

Fareham Academy  
(A Company Limited by Guarantee)  
Annual Report and Financial Statements  
Year ended 31 August 2019

Company Registration Number:  
08549807 (England and Wales)

# Fareham Academy

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# Fareham Academy

## Reference and Administrative Details

### Members:

E Baxter (resigned 28 September 2019)  
K Childs (resigned 28 September 2019)  
M Wills (resigned 28 September 2019)  
L Docherty (appointed 27 September 2019)  
I Holt (appointed 27 September 2019)  
S Mead (appointed 27 September 2019)  
K Ranford (appointed 27 September 2019)

### Trustees:

K Childs  
C Collins (appointed 27 September 2019)  
M Goodall  
A Grant  
S Harding (appointed 27 September 2019)  
J Hawksworth  
R Murrell (appointed 11 January 2019)  
C Prankerd (appointed 1 September 2019)  
J Harding (née Rogers)  
J Tucker  
M Wills  
E Baxter (resigned 19 July 2019)  
G Carmichael (resigned 19 January 2019)  
C Collins (resigned 31 August 2019)  
A Deasy (resigned 31 August 2019)  
M Mattock (resigned 25 April 2019)  
S Mead (resigned 19 July 2019)  
R Patel (resigned 21 May 2019)

### Category

Governor Appointed  
Governor Appointed  
Elected Parent  
Member Appointed  
Governor Appointed  
Member Appointed  
Elected Parent  
Headteacher  
Member Appointed  
Member Appointed  
Governor Appointed  
Member Appointed  
Governor Appointed  
Elected Staff  
Headteacher  
Governor Appointed  
Member Appointed  
Elected Staff

### Company Secretary

Michelmores Solicitors

### Senior Management Team:

Headteacher	Mrs Adele Deasy
Deputy Headteacher	Mr Rajesh Patel
Deputy Headteacher	Mrs Alex Lowe
Senior Assistant Headteacher	Mr David Butterworth
Assistant Headteacher	Miss Rebecca Brice

### Company Name

Fareham Academy

# Fareham Academy

## Reference and Administrative Details

### **Principal and Registered Office**

St Anne's Grove

Fareham

Hampshire

PO14 1JJ

### **Company Registration Number**

08549807 (England and Wales)

### **Independent Auditor**

Hopper Williams & Bell Limited

Statutory Auditor

Highland House

Mayflower Close

Chandlers Ford

Eastleigh

SO53 4AR

### **Bankers**

Lloyds Bank

Ariel House

2138 Coventry Road

Sheldon

B26 3JW

### **Solicitors**

Michelmores

Woodwater House

Pynes Hill

Exeter

EX2 5WR

# Fareham Academy

## Trustees' Report

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year ended 31 August 2019. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The academy trust operates an academy for pupils aged 11 to 16 serving a catchment area in Fareham, Hampshire. It has a pupil capacity of 900 and had a roll of 770 in the school census in summer 2019.

### **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 Fareham Academy are also the directors of the charitable company for the purposes of company law. The charitable company operates as Fareham Academy.

Details of the trustees who served during the year and to the date these accounts are approved 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**

The Academy Trusts has liability insurance which includes trustee indemnity insurance to the value of £5m.

#### **Method of Recruitment and Appointment or Election of Trustees**

The process for appointing or electing trustees at Fareham Academy is outlined below:

**Member Appointed Trustee:** There are 6 Member Appointed Trustees who are appointed by the Academy Trust.

**Staff Governors:** There are 2 Staff Governors who are elected by members of staff. If the number of staff standing for election is less than the number of vacancies, then they can be appointed by the Governing Body.

**Governors Appointed Governors:** There are 4 Governors Appointed Governors who are appointed by the Governing Body.

**Parent Governors:** There are 2 Parent Governors who are elected by parents. If the number of parents standing for election is less than the number of vacancies, then they can be appointed by the Governing Body as long as they are in parent of a child of compulsory school age.

# Fareham Academy

## Trustees' Report

### **Method of Recruitment and Appointment or Election of Trustees (continued)**

All governors are appointed for a 4-year term with the exception of the Headteacher who is entitled to be a Governor for as long as he or she is Headteacher.

When a vacancy occurs the Governing Body will ensure that all appropriate parties are made aware of the opportunities, the skills that the Governing Body is seeking and the process to be followed. Information is given to new and prospective governors via emails, website and social media.

### **Policies and Procedures Adopted for the Induction and Training of Trustees**

The Academy Trust has a governor induction policy for new governors and governor induction training is provided by Hampshire Governor Services. The Academy Trust buys into a governor training services level agreement with Hampshire Governor Services to ensure that all governors have access to the appropriate training.

### **Organisational Structure**

At Fareham Academy the majority of the roles and responsibilities of the Governing Body have been delegated to a small number of committees. The Full Governing Body has retained responsibility for certain aspects. The sub-committees report to the Full Governing Body meeting, held termly.

Members of the Senior Leadership Team (SLT), in addition to the Headteacher, attend Governors' meetings as appropriate.

The Governors are responsible for the strategic management of the Academy, deciding and setting key aspects of the academy, including strategic direction, annual budgets, senior staff appointments, policy changes etc. Operational management is the responsibility for the Headteacher and staff.

Academy policies are developed by senior staff, to reflect both the strategic direction agreed by the Governing Body and also statutory requirements. These policies are approved and adopted by the Governing Body and implemented as procedures and system by the SLT and other designated members of staff.

The Resources Committee has responsibility and delegated authority for the oversight and monitoring of the management of the budget share. The committee considers and presents for Full Governors approval of the annual school budget and the 3-year plan. The committee fulfils the role of the Audit Committee and has responsibility to assist the Governing Body in the internal control structure, procedures for financial reporting, monitoring the financial statements and risk management processes. In addition, covers the planning, implementation, monitoring and evaluation of the staffing structure in the context of the academy's strategic and improvement plans. It also oversees the community use of the academy, Health & Safety, security and maintenance and development of the Academy buildings and grounds.

The Pay Committee has full delegated powers to make all decisions about individuals pay on behalf of the Governing Body.

# Fareham Academy

## Trustees' Report

### **Organisational Structure (continued)**

The Achievement, Standards and Welfare Committee oversees and monitors the curriculum provision and monitors and oversees the development of further strategies to address differences in achievement. In addition, the Committee oversees special education needs, extra-curricular activities, behaviour and attendance.

The Full Governing Body meets on a termly basis and receives minutes from each of the sub-committees.

### **Arrangements for setting pay and remuneration of key management personnel**

The Trustees of Fareham Academy act with integrity, confidentiality, objectivity and honesty in the best interests of the academy; are open about decisions made and actions taken, and are prepared to explain decisions and actions to interested persons. The procedure for determining pay is consistent with the principles of public life, objectivity, openness and accountability.

Pay and remuneration of key management personnel is determined by a variety of contributory factors, such as, the school group size, ISR, the pay scales for each role e.g. Headteacher, Deputy Headteacher, Assistant Headteacher, and the level of experience of the staff member. In addition to this, levels of pay may be affected by any nationally agreed pay awards, the ability to recruit key management personnel and retain them in post, which all coincides with the school's appointment and pay policies. All amendments to key management personnel's pay and remuneration is discussed and agreed by the Governing Body.

The pay for key school staff is determined on appointment in accordance with the scale of grades, currently where applicable in line with the Local Authority, which the Trustees consider appropriate for the post. The Trustees may from time to time review the scale of grades for support staff if there is a significant change to the role they were initially appointed to.

### **Trade union facility time**

In accordance with the provisions of the Trade Union (Facility Time Publication Requirements) regulations 2017, Fareham Academy does not have any trade union representatives who are required to carry out trade union duties.

### **Related Parties and other Connected Charities and Organisations**

Fareham Academy is a single academy and historically has had limited formal support from external partnerships and networks. The Academy works with local and national schools through established networks although these relationships are largely informal. We have Service Level Agreements in place with Michelmores Solicitors for Human resources and Legal Support, Hampshire County Council covering payroll, governor's services, pension and Newly Qualified Teachers support. This has minimised the potential risk to the Academy, particularly if key staff were to be absent for an extended period.

# Fareham Academy

## Trustees' Report

### Objectives and Activities

#### **Objects and Aims**

The main objective of the Academy Trust is to advance the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, managing and developing a school offering a broad and balanced curriculum. It is also to promote for the benefit of the inhabitants of Fareham and the surrounding area the provision of facilities or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interest of social welfare and with the object of improving the condition of life of the said inhabitants.

The main objectives of the Trust during the period ended 31st August 2019 are summarised below:

- to raise the standard of educational achievements of all students in the Academy
- to ensure that every student enjoys the same high quality education in terms of resourcing, teaching and learning
- to improve the effectiveness of the Academy by keeping the curriculum and organisational structures under continual review
- to comply with all appropriate statutory and curriculum requirements
- to provide value for money for the funds expended
- to conduct the Trust and Academy business in accordance with the highest standards of integrity, probity and openness

The aims of the Academy Trust are to continue:

- to provide a highly effective, ambitious, creative and challenging curriculum which meets the needs and challenges faced by individual students in the 21st century
- to ensure that all students receive an appropriate challenge in all subject areas, based on a high quality assessment of their achievement and reliable monitoring of their progress
- to provide the highest quality of education and promote consistently high expectations of our students
- to set all students explicit targets for improvement in each subject
- to systematically evaluate the effectiveness of teaching and learning in all subject areas
- to work with staff, students, parents, governors and the community to create a happy, stimulating and supportive environment for learning
- to maintain our rapid and sustained progress of exam success for our students to enable them acquire the skills and knowledge to achieve their full potential in a rapidly changing world
- to value every student equally and promote equal opportunities for all students by having high expectations that all can succeed and by ensuring equal access to the curriculum
- to celebrate success
- to continue our uncompromising drive to become an outstanding school

The Academy Trust strongly believes that by developing transferable skills such as teamwork, communication, problem solving and innovation, students will be better prepared for the constantly changing world.



# Fareham Academy

## Trustees' Report

### Objectives, Strategies and Activities

Our main priority actions for the period 1st September 2018 to 31st August 2019 are:

Fareham Academy Priority Actions 2018 - 2019				
PERSPECTIVE	School Action Plan (SAP) To increase outcomes for students			
Strategy (vision)	Target yr 4&5 parents in our 4 catchment schools to promote our school ethos through our 5 a day DBU	To drive 5+ attainment in all subjects to meet National Attainment 8 outcome of at least 63 for high band students. RBR	Personalise student (reduced) timetables to reintegrate PA students back into school in a timely manner ensuring our PA is less than 12.8% (national) DBU	Our statement of curriculum intent will be implemented across both KS3&4 and its impact measured through progress, access and Gatsby ADE
Clients (Students, Parents, Community)	Deliver a meaningful progress report biannually to ensure parental engagement and understanding of progress RBR	Coordinate and deliver student led projects to engage our community RPA	Use CPOMS effectively to track trends and intervene in child safeguarding concerns in a pre-emptive manner DBU	Reduce the attainment gap to less than half a grade for DS students ensuring proportional representation of 20% accessing all areas ALO
People (Staff, Governors)	Thematic CPD to personalise a 'one thing' approach, improving T&L to be at least 100% good. ALO	Intentionally prioritise staff wellbeing ADE	Leaders will systematically monitor systems and outcomes to drive progress and outcomes for students RPA	Establish a purposeful relationship between parents of the MA students in the Academy to support achievement and wellbeing. ADE
Infrastructure /Process /Finance	SMART performance management targets of SLT and middle leaders to be evidenced and supported half termly to raise standards ALO	Secure a financial deficit plan to significantly reduce the in year deficit. ADE	Embed a KS3 assessment model to raise measurable standards with 80% of students on track. RBR	Ensure the learning space is fit for purpose to meet our increasing PAN RPA

### Public Benefit

The Academy Trust's chief charitable purpose is to advance for the public benefit, education in the United Kingdom. The achievements and performance outlined below, along with the statement of financial activities, are evidence that the Governors recognise and have complied with their duty to ensure that funds are spent for the public benefit.

The Academy provides secondary education to 770 young people aged 11 through 16, with students studying towards achieving GCSEs. The Academy ensures that it provides a rich and balanced education to young people by meeting the requirements of the national curriculum. It also provides a range of events, activities, school trips as well as social and moral education to extend the learning and opportunities for young people.

# Fareham Academy

## Trustees' Report

### Strategic Report

#### Achievements and Performance

Measure	2018-19	2017-18	2016-17	2015-16
Progress 8 Score	-0.56	-0.41	-0.075	+0.3
Attainment 8 Score	43.72	45.6	45.49	51.7
Basics (9-4) in Eng & Maths	56.1	60%	53.2%	66% (A*-C)
Achieved EBacc	12.2	17.3%	13%	11%
Entered EBacc	32.4	45.5%	83%	75%

#### Key Performance Indicators

Measure	Non – DS	DS
Progress 8 Score	-0.55	-0.61
Attainment 8 Score	45.97	37.18
Basics (9-4) in Eng & Maths	60.9	42.1
Achieved EBacc	14.5	5.3
Entered EBacc	37.3	18.4

Measure	Girls	Boys
Progress 8 Score	-0.38	-0.72
Attainment 8 Score	45.48	42.04
Basics (9-4) in Eng & Maths	61.1	51.3
Achieved EBacc	18.1	3.9
Entered EBacc	50	15.8

# Fareham Academy

## Trustees' Report

### Key Performance Indicators (continued)

#### Comparative Attendance Analysis

Year	2018-19	2017/2018	2016/17	2015/16	2014/15
Year 7	95.70%	95.54%	96.21%	95.52%	95.11%
Year 8	94.44%	94.91%	94.79%	95.51%	95.24%
Year 9	95.55%	93.77%	94.96%	95.18%	95.23%
Year 10	95.76%	94.87%	93.64%	95.07%	94.94%
Year 11	95.45%	94.87%	95.86%	95.06%	94.32%
<b>Total</b>	<b>95.34%</b>	<b>94.63%</b>	<b>95.21%</b>	<b>95.24%</b>	<b>95.09%</b>

#### Comparative Analysis on Parents' Evening

	Year 7 Meet the Tutors	Year 11 Oct	Year 11	Year 7	Year 8	Year 9	Year 10
2014-15 Attendance	72%	65%	68%	78%	75%	78%	66%
2015-16 Attendance	67%	70%	N/A	84%	71%	62%	64%
2016-17 Attendance	79%	64%	63%	69%	74%	69%	72%
2017-18 Attendance	76%	67%	63%	69%	66%	65%	61%
2018-19 Attendance	71%	68%	61%	65%	67%	70%	69%

### Going Concern

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

# Fareham Academy

## Trustees' Report

### **Financial Review**

Most of the Academy's income is obtained from the DfE in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE during the year ending 31 August 2019 and the associated expenditure are shown as restricted funds in the statement of financial activities.

A devolved formula capital grant of £52,999 was received, and is shown in the Statement of Financial Activities (SOFA) as restricted fixed asset funds.

Non-teaching staff are entitled to membership of the Local Government Pension Scheme. The Academy's share of the Scheme's assets is currently assessed to be less than its liabilities in the Scheme, and consequently the balance sheet shows a net liability of £1,041,000.

### **Reserves Policy**

The Academy's 'free reserves' are its funds after excluding restricted funds. Free Reserves are the resources the Academy has or can make available to spend for any or all of the Academy's purposes once it has met its commitments and covered its other planned expenditure.

The reserves as at 31 August 2019 were as follows:

- Unrestricted (free) reserves of £442,307
- A restricted fixed asset fund of £3,493,210, which can only be realised through disposal of tangible fixed assets
- A pension deficit of £1,041,000
- Total funds of £2,894,517

There is a £1,041,000 deficit in respect of the Local Government Pension Scheme. This will result in increased employers' pension contributions over a period of years. We have reflected the effect of increased pension costs in our future budgets. Increased pension contributions will be met from the academy trust's budgeted annual income, and whilst the deficit might not be eliminated, there should be no actual cash flow deficit on the fund, or direct impact on the free reserves of the academy trust as a result of recognising the deficit.

### **Investment Policy**

With respect to cash holdings, the Governors have adopted a low risk strategy.

# Fareham Academy

## Trustees' Report

### **Principal Risks and Uncertainties**

#### *Financial*

As an Academy funded directly by the DfE funding streams are considered to be reasonably safe and secure. The risk mainly arises from changes in Government policy and funding levels. The Governors have a risk management strategy which is managed and reviewed on a regular basis.

#### *Reputational*

The Academy's continue success is dependent on continuing to attract applicants in sufficient numbers by maintaining the highest educational standards. To mitigate this risk Trustees ensure that student success and achievement are closely monitored and reviewed.

#### *Safeguarding & Child Protection*

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

#### *Staffing*

The success of the Academy is reliant on the quality of its staff and so the Trustees monitor and review policies and procedures to ensure continued development and training of staff as well as ensuring there is clear succession planning.

### **Principal Risks and Uncertainties (continued)**

#### *Fraud and mismanagement of funds*

The Academy Trust undertakes internal checks on financial systems and records as required by the Academies Financial Handbook.

The Academy has continued to strengthen its risk management process throughout the year by improving the process and ensuring staff awareness. A risk register is maintained and reviewed and updated on a regular basis.

### **Fundraising**

As part of its work within the community, the academy trust undertakes fundraising activities in order to support its own operations and also to make donations to local and national charities. The academy trust undertakes all such activities itself, with the help of its students and their families. We confirm that when fundraising:

- No unsolicited approaches are made to members of the public.
- No commercial participators are used.
- No regularity schemes or standards are applicable
- No complaints were made to the academy trust during the year

# Fareham Academy

## Trustees' Report

### Plans for Future Periods

Governors and the Senior Leadership Team of the Academy meet annually to review the key objectives and the annual School Development Plan.

# WHOLE SCHOOL OBJECTIVES

2019/20

**Overarching aim:** To grow a culture where education is valued by all and used by everyone as the key to unlock future opportunity. Where staff cultivate a desire for learning and self-improvement and students feel safe and supported in order to reach their personal potential, therefore leaving the Academy as well mannered, confident and culturally rich individuals.

### EFFECTIVENESS OF LEADERSHIP AND MANAGEMENT

To develop the quality and impact of Continuing Professional Development in order to meet the needs of both the Academy and the individual to:

- o Further develop the quality of teaching, learning and assessment
- o Further build leadership across Fareham Academy
- o Support staff to achieve their professional goals and realise their potential
- o Build a culture of staff wellbeing centred improvement

### BEHAVIOUR & ATTITUDES

To embed consistent systems to support positive learning attitudes and behaviours in order to unlock the potential in all students.

### OVERALL EFFECTIVENESS: TEACHING & LEARNING

To develop a culture of limitless potential and raised aspiration through the implementation of high challenge and growth mindset in all classrooms.

### OVERALL EFFECTIVENESS: OUTCOMES

Further improve the progress made by all students in comparison with their cohort nationally with a particular focus on English and mathematics for 2019-20.

To close the progress gap between niche groups of students and their peers with a particular focus on:

- o Disadvantaged
- o Boys
- o Students who joined the Academy after September 2017 (Year 9)

# Fareham Academy

## Trustees' Report

### **Funds Held as Custodian Trustee on Behalf of Others**

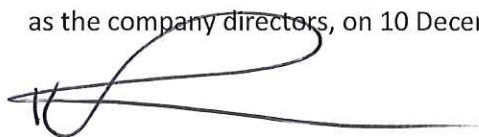
During the year ended 31 August 2019 Fareham Academy did not hold any funds as a custodian trustee on behalf of any charitable organisation.

### **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.

The Trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 10 December 2019 and signed on the board's behalf by:



**K Childs**

Trustee

# Fareham Academy

## Governance Statement

### Scope of Responsibility

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

The board of trustees has delegated the day-to-day responsibility to the Headteacher, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between Fareham Academy 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 four times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Governor Meeting Attendance report 18/19										
Governor name	FGB	%	A,S&W	%	Resources	%	Policy	%	Total	%
Andy Grant	4/4	100	1/3	34					5/7	71
Steve Mead (resigned 19/07/2019)	1/4	25	0/3	0	1/4	25			2/11	18
Janet Tucker	4/4	100	3/3	100	4/4	100			11/11	100
Gillian Carmichael (resigned 19/01/2019)	2/2	100	1/1	100	0/1	0			3/4	75
Martin Wills	3/4	75	3/3	100	4/4	100	3/3	100	13/14	92.8
Emma Baxter (resigned 19/07/2019)	3/4	75			4/4	100			7/8	87.5
Charlie Childs	4/4	100	3/3	100	4/4	100	3/3	100	14/14	100
Julie Hawksworth	3/4	75	3/3	100	2/4	50			8/11	72.7
Adele Deasy (resigned 31/01/2019)	4/4	100	3/3	100	4/4	100	3/3	100	14/14	100
Raj Patel (resigned 21/05/2019)	2/3	67			2/3	67			4/6	66.6
Mark Goodall	4/4	100			4/4	100	3/3	100	11/11	100
Jenni Rogers	1/4	25	2/3	67					3/7	42.8
Chris Collins (resigned 31/01/2019)	1/4	25	2/3	67					3/7	42.8
Richard Murrell (appointed 11/01/2019)	2/2	100							2/2	100
Mark Mattock (resigned 25/04/2019)	3/3	100			2/2	100	1/2	50	6/7	85.7

### Governance reviews:

A "Governor retreat" was held on 7th & 8th September 2018, when the Board of Trustees carried out a review of their impact and effectiveness as a result of their monitoring plan during the 17/18 year. The 18/19 Action Plan was discussed and formalised with members of the Senior Leadership Team, after which the governors reassessed their monitoring plan to reflect the new targets. Whole Governing Body Training was also completed on 'Moving from Good to Outstanding'.



# Fareham Academy

## Governance Statement

### **Governance (continued)**

#### *Resources Committee*

The Resources Committee meet termly and is responsible for finance, audit, staff, site, safety and community. The committee carry out their delegated responsibilities in accordance with the terms of reference which are reviewed annually. Attendance at these meetings in the year is shown in the table above.

#### *Achievement, Standards & Welfare Committee*

The Achievement, Standards and Welfare Committee meet termly and is responsible for the curriculum, student attainment and progress and for special education needs, behaviour and attendance. The committee carry out their delegated responsibilities in accordance with the terms of reference which are reviewed annually. Attendance at these meetings in the year is shown in the table above.

#### *Policy Committee*

The Policy Committee meets termly and is responsible for monitoring and reviewing the Academy's policies. The committee carry out their delegated responsibilities in accordance with the terms of reference which are reviewed annually. Attendance at these meetings in the year is shown in the table above.

### **Review of Value for Money**

As accounting officer the headteacher has responsibility for ensuring that the academy trust delivers good value in the use of public resources. The accounting officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

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

- Comparing, through the use of locally and nationally produced performance statistics, how our Academy's performance compares with that of others. This will ensure that the Academy moves forward on a firm financial basis that is linked to priorities identified in our Strategy Map 2016-2021.
- Encouraging all members of the Academy community to challenge whether the Academy's performance is high enough, how we can further improve standards and monitor the service being provided critically at all times and why and how all services are being provided.
- Being aware of developments in the field of education and business and where we are placed, and ways in which our academy can secure efficient and effective services, thus maximising the "spend value" of the budget.
- Seeking the views of service users about the services provided through the use of the line management structures, questionnaires and feedback meetings with students and parents.

# Fareham Academy

## Governance Statement

### **The Purpose of the System of Internal Control**

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

### **Capacity to Handle Risk**

The board of trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

### **The Risk and Control Framework**

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

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

The board of trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. A programme of internal checks is carried out by Governors who provide a report on the checks to the Resources Committee. The Resources Committee reports termly to the Full Governing Body on the operation of the system of control and on the discharge of the board of trustees' financial responsibilities.

# Fareham Academy

## Governance Statement

### The Risk and Control Framework (continued)

The Governors programme includes performing a range of checks on the Academy Trust's financial systems. In particular, the checks carried out in the current period included:

- testing of payroll systems
- testing of purchase systems
- testing of control account / bank reconciliations
- testing of compliance with the Academies Financial Handbook which included: Petty Cash, Charging Card, School's Assets, Income received, journals register, monitoring gifts and hospitality.

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

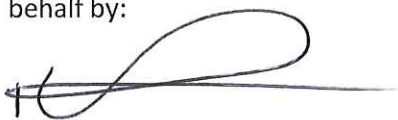
### Review of Effectiveness

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

- the work of the internal reviewers
- the work of the external auditor
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the resources 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 10 December 2019 and signed on its behalf by:



**K Childs**  
Trustee



**C Pranker**  
Accounting Officer

# Fareham Academy

## Statement of Regularity, Propriety and Compliance

As accounting officer of Fareham Academy I have considered my responsibility to notify the academy trust board of trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, 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 2018.

I confirm that I and the academy trust board of trustees are able to identify any material irregular or improper use of all 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 2018.

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



**C Prankerd**  
Accounting Officer  
10 December 2019

# Fareham Academy

## Statement of Trustees' Responsibilities

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

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

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

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

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

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

Approved by order of the members of the board of trustees on 10 December 2019 and signed on its behalf by:



**K Childs**  
Trustee

# Fareham Academy

## Independent Auditor's Report on the Financial Statements to the Members of Fareham Academy

### Opinion

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

In our opinion the financial statements:

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

### Basis for opinion

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

### Conclusions relating to going concern

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

- the 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 charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

# Fareham Academy

## Independent Auditor's Report on the Financial Statements to the Members of Fareham Academy

### **Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. It includes the Reference and Administrative Details, the Report of the Directors and Strategic Report and the Governance Statement. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- 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 the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

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

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

# Fareham Academy

## Independent Auditor's Report on the Financial Statements to the Members of Fareham Academy

### Responsibilities of the trustees

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable to 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 charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.


### Our 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 a Report of the Independent Auditors 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of Independent Auditors.

### Use of our report

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



D Brookes FCA (Senior statutory auditor)

For and on behalf of Hopper Williams & Bell Limited

Statutory Auditor

Highland House, Mayflower Close, Chandlers Ford, Eastleigh SO53 4AR

Date ..... 12 December 2015 .....



# Fareham Academy

## Independent Reporting Accountant's Assurance Report on Regularity to Fareham Academy and the Education & Skills Funding Agency

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

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

### **Respective responsibilities of Fareham Academy's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of Fareham Academy's funding agreement with the Secretary of State for Education dated 1 September 2013 and the Academies Financial Handbook, extant from 1 September 2018, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

### **Approach**

We conducted our engagement in accordance with the Academies Accounts Direction 2018 to 2019 issued by 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.

# Fareham Academy

## Independent Reporting Accountant's Assurance Report on Regularity to Fareham Academy and the Education & Skills Funding Agency

### **Approach (continued)**

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

The work undertaken to draw to our conclusion includes:

- planning of assurance procedures including identifying key risks;
- substantive testing including analytical review;
- concluding on procedures carried out.

Substantive testing included the following procedures:

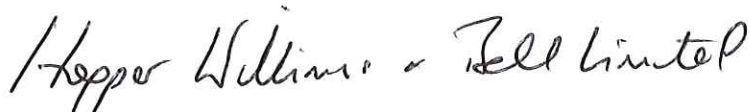
- confirming that activities conform to the Academy Trust's framework of authorities;
- considering the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance;
- evaluating the general control environment of the Academy Trust;
- testing a sample of transactions to consider whether the transaction is permissible within the Academy Trust's framework of authorities;
- confirming whether any extra-contractual payments have been made and whether appropriate authority was obtained;
- reviewing documentation for evidence of borrowing and confirming if approval was obtained from the ESFA;
- confirming whether ESFA approval was obtained for any disposals of assets;
- reviewing the internal control procedures relating to credit cards;
- reviewing for any indication of purchases for personal use by staff or officers;
- reviewing the list of suppliers to consider whether supplies are from related parties;
- considering whether income generating activities are permissible within the Academy Trust's charitable objects;
- reviewing whether lettings to related parties are made at favourable rates.

# Fareham Academy

## Independent Reporting Accountant's Assurance Report on Regularity to Fareham Academy and the Education & Skills Funding Agency

### Conclusion

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



D Brookes FCA

Reporting Accountant

Hopper Williams & Bell Limited

Chartered Accountants

Highland House, Mayflower Close, Chandlers Ford, Eastleigh SO53 4AR

Date .....12 December 2019.....

# Fareham Academy

## Statement of Financial Activities for the year ended 31 August 2019 (including Income and Expenditure Account)

	Note	Un- restricted funds £	Restricted General Funds £	Restricted Pension Funds £	Restricted Fixed Asset Funds £	2018/19 Total £	2017/18 Total £
<b>Income and endowments from:</b>							
Donations and capital grants	2	-	-	-	69,999	69,999	35,863
Charitable activities:							
Funding for the academy trust's educational operations							
	3	-	4,094,514	-	-	4,094,514	3,899,548
Other trading activities	4	49,663	-	-	-	49,663	47,442
Investments	5	1,201	-	-	-	1,201	1,846
<b>Total</b>		<b>50,864</b>	<b>4,094,514</b>	<b>-</b>	<b>69,999</b>	<b>4,215,377</b>	<b>3,984,699</b>
<b>Expenditure on:</b>							
Charitable activities:							
Academy trust educational operations							
	7	-	4,157,074	168,000	84,060	4,409,134	4,237,558
<b>Net income / (expenditure)</b>		<b>50,864</b>	<b>(62,560)</b>	<b>(168,000)</b>	<b>(14,061)</b>	<b>(193,757)</b>	<b>(252,859)</b>
<b>Transfers between funds</b>	15	<b>(65,044)</b>	<b>62,560</b>	<b>-</b>	<b>2,484</b>	<b>-</b>	<b>-</b>
<b>Other recognised gains / (losses):</b>							
Actuarial (losses) / gains on defined benefit pension schemes							
	22	-	-	(323,000)	-	(323,000)	173,000
<b>Net movement in funds</b>		<b>(14,180)</b>	<b>-</b>	<b>(491,000)</b>	<b>(11,577)</b>	<b>(516,757)</b>	<b>(79,859)</b>
<b>Reconciliation of funds</b>							
Total funds brought forward		456,487	-	(550,000)	3,504,787	3,411,274	3,491,133
<b>Total funds carried forward</b>		<b>442,307</b>	<b>-</b>	<b>(1,041,000)</b>	<b>3,493,210</b>	<b>2,894,517</b>	<b>3,411,274</b>

The notes on pages 29 to 51 form part of these financial statements.

# Fareham Academy

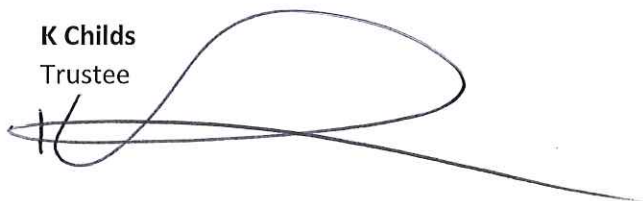
## Balance Sheet as at 31 August 2019

Company Number 08549807

	Note	2019 £	2019 £	2018 £	2018 £
<b>Fixed assets</b>					
Tangible assets	11		<b>3,423,211</b>		3,504,787
<b>Current assets</b>					
Stock	12	<b>16,612</b>		25,223	
Debtors	13	<b>163,438</b>		170,382	
Cash at bank and in hand		<b>570,682</b>		481,102	
		<b>750,732</b>		676,707	
<b>Liabilities</b>					
Creditors: Amounts falling due within one year	14	<b>(238,426)</b>		(220,220)	
<b>Net current assets</b>			<b>512,306</b>		456,487
<b>Total assets less current liabilities</b>			<b>3,935,517</b>		3,961,274
Defined benefit pension scheme liability	22		<b>(1,041,000)</b>		(550,000)
<b>Total net assets</b>			<b>2,894,517</b>		3,411,274
<b>Funds of the academy trust:</b>					
<b>Restricted funds</b>					
Fixed asset fund	15	<b>3,493,210</b>		3,504,787	
Pension reserve	15	<b>(1,041,000)</b>		(550,000)	
<b>Total restricted funds</b>			<b>2,452,210</b>		2,954,787
<b>Unrestricted income funds</b>	15		<b>442,307</b>		456,487
<b>Total funds</b>			<b>2,894,517</b>		3,411,274

The financial statements on pages 26 to 51 were approved by the trustees and authorised for issue on 10 December 2019 and are signed on their behalf by:

K Childs  
Trustee



The notes on pages 29 to 51 form part of these financial statements.

# Fareham Academy

## Statement of Cash Flows for the year ended 31 August 2019

	Note	2019 £	2018 £
<b>Cash flows from operating activities</b>			
Net cash provided by (used in) operating activities	18	<b>92,064</b>	(100,029)
<b>Cash flows from investing activities</b>	19	<b>(2,484)</b>	(105,353)
<b>Change in cash and cash equivalents in the reporting period</b>		<b>89,580</b>	(205,382)
<b>Cash and cash equivalents at 1 September 2018</b>		<b>481,102</b>	686,484
<b>Cash and cash equivalents at 31 August 2019</b>	20	<b>570,682</b>	481,102

# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### 1 Accounting policies

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

#### **Basis of Preparation**

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

#### **Going Concern**

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

#### **Income**

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

- **Grants**

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

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

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

- **Donations**

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

# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### Income (continued)

- **Other Income**

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

- **Donated goods, facilities and services**

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

### Expenditure

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

- **Charitable Activities**

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

All resources expended are inclusive of irrecoverable VAT.



# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### Tangible Fixed Assets

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

Depreciation is provided on all tangible fixed assets other than land and assets under construction, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold Land and Buildings	50 years straight line on buildings; not provided on land
Leasehold Improvements	50 years straight line
Furniture and Equipment	5 years straight line
Computer Equipment	3 years straight line
Motor Vehicles	5 years straight line

Long leasehold land has not been depreciated as it is similar to freehold land, which does not require depreciation.

Where the academy trust can identify the value of major components of freehold or leasehold buildings based upon additions following conversion to academy status, the academy trust reviews whether one or more such components have significantly different patterns of consumption of economic benefits. In such cases, the academy trust allocates the cost of the asset to its major components and depreciates each component separately over its useful life.

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.

### Liabilities

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

# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### **Provisions**

Provisions are recognised when the academy trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

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.

### **Leased Assets**

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

### **Financial Instruments**

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

#### *Financial assets*

Trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 13. Prepayments are not financial instruments.

#### *Cash at bank*

Cash at bank is classified as a basic financial instrument and is measured at face value. An investment is treated as a cash equivalent when it has a short maturity of three months or less from the date of acquisition.

#### *Financial liabilities*

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

### **Stock**

Unsold uniforms and catering stocks are valued at the lower of cost or net realisable value.

### **Taxation**

The academy trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Accordingly, the academy trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by part 11, chapter 3 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.

# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### **Pensions Benefits**

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

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

The LGPS is a funded multi-employer scheme and the assets are held separately from those of the academy 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 and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

### **Fund Accounting**

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

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

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

# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### Critical accounting estimates and areas of judgement

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

### Critical accounting estimates and assumptions

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

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

The assumptions used are disclosed in note 22.

### Critical areas of judgement

There are no other critical areas of judgement.

## 2 Donations and capital grants

	Unrestricted funds	Restricted funds	2018/19 Total	2017/18 Total
	£	£	£	£
Capital grants	-	69,999	<b>69,999</b>	35,863
<i>Total 2018</i>	-	<b>35,863</b>	<b>35,863</b>	

# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### 3 Funding for the Academy Trust's educational operations

	Unrestricted funds £	Restricted funds £	2018/19 Total £	2017/18 Total £
<b>DfE / ESFA grants</b>				
General Annual Grant (GAG)	-	3,540,697	<b>3,540,697</b>	3,339,959
Pupil premium	-	196,426	<b>196,426</b>	226,922
Other DfE Group grants	-	44,092	<b>44,092</b>	6,270
	-	3,781,215	<b>3,781,215</b>	3,573,151
<b>Other Government grants</b>				
Local authority grants	-	157,425	<b>157,425</b>	136,751
<b>Other income from the academy trust's educational operations</b>				
Trip income	-	77,579	<b>77,579</b>	108,867
Other income	-	78,295	<b>78,295</b>	80,779
	-	155,874	<b>155,874</b>	189,646
	-	4,094,514	<b>4,094,514</b>	3,899,548
<i>Total 2018</i>	-	3,899,548	<b>3,899,548</b>	

### 4 Other trading activities

	Unrestricted funds £	Restricted funds £	2018/19 Total £	2017/18 Total £
Hire of facilities	49,663	-	<b>49,663</b>	47,442
<i>Total 2018</i>	47,442	-	<b>47,442</b>	

### 5 Investment income

	Unrestricted funds £	Restricted funds £	2018/19 Total £	2017/18 Total £
Short term deposits	1,201	-	<b>1,201</b>	1,846
<i>Total 2018</i>	1,846	-	<b>1,846</b>	

# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### 6 Expenditure

	Staff costs £	Non Pay Expenditure		Total 2018/19 £	Total 2017/18 £
		Premises £	Other £		
Academy's educational operations:					
Direct costs	2,787,349	-	462,348	<b>3,249,697</b>	3,155,455
Allocated support costs	668,501	193,384	297,552	<b>1,159,437</b>	1,082,103
	<b>3,455,850</b>	<b>193,384</b>	<b>759,900</b>	<b>4,409,134</b>	<b>4,237,558</b>
<i>Total 2018</i>	<i>3,166,228</i>	<i>189,259</i>	<i>882,071</i>	<b>4,237,558</b>	

Net income/(expenditure) for the period includes:

	2018/19 £	2017/18 £
Operating lease rentals	<b>78,519</b>	84,792
Depreciation	<b>84,060</b>	116,572
Fees payable to auditor for:		
Audit	<b>7,430</b>	7,270
Other services	<b>7,141</b>	6,553

Included within expenditure are the following transactions:

	Total £	Individual items above £5,000	
		Amount £	Reason
Gifts made by the academy trust	<b>211</b>	-	-
Unrecoverable debts	<b>924</b>	-	-

# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### 7 Charitable activities

	2018/19	2017/18
	Total	Total
	£	£
Direct costs	3,249,697	3,155,455
Support costs	1,159,437	1,082,103
	<u>4,409,134</u>	<u>4,237,558</u>

#### Analysis of support costs:

	Educational	2018/19	2017/18
	operations	Total	Total
	£	£	£
Support staff costs	668,501	668,501	569,501
Depreciation	84,060	84,060	116,572
Premises costs	193,384	193,384	189,259
Other support costs	198,921	198,921	192,948
Governance costs	14,571	14,571	13,823
Total support costs	<u>1,159,437</u>	<u>1,159,437</u>	1,082,103

*Total 2018*

1,082,103    1,082,103

# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### 8 Staff

#### a) Staff costs

Staff costs during the period were:

	2018/19	2017/18
	£	£
Wages and salaries	2,592,002	2,430,004
Social security costs	238,621	224,881
Pension costs	580,575	482,754
	<u>3,411,198</u>	<u>3,137,639</u>
Agency staff costs	44,652	28,589
	<u>3,455,850</u>	<u>3,166,228</u>

#### b) Staff numbers

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

	2018/19	2017/18
	No.	No.
Teachers	46	44
Administration and support	45	47
Management	5	5
	<u>96</u>	<u>96</u>

#### c) Higher paid staff

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

	2018/19	2017/18
	No.	No.
£60,000 - £70,000	2	-
£70,001 - £80,000	1	1

#### d) Key management personnel

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 and employer national insurance contributions) received by key management personnel for their services to the academy trust was £390,617 (2018: £345,158).



# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### 9 Related Party Transactions – Trustees' remuneration and expenses

One or more trustees has been paid remuneration or has received other benefits from 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 staff members under their contracts of employment.

The value of trustees' remuneration and other benefits was as follows:

		<b>2018/19</b>	<b>2017/18</b>
		<b>£000</b>	<b>£000</b>
A Deasy	Remuneration	75-80	75-80
(Staff trustee)	Employer's pension contributions paid	10-15	10-15
C Collins	Remuneration	45-50	-
(Staff trustee from 1 September 2018)	Employer's pension contributions paid	5-10	-
S Lowry	Remuneration	-	30-35
(Staff trustee to 31 August 2018)	Employer's pension contributions paid	-	5-10
R Patel	Remuneration	45-50	55-60
(Staff trustee to 21 May 2019)	Employer's pension contributions paid	5-10	5-10

During the period ended 31 August 2019, no trustees received any reimbursement of expenses (2018: £312 to two trustees).

### 10 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 £5m on any one claim and the cost for the period ended 31 August 2019 was £131. The cost of this insurance is included in the total insurance cost.

# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### 11 Tangible fixed assets

	Leasehold Land and Buildings £	Leasehold Improve- ments £	Furniture and Equipment £	Computer Equipment £	Motor Vehicles £	Total £
<b>Cost</b>						
At 1 September 2018	3,560,000	99,322	273,278	458,534	8,000	4,399,134
Acquisitions	-	-	2,484	-	-	2,484
At 31 August 2019	<u>3,560,000</u>	<u>99,322</u>	<u>275,762</u>	<u>458,534</u>	<u>8,000</u>	<u>4,401,618</u>
<b>Depreciation</b>						
At 1 September 2018	229,100	2,597	217,989	436,661	8,000	894,347
Charged in year	45,820	3,728	22,866	11,646	-	84,060
At 31 August 2019	<u>274,920</u>	<u>6,325</u>	<u>240,855</u>	<u>448,307</u>	<u>8,000</u>	<u>978,407</u>
<b>Net book values</b>						
At 31 August 2018	3,330,900	96,725	55,289	21,873	-	3,504,787
At 31 August 2019	<u>3,285,080</u>	<u>92,997</u>	<u>34,907</u>	<u>10,227</u>	<u>-</u>	<u>3,423,211</u>

### 12 Stock

	2018/19 £	2017/18 £
Uniform stocks	<u>16,612</u>	<u>25,223</u>

### 13 Debtors

	2018/19 £	2017/18 £
Trade debtors	8,635	5,933
VAT recoverable	22,549	36,948
Prepayments and accrued income	132,254	127,501
	<u>163,438</u>	<u>170,382</u>

# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### 14 Creditors: amounts falling due within one year

	2018/19	2017/18
	£	£
Trade creditors	4,589	48,718
Other taxation and social security	56,106	62,598
Other creditors falling due within one year	52,501	50,987
Accruals and deferred income	125,230	57,917
	<b>238,426</b>	<b>220,220</b>

	2018/19	2017/18
	£	£
Deferred income at 1 September 2018	41,268	51,055
Released from previous years	(41,268)	(51,055)
Resources deferred in the year	103,769	41,268
Deferred Income at 31 August 2019	<b>103,769</b>	<b>41,268</b>

At the balance sheet date the academy trust was holding funds received in advance for trips booked for the forthcoming financial year.

# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### 15 Funds

	Balance at 1 September 2018 £	Income £	Expenditure £	Transfers £	Gains and losses £	Balance at 31 August 2019 £
<b>Restricted general funds</b>						
General Annual Grant (GAG)	-	3,540,697	(3,603,257)	62,560	-	-
Pupil Premium	-	196,426	(196,426)	-	-	-
Other DfE/ESFA grants	-	44,092	(44,092)	-	-	-
Other government grants	-	157,425	(157,425)	-	-	-
Other educational activities	-	155,874	(155,874)	-	-	-
	-	4,094,514	(4,157,074)	62,560	-	-
Pension reserve	(550,000)	-	(168,000)	-	(323,000)	(1,041,000)
	(550,000)	4,094,514	(4,325,074)	62,560	(323,000)	(1,041,000)
<b>Restricted fixed asset funds</b>						
Fixed asset fund	3,504,787	-	(84,060)	2,484	-	3,423,211
DfE Group capital grants (DFC)	-	52,999	-	-	-	52,999
William Price Charitable Trust	-	17,000	-	-	-	17,000
	3,504,787	69,999	(84,060)	2,484	-	3,493,210
<b>Total restricted funds</b>	<b>2,954,787</b>	<b>4,164,513</b>	<b>(4,409,134)</b>	<b>65,044</b>	<b>(323,000)</b>	<b>2,452,210</b>
<b>Total unrestricted funds</b>	<b>456,487</b>	<b>50,864</b>	<b>-</b>	<b>(65,044)</b>	<b>-</b>	<b>442,307</b>
<b>Total funds</b>	<b>3,411,274</b>	<b>4,215,377</b>	<b>(4,409,134)</b>	<b>-</b>	<b>(323,000)</b>	<b>2,894,517</b>

# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### 15 Funds (continued)

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

#### **General annual grant**

This includes all funding received from the ESFA to carry out the objectives of the academy. It includes the school budget share; minimum funding guarantee; education services grant; insurance; rates; and pre-16 high needs funding streams.

#### **Other DfE/ESFA grants**

This is funding received from the ESFA for specific purposes, for example pupil premium funding.

#### **Local authority grants**

This is funding received from the local authority for specific purposes, for example Special Educational Needs funding.

#### **Other educational activities**

This includes all other educational income/expenditure.

#### **Pension reserve**

This represents the negative reserve in respect of the liability on the LGPS pension scheme which was transferred to the academy trust on conversion.

#### **Fixed asset fund**

The fund includes the value of the tangible fixed assets of the academy on conversion, and amounts transferred from GAG or other restricted funds specifically for expenditure on tangible fixed assets, and the annual charges for depreciation of these assets.

#### **DfE/ESFA capital grants**

This is funding received from the DfE/ESFA specifically for expenditure on tangible fixed assets.

#### **Transfers between funds**

Transfers to the restricted fixed asset fund represent the cost of fixed asset additions which have been funded from restricted or unrestricted general funds.

# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### 15 Funds (continued)

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

	Balance at 1 September 2017 £	Income £	Expenditure £	Transfers £	Gains and losses £	Balance at 31 August 2018 £
<b>Restricted general funds</b>						
General Annual Grant (GAG)	91,398	3,339,959	(3,461,397)	30,040	-	-
Pupil Premium	-	226,922	(226,922)	-	-	-
Other DfE/ESFA grants	-	6,270	(6,270)	-	-	-
Other government grants	-	136,751	(136,751)	-	-	-
Other educational activities	-	189,646	(189,646)	-	-	-
	91,398	3,899,548	(4,020,986)	30,040	-	-
Pension reserve	(623,000)	-	(100,000)	-	173,000	(550,000)
	(531,602)	3,899,548	(4,120,986)	30,040	173,000	(550,000)
<b>Restricted fixed asset funds</b>						
Fixed asset fund	3,516,006	-	(116,572)	105,353	-	3,504,787
DfE Group capital grants (DFC)	62,975	15,863	-	(78,838)	-	-
Other capital grants	-	20,000	-	(20,000)	-	-
	3,578,981	35,863	(116,572)	6,515	-	3,504,787
<b>Total restricted funds</b>	<b>3,047,379</b>	<b>3,935,411</b>	<b>(4,237,558)</b>	<b>36,555</b>	<b>173,000</b>	<b>2,954,787</b>
<b>Total unrestricted funds</b>	<b>443,754</b>	<b>49,288</b>	<b>-</b>	<b>(36,555)</b>	<b>-</b>	<b>456,487</b>
<b>Total funds</b>	<b>3,491,133</b>	<b>3,984,699</b>	<b>(4,237,558)</b>	<b>-</b>	<b>173,000</b>	<b>3,411,274</b>

# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### 16 Analysis of net assets between funds

	Un- restricted funds £	Restricted general funds £	Restricted pension funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets	-	-	-	3,423,211	<b>3,423,211</b>
Current assets	442,307	238,426	-	69,999	<b>750,732</b>
Current liabilities	-	(238,426)	-	-	<b>(238,426)</b>
Pension scheme liability	-	-	(1,041,000)	-	<b>(1,041,000)</b>
<b>Total net assets</b>	<b>442,307</b>	<b>-</b>	<b>(1,041,000)</b>	<b>3,493,210</b>	<b>2,894,517</b>

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

	Un- restricted funds £	Restricted general funds £	Restricted pension funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets	-	-	-	3,504,787	<b>3,504,787</b>
Current assets	456,487	220,220	-	-	<b>676,707</b>
Current liabilities	-	(220,220)	-	-	<b>(220,220)</b>
Pension scheme liability	-	-	(550,000)	-	<b>(550,000)</b>
<b>Total net assets</b>	<b>456,487</b>	<b>-</b>	<b>(550,000)</b>	<b>3,504,787</b>	<b>3,411,274</b>

### 17 Commitments under operating leases

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

	2018/19 £	2017/18 £
Amounts due within one year	<b>56,618</b>	76,378
Amounts due between one and five years	<b>73,141</b>	55,923
	<b>129,759</b>	132,301

# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### 18 Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2018/19	2017/18
	£	£
Net expenditure for the reporting period	(193,757)	(252,859)
Adjusted for:		
Depreciation	84,060	116,572
Defined benefit pension scheme cost less contributions payable	155,000	86,000
Defined benefit pension scheme finance cost	13,000	14,000
Decrease in stocks	8,611	6,781
Decrease / (increase) in debtors	6,944	(33,674)
Increase / (decrease) in creditors	18,206	(36,849)
Net cash provided by / (used in) Operating Activities	<u>92,064</u>	<u>(100,029)</u>

### 19 Cash flows from investing activities

	2018/19	2017/18
	£	£
Purchase of tangible fixed assets	(2,484)	(105,353)
Net cash used in investing activities	<u>(2,484)</u>	<u>(105,353)</u>

### 20 Analysis of cash and cash equivalents

	2018/19	2017/18
	£	£
Cash in hand and at bank	<u>570,682</u>	<u>481,102</u>

### 21 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.



# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### 22 Pension and similar obligations

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

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

Contributions amounting to £52,330 were payable to the schemes at 31 August 2019 (2018: £50,753) and are included within creditors.

#### Teachers' Pension Scheme

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

#### The Teachers' Pension budgeting and valuation account

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

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

#### Valuation of the Teachers' Pension Scheme

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

A copy of the latest valuation report can be found on the Teachers' Pension Scheme website at:

<https://www.teacherspensions.co.uk/news/employers/2019/04/teachers-pensions-valuation-report.aspx>

# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### 22 Pension and similar obligations (continued)

#### Scheme changes

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

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

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

The employer's pension costs paid to TPS in the period amounted to £292,720 (2018: £280,944).

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

#### Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2019 was as follows:

	2019	2018
	£	£
Employer's contributions	131,000	118,000
Employees' contributions	37,000	36,000
	<u>168,000</u>	<u>154,000</u>

The agreed contribution rates for future years are 16.1% for employers (increasing to 18.9% from 1 April 2020) and 5.5% to 12.5% for employees.

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

# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### 22 Pension and similar obligations (continued)

#### Principal actuarial assumptions

	2019	2018
Rate of increase in salaries	3.5%	3.5%
Rate of increase for pensions in payment/inflation	2.0%	2.0%
Discount rate for scheme liabilities	1.9%	2.8%
Inflation assumption (CPI)	2.0%	2.0%

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

	2019	2018
<i>Retiring today</i>		
Males	23.1	24.1
Females	25.8	27.2
<i>Retiring in 20 years</i>		
Males	24.7	26.2
Females	27.6	29.4

#### Sensitivity analysis

	Increase/(reduction) in defined benefit obligation	
	2019	2018
	£	£
Discount rate +0.1%	(63,000)	(44,000)
Discount rate -0.1%	64,000	46,000
Mortality assumption – 1 year increase	83,000	49,000
Mortality assumption – 1 year decrease	(82,000)	(49,000)

The academy trust's share of the assets in the scheme were:

	2019	2018
	£	£
Equities	865,000	766,000
Property	103,000	83,000
Government bonds	296,000	275,000
Corporate bonds	-	14,000
Cash	27,000	28,000
Other	146,000	33,000
Total market value of assets	1,437,000	1,199,000

The actual return on scheme assets was £77,000 (2018: £76,000).

# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### 22 Pension and similar obligations (continued)

#### Amount recognised in the Statement of Financial Activities

	2018/19	2017/18
	£	£
Current service cost	196,000	204,000
Past service cost	90,000	-
Interest income	(36,000)	(26,000)
Interest cost	49,000	40,000
Total amount recognised in the SOFA	<u>299,000</u>	<u>218,000</u>

The past service cost represents an actuarial estimate of the additional underpin liability arising as a result of the McCloud/Sargeant judgement in December 2018 and the Supreme Court's decision not to allow the Government an appeal on 27 June 2019.

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

	2018/19	2017/18
	£	£
<b>At 1 September</b>	<b>1,749,000</b>	1,605,000
Current service cost	196,000	204,000
Interest cost	49,000	40,000
Employee contributions	37,000	36,000
Actuarial loss / (gain)	364,000	(123,000)
Benefits paid	(7,000)	(13,000)
Past service cost	90,000	-
<b>At 31 August</b>	<b><u>2,478,000</u></b>	<b><u>1,749,000</u></b>

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

	2018/19	2017/18
	£	£
<b>At 1 September</b>	<b>1,199,000</b>	982,000
Interest income	36,000	26,000
Actuarial gain	41,000	50,000
Employer contributions	131,000	118,000
Employee contributions	37,000	36,000
Benefits paid	(7,000)	(13,000)
<b>At 31 August</b>	<b><u>1,437,000</u></b>	<b><u>1,199,000</u></b>

# Fareham Academy

## Notes to the Financial Statements for the Year Ended 31 August 2019

### 23 Related party transactions

Owing to the nature of the academy trust and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trustees have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the AFH, including notifying the ESFA of all transactions made on or after 1 April 2019 and obtaining their approval where required, and with the academy trust's financial regulations and normal procurement procedures relating to connected and related party transactions. The following related party transactions took place in the financial period.

#### Expenditure Related Party Transactions:

A close family member of A Deasy (Headteacher)

- The academy trust paid employment costs totalling £nil (2018: £840) during the period.
- The academy trust made the appointment at arms' length in accordance with its financial regulations, which A Deasy neither participated in, nor influenced.
- In entering into the transaction the academy trust has complied with the requirements of the Academies Financial Handbook 2018.