market place; consideration is also given to similar positions in the regional and national market place and jobs that are similar to the role of the CEO in the private sector, and or Headteachers in the independent sector.

In order to meet the requirements of the Nolan Principles of public life the Trust operates a graded turnover cap on senior salaries.

Related Parties and other Connected Charities and Organisations

The Trust is connected to two charities. The Friends of King Edward VI Grammar School and The King Edward VI Almshouse, School and Educational Charity at Louth (known as The Foundation). The Foundation has been in existence for over 450 years and owns all of the schools land and buildings with some minor exceptions and has granted a licence to the Trust to occupy its property in accordance with the funding agreement with the Department for Education.

In 2016/17 several schools worked with the Trust via an MOU and these include Lacey Gardens Junior School; Eastfield Infant School; The Fenland Federation; Monks' Dyke Tennyson College and Donington on Bain Primary School, the latter also received strategic educational support.

Objectives and Activities

Objects and Aims

The Trust's objectives are to work together with the local schools in and around Louth to support exceptional education. The Trust remains true to its founding school's principles to "Encourage Excellence and Nurture Talent" in all areas of education to support all children in Louth from 0-19.

We have referred to the Charity Commission's guidance on public benefit when reviewing our aims and objectives and in planning our future activities.

The Aims and Objectives of the Trust are set out in the Terms of Reference but also in the Trusts Development Plan.

At present King Edward's remains the only school within the Trust, but the school has and continues to work closely with other schools in the vicinity, both in educational and support capacities. The directors are presently undertaking a review of the Trust's core functions and propose expansion via the use of the presently underdeveloped property at Crowtree House.

Objectives, Strategies and Activities

The Core Aims and Objectives of the Trust for 2016/17 were to:

1. Establish the Trust and raise awareness of the Trust's offer to local schools
2. Provide School to School Improvement support to local schools
3. Provide Financial Service support to local schools – particularly Primary Schools

At the end of 2017 the Trust has achieved these goals and has offered various services to several schools during 2016/17 by way of MOU's and other appropriate arrangements.

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Public Benefit

The Directors have due regard to the Charity Commission's general guidance on public benefit and confirm that it has complied with the requirements for public benefit and when reviewing the objectives of the Trust and agreeing its future strategic direction, its activities are evidently for the public benefit of education.

This can be demonstrated by the successful educational activities of the Trust, its examination results, links to the local Community, extensive extra curricular opportunities available to students, charity fundraising activities and the wider strategic contribution of school improvement work, strategic leadership, finance and payroll services provided to local schools.

Strategic Report

Achievements and Performance

The Trust

In line with its objectives above The Trust has continued to engage in school improvement work with Donington on Bain Primary School.

This work has focused on supporting schools with various aspects of school improvement from financial restructuring and reorganisation through to teaching and learning reviews; work scrutinies; running CPD workshops; supporting schools with Self Evaluation and Development Planning; Governance Review and other aspects of school improvement work.

In addition this work is complemented by the Trusts financial and HR/Payroll work with other schools. The Trust has now become a key player in the local market place and is establishing a solid reputation for the level and detail of its work in this area. As a consequence demand for these services continues to grow and such support is presently being given to three local primary schools.

The Trust will be putting together a comprehensive three year strategic plan to help drive forward the growth of the Trust and ensure that it develops significant capacity over the coming 18 months.

King Edward VI Grammar School

King Edward's mission is to "Encourage Excellence and Nurture Talent"

The school continues to meet its mission objective well.

The school's results in 2017 maintained the school's reputation for a high standard of education. The outgoing Year 11 pupils were the weakest cohort through the school in the last decade and their attainment on entry placed this group as one of the weakest Grammar School Year 11s in the country. Despite this staff and pupils worked hard to drive standards upwards - GCSE results remain consistently good in a year when new grading systems have been introduced and the school finished having made significant value added for this year group that meets the OFSTED criteria for Outstanding outcomes.

This year's A Level results have placed King Edward's into the top 10% of schools nationally. 23 students achieved an A* or A grade in all of their subjects and over 10% of our A Level students have gone on to take up places at Oxford and Cambridge or studying Medical or Veterinary Science. Individual scholars have excelled with one student becoming the UK winner of the Juvenes Translatores Contest for Spanish-English translation and another being one of just three in the UK to receive the Salters Advanced Chemistry Individual Investigation Prize for project work at A level. However, it is not just the high flyers who flourish at the school – middle achievers acknowledged they are challenged and pushed to work to the highest standard possible. Team efforts

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are encouraged and this year a team of 6th Form students were amongst the first to qualify for Lincoln's University Challenge final. The school actively supports academic achievement and regularly hosts a Careers and Higher Education Convention for all students in the area.

The school is rightly not focused solely on examination results, and significant achievement also occurred in the extra-curricular life of the school. The school's contingent Combined Cadet Forces goes from strength to strength and on an individual level one RAF air cadet has been presented with the prestigious Sir John Thompson Memorial Sword and has since undertaken a two week exchange with the Canadian air force.

More students than ever undertake the Duke of Edinburgh award at Gold, Silver and Bronze levels and a number of King Edward's students participate in the NCS scheme each summer undertaking business and community projects.

Students also excel to professional standards in music and drama, with an annual performance at the Louth Riverhead theatre and numerous concerts throughout the year. Each year the Art and Design Department hold an exhibition open to the public showcasing exceptional talent in all forms of art and photography.

The school's sports department has also produced phenomenal success – sporting achievements include winning the District Athletics competition for the second year running, U13 and U15 girls rugby teams becoming County champions, the Y7 and Y8 netball teams becoming the Coastal and Wolds super zone champions and many more notable achievements.

In addition to this there are a number of trips run by the school every year to provide both cultural and educational experience, including ski trips, battlefield visits, art galleries and treasure houses, regular visits to the capital and much more.

The school continues to be over subscribed for entry at Year 7 and interest in the school remains high, with further strong demand for entry at Year 10 and 6th Form.

Governors and directors take an active interest in the school's daily life, visiting the school regularly and sharing in its celebrations. All work with the SLT to develop the direction of the school and the school's next three development plan.

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Key Performance Indicators

The Directors consider some of the following measures to monitor and assess the performance of the Trust:

- Teachers Pay as a % of GAG	69%
- Total Pay as a % of GAG	95%
- Teachers Pay as a % of Total Revenue Income	58%
- Total Pay as a % of Total Revenue Income	80%
- Average GAG income per Student (aged 11 – 18)	£4,384

Going Concern

After making appropriate enquiries, the board of trustees has a reasonable expectation that the academy trust has adequate cash reserves and resources to provide future financial sustainability 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.

Equal Opportunities Policy

The Directors recognise that equal opportunities is an integral part of good practice within the workplace. The King Edward VI Education Trust is committed to equal opportunity in all areas of its activities, including creating a working environment in which the contribution and needs of all people are valued.

Disabled Persons

Lifts, ramps and disabled toilets are installed and door widths are adequate to enable wheelchair access to all main areas of the Trust premises. Adjustments have been made for the visually impaired, including painted step edges and tactile paving.

The Trust encourages and supports the recruitment and retention of employees and pupils with disabilities. It ensures this by the adaptation of the physical environment and by providing any specific resources, training or development required.

Financial Review

Most of the Academy's income is obtained from the Education and Skills Funding Agency (ESFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the ESFA during the year ended 31 August 2017 and the associated expenditure are shown as restricted funds in the statement of financial activities.

The trust held fund balances at 31 August 2017 of £9,780,547, comprising £1,993 of restricted funds, a fixed asset reserve of £11,846,575, a pension reserve deficit of £1,569,000 and a deficit of £499,021 on unrestricted general funds. The funds in deficit are discussed below in the Reserves Policy.

Most of the trust's income is obtained from the ESFA in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the ESFA during the year ended 31 August 2017 and the associated expenditure are shown as restricted funds (non-fixed assets) in the statement of financial activities.

During the year ended 31 August 2017, total expenditure of £3,932,232 was less than recurrent restricted grant funding from the EFA together with other restricted incoming resources. The excess of income over expenditure for the period was £85,845.

The main financial performance indicator is the level of reserves held at the Balance Sheet date. In particular,

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the management of spending against General Annual Grant (GAG) requires special attention as the amount of carry forward is monitored. In the year under review there was £47 carried forward. Another key financial performance indicator is staffing costs as a percentage of recurrent income. For 2017 this was 93.2% - the Trustees have identified that this is too high, and this is being addressed.

The trust's non-teaching staff are entitled to membership of the Local Government Pension Scheme. The Trust's share of the Scheme's assets is currently assessed to be less than its liabilities in the Scheme, and consequently the academy balance sheet shows a net liability of £1,569,000.

Detail is still awaited on future funding from 2017/18 onwards. Pupil members are expected to remain stable.

Reserves Policy

Subject to ESFA's constraints on permitted balances, the Academies Trust's policy is to carry forward a prudent level of resources. Due to anticipated future changes in funding, the situation will be kept under regular review.

At 31 August 2017 there was a deficit of £499,021 on free reserves, and restricted general funds amount to £1,993. The deficit on free reserves is largely due to liabilities inherited on conversion. This includes a £550,000 loan from Lincolnshire County Council which will be repaid mostly from the proceeds of the sale of unused Trust property (which is expected to happen in early 2017/18).

The amount of funds which can only be realised by disposing of tangible fixed assets amounted to £11,846,575.

The pension fund is in deficit by £1,569,000.

Total funds at 31 August 2017 amount to £9,780,547, and the balance on restricted general funds plus unrestricted general funds at 31 August 2017 results in a net revenue deficit of £497,028.

Whilst the cumulative revenue deficit of £497,028 is a cause for concern to Trustees this figure includes pre - conversion liabilities related to the purchase of Crowtree House by the Governors to facilitate Sixth Form Boarding provision. This property is in the process of being transferred to the Foundation Charity that owns all of the school's land and buildings and upon completion will reduce this deficit to £47K: completion is expected by the end of 2017.

The School has a robust five year budget plan in place that incorporates the significant gains that come from the implementation of the National Funding Formula in 2018/19. These gains help to ensure that the school will achieve an in year surplus in every year through the five year plan from 2018/19, and a cumulative surplus position from 2019/20 onwards culminating in a significant projected cumulative surplus by 2021/22. Short term pressures mean that Trustees will need to focus on careful regular cash-flow management, monitoring of management accounts under/overspends including any contract renewals, regular scrutiny of five year budget plans, financial implications of staffing establishment changes, national pressures due to pay cap removal and pension contribution increases. They will also need to be mindful about making a judgement about the extent to which any short fall can be subsidised from cash reserves whilst recognising the importance of maintaining an appropriate level of contingency funds.

Investment Policy

The Trust operates an investment policy whereby the Board of Directors delegates the responsibility for the monitoring and review of investments to the Finance and Estates committee. Their responsibility is to manage, control and track financial exposure, to ensure maximum investment from funds and to review the Trust's investments on a regular basis throughout the year.

The investment objectives are:

- To achieve best financial return available whilst ensuring that security of deposits takes

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TRUSTEES' REPORT (continued)
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precedence over revenue maximisation.

- Only invest funds surplus to operational need based on all financial commitments being met without the Academy bank account becoming overdrawn.
- To ensure that investment decisions are exercised with care and skill and consequently be in the best interests of the Trust.

The Trust has an assigned Relationship Manager at Lloyds bank with whom the Finance Director meets regularly and liaises with as required to ensure the best rate of return on investments is achieved. The Finance Director monitors the Trust's cash position and cash flow forecast and reports to the Directors on the cash flow forecast and monies invested in the deposit account and the rate of return being received. Condition Improvement Fund (CIF) monies received have been invested in a new 32 day notice deposit account with regular review of these funds in order to meet the expenditure plan for the capital project.

Principal Risks and Uncertainties

The majority of the Trusts' income is received from the ESFA as GAG income. Therefore the Directors believe that the principal risks are due to potential reductions in GAG income from the Education and Skills Funding Agency and no annual increase to fund staff pay awards and increased pension contributions.

The principal risks have been identified as -

- Impact of continued reduction in sixth form funding.
- Reduction and abolition of the Education Services Grant.
- Lagged funding (by 11 months) due to additional entry of 30 pupils p.a. since September 2013.
- Impact of national living wage on support staff pay scales.
- Impact of LGPS pension fund valuation exercise resulting in a secondary rate lump sum payment payable each year to address the repayment of the deficit fund valuation.
- Potential increase to employers Teachers Pension contributions.
- Uncertainty in the economic market and inflationary increase would affect the majority of non staff-costs.
- Pupil on roll numbers are regularly monitored although oversubscribed admission applications negate this risk.
- Political uncertainty in relation to removal of public sector pay cap.
- Deterioration of building fabric due to reduced budgets resulting in lack of a rolling program of site maintenance.
- Inability to invest in IT infrastructure and hardware.

The Board of Directors continually plan and assess the strategic impact of the above risks when considering and reviewing the five year budget forecasts of the Trust and take the necessary remedial actions to minimise the risks.

Risk management

The Trust has a Risk Management Strategy which aims to identify and evaluate risks which could prevent the Trust from achieving one or more of its strategic aims and objectives and delivery targets or make their achievement substantially more difficult. It ensures that the likelihood of such risks occurring (high, medium, low) and the potential impact of such occurrences with particular reference to the areas of finance, reputation and planning/ operations are assessed. This enables informed decisions to be taken on how much risk to accept, the actions/controls to be applied to avoid or mitigate the likelihood of such circumstances arising, to transfer risk or insure against the consequences and assign responsibility for implementation.

The Trust has an effective system of internal financial management controls and Human Resources operational

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2017

procedures (including the recruitment of staff) to minimise risk. The Trust ensures that adequate insurance cover is in place.

Procedures are in place to ensure the risks are regularly assessed and documented in the risk register in relation to curriculum delivery, safeguarding, finance, payroll, premises, health and safety, safety of pupils, IT infrastructure and school trips.

Plans for Future Periods

The Academy has a one year Action Plan, a strategic three year Development Plan, and a Premises and ICT development plan to ensure the curriculum, facilities, staff and premises provide the necessary learning environment for pupils to achieve their full potential and receive a breadth of enrichment opportunities.

The Trust is committed to the existing supportive local core services offer which is providing Finance (including financial leadership, management support, and strategic budget planning), HR and payroll services to local primary schools and also to the development of the IT Services and Strategic & Operational Site Services.

Future CIF bids are to be an annual process to try to ensure the continual improvement and refurbishment of the site and facilities. A longer term project to improve Sport facilities and a further science teaching classrooms is at the development phase.

Funds Held as Custodian Trustee on Behalf of Others

The Trust does not currently hold any funds as Custodian Trustee on behalf of others.

Auditor

Insofar as the trustees are aware:

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

Trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 7 December 2017 and signed on the board's behalf by:

Mr A Harrison
Chair of Trustees

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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

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

The board of trustees has delegated the day-to-day responsibility to the Principal, 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 King Edward VI Education Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

GOVERNANCE

The information on governance included here supplements that described in the Trustees' report and in the Statement of Trustees' responsibilities. The board of trustees has formally met 8 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of a possible
Mrs M Johnson, Chairperson until 31 August 2017	8	8
Mr A Harrison, Chairperson from 1 September 2017	7	8
Mr S Chesman	8	8
Mr J A Claypole	5	8
Mr D Crombleholme	8	8
Mrs J Salt	1	5
Rev N Brown	6	8
Mr D Hardcastle	1	2
Lord Norton of Louth	2	8
Mr J Lascelles, Principal and Accounting Officer	8	8
Mrs M Haynes	7	8

The Board has reviewed its composition after its first year and in line with DfE guidance it has determined that it should be no larger than necessary and that new directors are to be recruited only where there is a gap in skills. Skills will be reviewed on an annual basis by means of a whole Board skills audit so as to ensure that the process for recruitment of new trustees to the Board results in the appropriate breadth of skills, experience and strategic vision for the Trust.

During the year the Board has discussed the strategy for the use of Crowtree House and commenced an options appraisal exercise to explore costs and differing uses within the future direction of Trust expansion. Consideration regarding the investment in a consultant to assist with any CIF bids were debated and agreed. The board have been kept up to date with the external consultancy work that has been undertaken by the CEO and FD and the challenges that this brings in balancing investment in staffing to deliver the service to schools. Therefore the Trust strategic plan, business plan and financial plan has been regularly updated and reviewed.

The NGA skills audit was undertaken in November 2016 and the outcome has been used to consider and identify any areas for training or requiring improvement.

The exercise is to be repeated in October 2017 due to a need for reorganisation identified by a meeting of the Trust Strategy Board. The interactive auditing tool developed by the School Bus has been adopted which will enable the Board to assess which skills, and to what level, their current membership holds against 'A Competency Framework for Governance', published in January 2017. The Chair of the Board and other senior

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GOVERNANCE STATEMENT (continued)

members can then use this information to identify which governors are most suitable for specific roles, such as the chairmanship of the finance committee. It also allows the Chair of the Board to see where individual directors, governors or the governing body as a whole are lacking in particular skills, and to tailor recruitment, induction and training requirements to bridge these gaps.

The skills audit outcomes of all sub committees are to be collated on one report for the Trust Board to consider and an action plan drawn up to identify areas for improvement and timescales.

The Finance and Estates committee is a sub committee of the main board of directors. This committee is responsible for monitoring and making recommendations to the Trust Board on all matters relating to finance and premises including health and safety.

This year it has also performed the function of the audit committee, which has separate terms of reference. Its purpose is to support, monitor and challenge the Trust to ensure that it undertakes its financial operational procedures and activities with due regard to the requirements as detailed in the articles of association, funding agreement and financial handbook. The committee reviews management accounts, cashflow, budget forecast on a regular basis, approves capital projects/tender documents and is responsible for the scrutiny of the draft budget before recommendation to the Trust Board. The committee monitors processes and procedures to ensure effective financial controls are in place. It reviews the Trust's risks to internal financial control and reviews the reports of the Internal Auditor and ensures any recommendations are implemented.

The Finance and Estates committee reports to the Trust Board at each of their meetings.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
Mr A Harrison (Chairman)	5	5
Mrs M Johnson	4	4
Mr J A Claypole	5	5
Mr D Hardcastle (resigned 10 November 2016)	0	1
Mr D Crombleholme	5	5
Mr S Chesman	1	1
Mr J Lascelles	5	5

Currently the Trust does not have a separate audit committee and this year the functions of the audit committee have been carried out within the remit of the Finance and Estates committee although consideration needs to be given for the sub-committee to be established.

REVIEW OF VALUE FOR MONEY

As Accounting Officer, the Principal 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 for the academy has delivered improved value for money during the year by:

Ensuring there are effective financial control systems in place to monitor expenditure against budgets.

A culture of contract renegotiation and testing the market place for best value is part of procedure and all contracts when due for renewal are assessed for the specification required and cost which is then challenged if appropriate. Savings have been renegotiated during the year for utility contracts and premises statutory

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GOVERNANCE STATEMENT (continued)

compliance services. The tender policy is followed to ensure formal quotations are obtained which are then reviewed by the tender board and any decision minuted.

The budget planning software continues to be an invaluable resource for the CEO and FD to model the future Trust financial 5 year plan, accounting for future Trust expansion whilst identifying future challenges and risks to present to the Finance and Estates committee. Staffing reports are utilised from the budget planning software and are used as a payroll control measure to check against the monthly payroll variance reports.

The rollout of a purchasing and reporting portal (as part of the Sage finance software) for budget holders to raise orders, deliver goods and services received whilst also having the ability to view their spend against budget has brought a significant improvement to departmental budget management. This has improved the quality and speed of financial reporting that budget holders, SLT and Directors can access and has provided successful delegation to budget holders.

Financial processes are being reviewed in the light of staffing changes and internal audit recommendations. The emphasis is on streamlining processes and ensuring better use of the software systems currently in use. Rationalisation and simplification of the Academy's chart of accounts for the start of 2017/18 will significantly contribute to this.

The suitability, longevity and value for money of the Finance software continues to be reviewed to ensure its capability to deliver the requirements of the Financial Handbook and for the Trust services sold to local primary schools.

The CIF bid process and appointment of a consultant was presented and has been continually reviewed by the Board to ensure that their appointment is best value and that their ethics and knowledge are suited to the ethos of the Academy. A new comprehensive condition survey has been procured which will form the basis of future CIF bids and provide information to facilitate the continued evaluation by the Board of any risk associated with our Estate.

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of academy 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 King Edward VI Education Trust for the year 1 September 2016 to 31 August 2017 and up to the date of approval of the annual report and financial statements.

CAPACITY TO HANDLE RISK

The board of trustees has reviewed the key risks to which the academy 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 2016 to 31 August 2017 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

THE RISK AND CONTROL FRAMEWORK

The academy'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

KING EDWARD VI EDUCATION TRUST
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GOVERNANCE STATEMENT (continued)

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

The board of trustees has considered the need for a specific internal audit function and has decided to appoint Mrs J Raftery of Julia Raftery Consulting Ltd 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 Arrangements
- Risk Management Arrangements
- Budget Management and Financial Planning
- Cash Management and Banking Arrangements
- Purchasing Procedures and Tendering Arrangements
- Payroll Procedures
- Income
- Asset Management
- Other / General Observations

On an annual basis, the internal auditor reports to the board of trustees through the Finance and Estates Committee on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

The internal auditor delivered their schedule of work as planned and advised the Directors and Accounting Officer areas where it considered financial management processes and associated controls and governance arrangements could be strengthened. The key risk areas related to:

- Updating of website
- Declaration of Interest forms
- Staff hospitality
- Risk register
- Updating the Single Central Record
- Division of duty in relation to the income process
- SLAs for services provided to other schools

A detailed internal audit report was provided which detailed the findings, judgement of risk, recommendations, agreed actions and timescales. The Finance Director, Clerk to the Board and CEO have produced an Action Plan which has been presented to the Trust Board for their review and will be regularly presented to the Finance and Estates committee with an update on the progress of actions.

REVIEW OF EFFECTIVENESS

As Accounting Officer, the Principal 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.

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GOVERNANCE STATEMENT (continued)

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

Approved by order of the members of the board of trustees on 7 December 2017 and signed on their behalf, by:

Mr A Harrison
Chair of Trustees

Mr J Lascelles
Accounting Officer

KING EDWARD VI EDUCATION TRUST
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of King Edward VI Education Trust I have considered my responsibility to notify the academy trust board of trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2016.

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

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

Mr J Lascelles
Accounting Officer

Date: 7 December 2017

KING EDWARD VI EDUCATION TRUST
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STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2017

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the board of trustees on 7 December 2017 and signed on its behalf by:

Mr A Harrison
Chair of Trustees

KING EDWARD VI EDUCATION TRUST
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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF KING EDWARD VI EDUCATION TRUST

OPINION

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

This report is made solely to the 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 Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the academy and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the academy's affairs as at 31 August 2017 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

OTHER INFORMATION

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

KING EDWARD VI EDUCATION TRUST
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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF KING EDWARD VI EDUCATION TRUST

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

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

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Trustees' report including the Strategic report for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' report has been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

RESPONSIBILITIES OF TRUSTEES

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

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's or to cease operations, or have no realistic alternative but to do so.

KING EDWARD VI EDUCATION TRUST
(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF KING EDWARD VI EDUCATION TRUST

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

Mark Bradshaw (Senior statutory auditor)

for and on behalf of

Streets Audit LLP

Windsor House
A1 Business Park
Long Bennington
Notts
NG23 5JR
18 December 2017

KING EDWARD VI EDUCATION TRUST
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**INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO KING EDWARD VI
EDUCATION TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 19 August 2015 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by King Edward VI Education Trust during the year 1 September 2016 to 31 August 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

**RESPECTIVE RESPONSIBILITIES OF KING EDWARD VI EDUCATION TRUST'S ACCOUNTING OFFICER
AND THE REPORTING AUDITORS**

The Accounting Officer is responsible, under the requirements of King Edward VI Education Trust's funding agreement with the Secretary of State for Education dated 27 August 2015, and the Academies Financial Handbook extant from 1 September 2016, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

APPROACH

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

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

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

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

Our audit work involved:

- a review of the Academy systems and controls and confirmation of their operation and effectiveness during the year;
- a detailed review of purchase transactions confirming the purpose, value for money and that appropriate tendering or quotation procedures had been followed in line with the Academy finance policy; and

KING EDWARD VI EDUCATION TRUST
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**INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO KING EDWARD VI
EDUCATION TRUST AND THE EDUCATION AND SKILLS FUNDING AGENCY (continued)**

- a review of the Internal Audit reports.

CONCLUSION

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

Mark Bradshaw (Senior statutory auditor)

for and on behalf of

Streets Audit LLP

Windsor House
A1 Business Park
Long Bennington
Notts
NG23 5JR

18 December 2017

KING EDWARD VI EDUCATION TRUST
(A company limited by guarantee)

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

	Note	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £	Total funds 2016 £
INCOME FROM:						
Donations and capital grants	2	-	7,869	298,724	306,593	10,037,923
Charitable activities	3	354,978	4,010,208	-	4,365,186	4,238,269
Other trading activities	4	217,743	-	-	217,743	217,226
Investments	5	1,926	-	-	1,926	3,546
TOTAL INCOME		574,647	4,018,077	298,724	4,891,448	14,496,964
EXPENDITURE ON:						
Raising funds		221,918	-	-	221,918	-
Charitable activities		381,721	4,072,232	143,168	4,597,121	4,614,826
TOTAL EXPENDITURE	7	603,639	4,072,232	143,168	4,819,039	4,614,826
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS						
Transfers between Funds	17	(28,992) 69,723	(54,155) (107,300)	155,556 37,577	72,409 -	9,882,138 -
NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES						
		40,731	(161,455)	193,133	72,409	9,882,138
Actuarial gains/(losses) on defined benefit pension schemes	22	-	376,000	-	376,000	(550,000)
NET MOVEMENT IN FUNDS		40,731	214,545	193,133	448,409	9,332,138
RECONCILIATION OF FUNDS:						
Total funds brought forward		(539,752)	(1,781,552)	11,653,442	9,332,138	-
TOTAL FUNDS CARRIED FORWARD		(499,021)	(1,567,007)	11,846,575	9,780,547	9,332,138

KING EDWARD VI EDUCATION TRUST
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REGISTERED NUMBER: 09635329

BALANCE SHEET
AS AT 31 AUGUST 2017

	Note	£	2017 £	£	2016 £
FIXED ASSETS					
Tangible assets	12		11,131,270		11,653,442
CURRENT ASSETS					
Debtors	13	212,551		309,089	
Investments	14	450,000		-	
Cash at bank and in hand		698,156		444,400	
			<u>1,360,707</u>		<u>753,489</u>
CREDITORS: amounts falling due within one year	15	(991,036)		(558,604)	
NET CURRENT ASSETS			<u>369,671</u>		<u>194,885</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>11,500,941</u>		<u>11,848,327</u>
CREDITORS: amounts falling due after more than one year	16		<u>(151,394)</u>		<u>(711,189)</u>
NET ASSETS EXCLUDING PENSION SCHEME LIABILITIES			<u>11,349,547</u>		<u>11,137,138</u>
Defined benefit pension scheme liability	22		<u>(1,569,000)</u>		<u>(1,805,000)</u>
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u><u>9,780,547</u></u>		<u><u>9,332,138</u></u>
FUNDS OF THE ACADEMY					
Restricted income funds:					
Restricted income funds	17	1,993		23,448	
Restricted fixed asset funds	17	11,846,575		11,653,442	
Restricted income funds excluding pension liability		<u>11,848,568</u>		<u>11,676,890</u>	
Pension reserve		<u>(1,569,000)</u>		<u>(1,805,000)</u>	
Total restricted income funds			<u>10,279,568</u>		<u>9,871,890</u>
Unrestricted income funds	17		<u>(499,021)</u>		<u>(539,752)</u>
TOTAL FUNDS			<u><u>9,780,547</u></u>		<u><u>9,332,138</u></u>

The financial statements on pages 24 to 51 were approved by the Trustees, and authorised for issue, on 7 December 2017 and are signed on their behalf, by:

Mr A Harrison
Chair of Trustees

KING EDWARD VI EDUCATION TRUST
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Net cash provided by operating activities	19	<u>43,509</u>	<u>598,979</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		1,926	(7,797)
Purchase of tangible fixed assets		(70,996)	(136,384)
Capital grants from DfE/ESFA		298,724	-
Net cash provided by/(used in) investing activities		<u>229,654</u>	<u>(144,181)</u>
Cash flows from financing activities:			
Repayments of borrowings		(19,407)	(10,398)
Net cash used in financing activities		<u>(19,407)</u>	<u>(10,398)</u>
Change in cash and cash equivalents in the year		253,756	444,400
Cash and cash equivalents brought forward		<u>444,400</u>	<u>-</u>
Cash and cash equivalents carried forward	20	<u><u>698,156</u></u>	<u><u>444,400</u></u>

KING EDWARD VI EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES

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

1.1 Basis of preparation of financial statements

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

King Edward VI Education Trust constitutes a public benefit entity as defined by FRS 102.

1.2 Going concern

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

KING EDWARD VI EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.3 Income

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

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

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

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

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

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

Income tax recoverable in relation to investment income is recognised at the time the investment income is receivable.

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

KING EDWARD VI EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

1.4 Expenditure

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

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

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

All expenditure is inclusive of irrecoverable VAT.

1.5 Tangible fixed assets and depreciation

All assets costing more than £2,000 are capitalised and are carried at cost, net of depreciation and any provision for impairment.

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

The Academy incurs significant repair and replacement costs such that the Trustees believe the property's residual value is not materially different to the cost. Accordingly no depreciation is charged.

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

KING EDWARD VI EDUCATION TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

1. ACCOUNTING POLICIES (continued)

Property improvements	-	2% straight line
Furniture & equipment	-	10% straight line
Computer equipment	-	33% straight line

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

1.6 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.

1.7 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.

1.8 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.

1.9 Financial instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 13. 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 costs as detailed in notes 15 and 16. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instruments.

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

1. ACCOUNTING POLICIES (continued)

1.10 Taxation

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

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

1. ACCOUNTING POLICIES (continued)

1.11 Pensions

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 22, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

1.12 Fund accounting

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

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

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

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

1. ACCOUNTING POLICIES (continued)

1.13 Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

The value of long-term leasehold property transferred on conversion is based upon the valuation performed by the EFA on 31 March 2016.

Critical areas of judgment:

The Trust's long-term leasehold property is subject to a two-year termination clause, however, the Trustees believe that the likelihood of this clause being triggered are extremely remote, and that the risks and rewards of ownership lie with the Trust. Accordingly, the property has been included on the balance sheet.

As explained in note 1.5 above, the Academy incurs significant repair and replacement costs such that the Trustees believe the property's residual value is not materially different to the cost. Accordingly no depreciation is charged.

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

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £	Total funds 2016 £
Transfer from local authority on conversion	-	-	-	-	10,022,255
Other donations	-	7,869	-	7,869	15,668
Capital grants	-	-	298,724	298,724	-
	-	7,869	298,724	306,593	10,037,923
<i>Total 2016</i>	(360,930)	(1,156,332)	11,555,185	10,037,923	

3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
DfE/ESFA grants				
General Annual Grant (GAG)	-	3,801,049	3,801,049	3,725,039
Start Up Grants	-	-	-	25,000
Other DfE/ESFA grants	-	165,984	165,984	93,393
	-	3,967,033	3,967,033	3,843,432
Other government grants				
Local authority grants	-	43,175	43,175	22,239
	-	43,175	43,175	22,239
Other funding				
Trips	88,264	-	88,264	138,826
Music	42,921	-	42,921	34,640
Catering	204,910	-	204,910	169,666
Other income	18,883	-	18,883	29,466
	354,978	-	354,978	372,598
	354,978	4,010,208	4,365,186	4,238,269
<i>Total 2016</i>	372,598	3,865,671	4,238,269	

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

4. OTHER TRADING ACTIVITIES

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	<i>Total funds 2016 £</i>
Hire of facilities	11,075	-	11,075	3,662
Catering	73,291	-	73,291	61,108
Strategic and finance support	78,740	-	78,740	102,605
Other	54,637	-	54,637	49,851
	<u>217,743</u>	<u>-</u>	<u>217,743</u>	<u>217,226</u>
<i>Total 2016</i>	<u>217,226</u>	<u>-</u>	<u>217,226</u>	

5. INVESTMENT INCOME

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	<i>Total funds 2016 £</i>
Bank interest receivable	1,926	-	1,926	3,546
	<u>1,926</u>	<u>-</u>	<u>1,926</u>	<u>3,546</u>
<i>Total 2016</i>	<u>3,546</u>	<u>-</u>	<u>3,546</u>	

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

6. CHARITABLE ACTIVITIES

	Total funds 2017 £	<i>Total funds 2016 £</i>
DIRECT COSTS		
Wages and salaries	2,250,505	2,293,190
National insurance	221,756	184,698
Pension cost	469,557	386,771
Depreciation	30,750	27,860
Pension finance cost	39,000	45,000
Other direct costs	290,274	346,293
	3,301,842	<i>3,283,812</i>
SUPPORT COSTS		
Wages and salaries	522,247	564,992
National insurance	40,389	33,389
Pension cost	87,319	84,515
Depreciation	112,418	10,267
Technology costs	55,297	57,586
Premises costs	230,740	265,375
Other support costs	218,475	276,009
Governance costs	28,394	38,881
	1,295,279	<i>1,331,014</i>
	4,597,121	<i>4,614,826</i>

7. EXPENDITURE

	Staff costs 2017 £	Premises 2017 £	Other costs 2017 £	Total 2017 £	<i>Total 2016 £</i>
Expenditure on raising funds	129,109	-	92,809	221,918	-
Academy's educational operations:					
Direct costs	2,941,819	30,750	329,273	3,301,842	3,283,812
Support costs	649,954	243,158	402,167	1,295,279	1,331,014
	3,720,882	273,908	824,249	4,819,039	<i>4,614,826</i>
<i>Total 2016</i>	<i>3,547,555</i>	<i>303,501</i>	<i>763,770</i>	<i>4,614,826</i>	

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

8. NET INCOME/(EXPENDITURE)

This is stated after charging:

	2017	2016
	£	£
Depreciation of tangible fixed assets:		
- owned by the charity	143,168	38,127
Operating lease rentals	16,578	18,148
Auditors' remuneration - audit	10,200	9,200
Auditors' remuneration - other services	2,250	2,425
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS
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9. STAFF COSTS

Staff costs were as follows:

	2017 £	2016 £
Wages and salaries	2,812,276	2,744,550
Social security costs	262,257	218,087
Operating costs of defined benefit pension schemes	557,006	471,286
	3,631,539	3,433,923
Supply staff costs	81,343	113,632
Staff restructuring costs	8,000	-
	3,720,882	3,547,555

Staff restructuring costs comprise:

Severance payments	8,000	-
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Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £8,000 (2016: £nil). Individually the payments were £5,500 and £2,500.

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

	2017 No.	2016 No.
Teachers	55	60
Administration and support	48	47
Management	1	1
	104	108

Average headcount expressed as a full time equivalent:

	2017 No.	2016 No.
Teachers	50	54
Administration and support	33	30
Management	1	1
	84	85

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

	2017 No.	2016 No.
In the band £60,001 - £70,000	2	2
In the band £100,001 - £110,000	1	1

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NOTES TO THE FINANCIAL STATEMENTS
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9. STAFF COSTS (continued)

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £326,226 (2016: £363,386).

10. TRUSTEES' REMUNERATION AND EXPENSES

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

		2017	<i>2016</i>
		£	<i>£</i>
Mr J Lascelles, Principal and	Remuneration	100,000-105,000	<i>100,000-105,000</i>
Accounting Officer	Pension contributions paid	15,000-20,000	<i>15,000-20,000</i>

During the year ended 31 August 2017, expenses totalling £2,188 (2016 - £433) were reimbursed to 1 Trustee (2016 - 2).

11. TRUSTEES' AND OFFICERS' INSURANCE

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

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

12. TANGIBLE FIXED ASSETS

	Freehold property £	Long-term leasehold property £	Property improvements £	Furniture and equipment £	Computer equipment £
Cost					
At 1 September 2016	630,000	10,845,000	48,968	80,235	87,365
Additions	-	-	59,435	-	11,561
Transfer to current asset investments	(550,000)	-	-	-	-
At 31 August 2017	80,000	10,845,000	108,403	80,235	98,926
Depreciation					
At 1 September 2016	-	-	980	8,024	29,122
Charge for the year	100,000	-	2,168	8,024	32,976
Transfer to current asset investments	(100,000)	-	-	-	-
At 31 August 2017	-	-	3,148	16,048	62,098
Net book value					
At 31 August 2017	80,000	10,845,000	105,255	64,187	36,828
At 31 August 2016	630,000	10,845,000	47,988	72,211	58,243
					Total £
Cost					
At 1 September 2016					11,691,568
Additions					70,996
Transfer to current asset investments					(550,000)
At 31 August 2017					11,212,564
Depreciation					
At 1 September 2016					38,126
Charge for the year					143,168
Transfer to current asset investments					(100,000)
At 31 August 2017					81,294
Net book value					
At 31 August 2017					11,131,270
At 31 August 2016					11,653,442

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

12. TANGIBLE FIXED ASSETS (continued)

The trust's transactions relating to land and buildings included the transfer of unused Trust property to current asset investments, as the sale of this property was underway at the year end and completion is expected within twelve months of the balance sheet date. The property is being sold for £450,000 and therefore the £100,000 impairment loss has been included as additional depreciation in line with the Academies Accounts Direction 2016 to 2017.

13. DEBTORS

	2017 £	2016 £
Trade debtors	51,201	151,365
VAT recoverable	18,823	3,106
Prepayments and accrued income	142,527	154,618
	<u>212,551</u>	<u>309,089</u>

14. CURRENT ASSET INVESTMENTS

	2017 £	2016 £
Freehold property held for sale	450,000	-
	<u>450,000</u>	<u>-</u>

15. CREDITORS: Amounts falling due within one year

	2017 £	2016 £
Other loans	569,551	29,163
Trade creditors	65,154	132,318
Other taxation and social security	66,676	67,401
Other creditors	77,145	76,202
Accruals and deferred income	212,510	253,520
	<u>991,036</u>	<u>558,604</u>

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

15. CREDITORS: Amounts falling due within one year (continued)

	2017 £	2016 £
Deferred income		
Deferred income at 1 September 2016	159,633	-
Resources deferred during the year	108,071	159,633
Amounts released from previous years	(159,633)	-
	108,071	159,633
Deferred income at 31 August 2017	108,071	159,633

At the balance sheet date the Academy Trust was holding funds received in advance in respect of strategic and finance support, and trips due to take place in the academic year 2017/18.

Included within other loans is a loan of £19,551 (2016: £29,163) from Lincolnshire County Council. Interest is charged at 0.75%, and the loan is due to be repaid by 13 August 2025.

Also included within other loans is a loan of £550,000 (2016: £550,000 included in amounts falling due after more than one year) from Lincolnshire County Council. Interest is charged at 0.5% above base rate, and the loan is due to be repaid 30 days following the completion of the sale of The Limes, Westgate, Louth, Lincolnshire, LN11 9YE.

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

	2017 £	2016 £
Other loans	151,394	711,189
	151,394	711,189

Included within other loans is a loan of £151,394 (2016: £161,189) from Lincolnshire County Council. Interest is charged at 0.75%, and the loan is due to be repaid by 13 August 2025.

Included within other loans last year was a loan of £550,000 (now included in amounts falling due within one year) from Lincolnshire County Council. Interest is charged at 0.5% above base rate, and the loan is due to be repaid 30 days following the completion of the sale of The Limes, Westgate, Louth, Lincolnshire, LN11 9YE.

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

	2017 £	2016 £
Repayable by instalments	71,709	81,801
	71,709	81,801

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

17. STATEMENT OF FUNDS

	Balance at 1 September 2016 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2017 £
Unrestricted funds						
Unrestricted funds	(539,752)	574,647	(603,639)	69,723	-	(499,021)
Restricted funds						
General Annual Grant (GAG)	-	3,801,048	(3,794,718)	(6,283)	-	47
Pupil Premium	1,690	43,978	(44,639)	-	-	1,029
Other ESFA grants	21,758	122,007	(42,621)	(101,017)	-	127
Local authority grants	-	43,175	(42,385)	-	-	790
Other restricted funds	-	7,869	(7,869)	-	-	-
Pension reserve	(1,805,000)	-	(140,000)	-	376,000	(1,569,000)
	<u>(1,781,552)</u>	<u>4,018,077</u>	<u>(4,072,232)</u>	<u>(107,300)</u>	<u>376,000</u>	<u>(1,567,007)</u>
Restricted fixed asset funds						
Transfer on conversion	11,538,820	-	(116,365)	-	-	11,422,455
Capital expenditure from GAG	114,622	-	(25,615)	11,561	-	100,568
DfE/ESFA capital grants	-	298,724	(1,188)	26,016	-	323,552
	<u>11,653,442</u>	<u>298,724</u>	<u>(143,168)</u>	<u>37,577</u>	<u>-</u>	<u>11,846,575</u>
Total restricted funds	<u>9,871,890</u>	<u>4,316,801</u>	<u>(4,215,400)</u>	<u>(69,723)</u>	<u>376,000</u>	<u>10,279,568</u>
Total of funds	<u><u>9,332,138</u></u>	<u><u>4,891,448</u></u>	<u><u>(4,819,039)</u></u>	<u><u>-</u></u>	<u><u>376,000</u></u>	<u><u>9,780,547</u></u>

STATEMENT OF FUNDS - PRIOR YEAR

	Balance at 11 June 2015 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2016 £
Unrestricted funds						
Unrestricted funds	-	232,440	(582,747)	(189,445)	-	(539,752)
	<u>-</u>	<u>232,440</u>	<u>(582,747)</u>	<u>(189,445)</u>	<u>-</u>	<u>(539,752)</u>

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

Restricted funds

General Annual Grant (GAG)	-	3,725,039	(3,778,100)	53,061	-	-
Start up Grants	-	25,000	(25,000)	-	-	-
Pupil Premium	-	45,532	(43,842)	-	-	1,690
Other ESFA grants	-	47,861	(26,103)	-	-	21,758
Local authority grants	-	22,239	(22,239)	-	-	-
Other restricted funds	-	15,668	(15,668)	-	-	-
Pension reserve	-	(1,172,000)	(83,000)	-	(550,000)	(1,805,000)
	-	<u>2,709,339</u>	<u>(3,993,952)</u>	<u>53,061</u>	<u>(550,000)</u>	<u>(1,781,552)</u>

Restricted fixed asset funds

Transfer on conversion	-	11,555,185	(16,365)	-	-	11,538,820
Capital expenditure from GAG	-	-	(21,762)	136,384	-	114,622
	-	<u>11,555,185</u>	<u>(38,127)</u>	<u>136,384</u>	<u>-</u>	<u>11,653,442</u>
Total restricted funds	-	<u>14,264,524</u>	<u>(4,032,079)</u>	<u>189,445</u>	<u>(550,000)</u>	<u>9,871,890</u>
Total of funds	-	<u>14,496,964</u>	<u>(4,614,826)</u>	<u>-</u>	<u>(550,000)</u>	<u>9,332,138</u>

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

Unrestricted funds

Unrestricted funds represent both those resources, as well as funds transferred to the academy from the Local Authority upon conversion, which may be used towards meeting any of the objectives of the academy at the discretion of the trustees. These are not currently designated for particular purposes.

Transfers to/from unrestricted funds include £75,000 transferred from Other DfE/ESFA grants to represent the correction of allocation of costs against this funding.

Restricted funds

General Annual Grant (GAG) is made up of a number of different funding streams, all of which are used to cover the running costs of the academy.

Other DfE/ESFA Grants represent other restricted funding which does not form part of the GAG funding.

Local Authority Grants represents restricted funding received from the local authority towards the running costs of the academy.

Other Restricted Funds represents other income restricted received from various sources towards the running costs of the academy.

Pension Reserve represents the current deficit balance of the Local Government Pension Scheme

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

(LGPS).

Transfers to/from restricted funds include £75,000 transferred to unrestricted funds to represent the correction of allocation of costs against this funding.

Restricted fixed asset funds

Transfer on conversion represents the buildings and assets transferred to the academy from the Local Authority upon conversion.

Capital expenditure from unrestricted funds represents fixed asset expenditure transferred from other restricted income.

Transfers between funds represent the use of recurrent income being used to fund capital expenditure, and a transfer from unrestricted funds to clear the GAG deficit.

Summary

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

The academy is carrying a net deficit of £497,028 on restricted general funds (excluding pension reserve) plus unrestricted funds for the following reason.

As explained in the Trustees Report, the Trust inherited significant liabilities inherited on conversion. This included a £550,000 loan from Lincolnshire County Council.

The academy is taking the following action to return these funds to surplus:

The £550,000 loan will be repaid mostly from the proceeds of the sale of unused Trust property (which is expected to happen early in the 2017/18 financial year).

The 2017/18 budget shows a surplus, and the Trustees are amending their 5 year action plan to increase income generation, cut costs and ensure that the Trust's target level of reserves are achieved.

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Restricted fixed asset funds 2017 £	Total funds 2017 £
Tangible fixed assets	-	-	11,131,270	11,131,270
Current assets	229,898	415,504	715,305	1,360,707
Creditors due within one year	(728,919)	(262,117)	-	(991,036)
Creditors due in more than one year	-	(151,394)	-	(151,394)
Provisions for liabilities and charges	-	(1,569,000)	-	(1,569,000)
	<u>(499,021)</u>	<u>(1,567,007)</u>	<u>11,846,575</u>	<u>9,780,547</u>

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18. ANALYSIS OF NET ASSETS BETWEEN FUNDS (continued)

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	<i>Unrestricted funds</i>	<i>Restricted funds</i>	<i>Restricted fixed asset funds</i>	<i>Total funds</i>
	2016	2016	2016	2016
	£	£	£	£
Tangible fixed assets	-	-	11,653,442	11,653,442
Current assets	264,614	488,875	-	753,489
Creditors due within one year	(254,366)	(304,238)	-	(558,604)
Creditors due in more than one year	(550,000)	(161,189)	-	(711,189)
Provisions for liabilities and charges	-	(1,805,000)	-	(1,805,000)
	<u>(539,752)</u>	<u>(1,781,552)</u>	<u>11,653,442</u>	<u>9,332,138</u>

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

	2017	2016
	£	£
Net income for the year (as per Statement of Financial Activities)	72,409	9,882,138
Adjustment for:		
Depreciation charges	143,168	38,126
Dividends, interest and rents from investments	(1,926)	8,547
Decrease/(increase) in debtors	96,538	(309,089)
(Decrease)/increase in creditors	(107,956)	464,968
Capital grants from DfE and other capital income	(298,724)	-
Defined benefit pension scheme cost less contributions payable	101,000	38,000
Assets and liabilities from local authority on conversion	39,000	45,000
Net (loss) on assets and liabilities from local authority on conversion	-	(9,568,711)
Net cash provided by operating activities	<u>43,509</u>	<u>598,979</u>

20. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2017	2016
	£	£
Cash in hand	698,156	444,400
Total	<u>698,156</u>	<u>444,400</u>

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FOR THE YEAR ENDED 31 AUGUST 2017

21. CONTINGENT LIABILITIES

The Academy had no contingent liabilities at 31 August 2017.

In the event of King Edward VI Education Trust ceasing to operate as an academy provisions are included in the funding agreement relating to the clawback of assets and monies paid to the academy.

22. PENSION COMMITMENTS

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

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

Contributions amounting to £12,448 were payable to the schemes at 31 August 2017 (2016 - £10,425) and are included within creditors.

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

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

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22. PENSION COMMITMENTS (continued)

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

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

The employer's pension costs paid to TPS in the period amounted to £329,256 (2016 - £334,069).

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2017 was £164,000 (2016 - £124,000), of which employer's contributions totalled £130,000 (2016 - £96,000) and employees' contributions totalled £34,000 (2016 - £28,000). The agreed contribution rates for future years are 19% for employers and variable% for employees.

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

Principal actuarial assumptions:

	2017	2016
Discount rate for scheme liabilities	2.50 %	2.10 %
Rate of increase in salaries	2.80 %	3.60 %
Rate of increase for pensions in payment / inflation	2.40 %	2.10 %
Commutation of pensions to lump sums	75.00 %	63.00 %

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

	2017	2016
Retiring today		
Males	22.1	22.2
Females	24.4	24.4
Retiring in 20 years		
Males	24.1	24.5
Females	26.6	26.8

Sensitivity analysis	At 31 August 2017	At 31 August 2016
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017

22. PENSION COMMITMENTS (continued)

	£	£
Discount rate -0.1%	62,000	65,000
Mortality assumption - 1 year increase	69,000	67,000

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

	Fair value at 31 August 2017 £	Fair value at 31 August 2016 £
Equities	572,000	320,000
Bonds	88,000	54,000
Property	66,000	42,000
Cash and other liquid assets	7,000	-
Total market value of assets	<u>733,000</u>	<u>416,000</u>

The actual return on scheme assets was £10,000 (2016 - £11,000).

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

	2017 £	2016 £
Current service cost	(231,000)	(134,000)
Past service cost	(130)	-
Interest income	10,000	11,000
Interest cost	(49,000)	(56,000)
Total	<u>(270,130)</u>	<u>(179,000)</u>

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

	2017 £	2016 £
Opening defined benefit obligation	2,221,000	-
Transferred in on existing academies joining the trust	-	1,406,000
Current service cost	231,000	134,000
Interest cost	49,000	56,000
Employee contributions	34,000	28,000
Actuarial (gains)/losses	(227,000)	597,000
Benefits paid	(6,000)	-
Closing defined benefit obligation	<u>2,302,000</u>	<u>2,221,000</u>

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22. PENSION COMMITMENTS (continued)

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

	2017 £	2016 £
Opening fair value of scheme assets	416,000	-
Upon conversion	-	234,000
Interest income	10,000	11,000
Actuarial losses	149,000	47,000
Employer contributions	130,000	96,000
Employee contributions	34,000	28,000
Benefits paid	(6,000)	-
	<hr/>	<hr/>
Closing fair value of scheme assets	733,000	416,000
	<hr/> <hr/>	<hr/> <hr/>

23. OPERATING LEASE COMMITMENTS

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

	2017 £	2016 £
Amounts payable:		
Within 1 year	26,956	33,806
Between 1 and 5 years	9,020	32,768
	<hr/>	<hr/>
Total	35,976	66,574
	<hr/> <hr/>	<hr/> <hr/>

24. 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.

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25. RELATED PARTY TRANSACTIONS

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

Rev N Brown, Trustee, is a Trustee of the Parochial Church Council of the Ecclesiastical Parish of Louth, which provides room hire services to the academy. During the period services provided by this entity amounted to £2,620 (2016: £2,500). There were no amounts outstanding at the period end. All such transactions were undertaken at arm's length and in accordance with the Trust's procurement policies.

The Trustees believe that the Parochial Church Council of the Ecclesiastical Parish of Louth provide the best value for money services in the local area, regardless of any connections to Trustees.

J Lascelles, Principal and Accounting Officer, is a Governor at Donington on Bain Primary School, to whom the academy provide strategic and financial support services. During the period services provided to this entity amounted to £46,496 (2016: £54,882), and £23,295 (2016: £27,324) was outstanding at the period end. All such transactions were undertaken at arm's length and in accordance with the Trust's invoicing policies.

No other related party transactions took place in the period of account, other than certain trustees' remuneration and expenses already disclosed in note 10.

26. AGENCY ARRANGEMENTS

The academy trust distributes 16-19 bursary funds to students as an agent for ESFA. In the accounting period ending 31 August 2017 the trust received £15,979 (2016: £14,895) and disbursed £14,350 (2016: £13,159) from the fund. £739 was used towards administration costs incurred by the Academy Trust, and an amount of £1,941 (2016: £1,051) is included in creditors relating to undistributed funds that is repayable to ESFA.