

Highcliffe School

(A company limited by guarantee)

Annual Report and Financial Statements

for the Year Ended 31 August 2017

Registration number: 07631213

Highcliffe School

Contents

Reference and Administrative Details	1 to 2
Governors' Report	3 to 9
Governance Statement	10 to 13
Statement on Regularity, Propriety and Compliance	14
Statement of Governors' Responsibilities	15
Independent Auditor's Report on the Financial Statements	16 to 18
Independent Reporting Accountant's Report on Regularity	19 to 20
Statement of Financial Activities incorporating Income and Expenditure Account	21 to 22
Balance Sheet	23
Statement of Cash Flows	24
Notes to the Financial Statements	25 to 44

Highcliffe School

Reference and Administrative Details

Members

Mr S White (resigned 1 September 2016)
Mr J M Allin (resigned 23 February 2017)
Mr P Hilliard (appointed 17 October 2016)
Mrs Chaffey (appointed 1 September 2016)
Mr P Earnshaw (appointed 1 September 2016)
Mr S Midgley (appointed 1 September 2016)
Mr G D Moore (appointed 1 September 2016)

Governors

Mr P D Earnshaw
Mr M Downs
Mr J M Allin, * (resigned 23 February 2017)
Mr G D Moore, *
Mr W T Smith, * (Chair of Resources)
Mr N C Geary, *
Mr J Lofts, *
Mrs L G Downie
Mrs D Chaffey
Mr S Midgley, (Chair of Governors)
Mr T Sampson, *
Mrs C Dooks, * (resigned 23 February 2017)
Mrs T Heathman, *
Ms S Evans (appointed 30 March 2017)
Mr S Welch (appointed 17 October 2016)
Mr T Sanders (appointed 15 September 2016 and resigned 31 August 2017)
Mr P Hilliard, * (appointed 17 October 2016)

* Members of the Resources Committee.

Highcliffe School

Reference and Administrative Details (continued)

Principal	Mr P D Earnshaw
Company Registration Number	07631213
Independent Auditors	PKF Francis Clark Statutory Auditor Hitchcock House Hilltop Park Devizes Road Salisbury Wiltshire SP3 4UF
Senior Management Team	Mr P D Earnshaw, Headteacher Mr N O'Connor, Deputy Headteacher Mr M Yapp, Assistant Headteacher Mr M Jones, Assistant Headteacher Mr M Downs, Assistant Headteacher Mrs D Kennedy, Assistant Headteacher Mr J Dean, Assistant Headteacher Mr S Fuller, Director of Business and Finance (Appointed 7 September 2015)
Principal and Registered Office	Parkside Highcliffe Christchurch Dorset BH23 4QD
Bankers	Lloyds Bank Plc 4 Castle Street Christchurch Dorset BH23 1DU
Solicitors	Blake Laphorn New Kings Court Tollgate Chandlers Ford Eastleigh Hampshire SO53 3LG

Highcliffe School

Governors' Report for the Year Ended 31 August 2017

The Governors present their annual report together with the financial statements and auditors' report of the charitable company for the year ended 31 August 2017. The annual report serves the purposes of both a Trustees' report, and a Directors' report under company law.

The trust operates an academy for students aged 11 to 18. The number of students on roll on the School census in October 2017 was 1389.

Structure, governance and management

Constitution

The academy trust is a company limited by guarantee and is an exempt charity. The Charitable Company's memorandum and articles of association are the primary governing documents of the academy trust. The company registration number is 07631213.

The governors act as the trustees for the charitable activities of Highcliffe School and are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as Highcliffe School.

Details of the governors who served throughout the year except as noted 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.

Governors' indemnities

The Academy Trust through its Articles has indemnified its Governors to the fullest extent permissible by law. During the period the Academy Trust also purchased and maintained liability insurance for its Governors.

Method of recruitment and appointment or election of Governors

The number of governors serving at any time shall not be subject to any maximum. The members may appoint up to 9 governors. A maximum of 3 staff governors and 6 parent governors can be appointed. Any contested election of parent governors is held by secret ballot. A parent governor must be a parent of a registered student at the academy at the time of the election. The governors may appoint up to 3 co-opted governors. The term of office of any governor is 4 years. The governing body performs regular skills audit and discuss recruitment from this to fill the required gaps.

Policies and procedures adopted for the induction and training of Governors

The induction and training for new governors will be handled either by a mentor or by the Clerk to the Governors. New governors meet with the Chair of Governors before their first meeting. All new governors are encouraged to attend Dorset's course for new governors. Specialist training is arranged for specific responsibilities such as child protection. Governors are kept updated with changes in education through subscriptions to Dorset Governor Services, Ten Governor, and attendance at training courses run by the Association of School and College Leaders.

Highcliffe School

Governors' Report for the Year Ended 31 August 2017 (continued)

Organisational structure

The Full Governing Body is required to meet at least once per term. Specific business areas are delegated to the following committees on which the Headteacher also sit. Although some of the organisation's activities are delegated to the committees listed below, all of the committees remain answerable to the authority of the Full Governing Board. The School Business Manager and members of the Senior Leadership Team also attend committees as appropriate. A separate sub committee of governors including the Chair of Governors and an independent qualified assessor is formed to undertake the annual review of the Headteachers performance.

The Resources Committee (which replaced the Finance & Audit and Personnel Committees) meets several times a term and oversees financial matters, maintenance of the school site and buildings and health and safety. The Committee also reviews financial controls and risks and agrees relevant programmes of work to implement required improvements. In addition, at least once a year its agenda will review the School's pay policies, the School's Performance Management process and oversee matters relating to staffing, including annual review of the Headteacher's performance.

The School Performance Committee (which replaced the curriculum and community links committees) meets at least five times a year and strategically plans and monitors the School's formal and informal curriculum provision. The committee also reviews the school's examination performance. In addition, it oversees the School's admissions policies and procedures, safeguarding and child protection and the transition arrangements for students progressing from primary schools.

All committees conduct an annual review of policies.

Arrangements for setting pay and remuneration of key management personnel

The school is fully aligned with Dorset County Councils pay and conditions and this covers all staff. Key management personnel sit within that grade structure and that level has been determined by Governor review against other similar schools in the locality and is monitored on a regular basis.

Related parties and other connected charities and organisations

Highcliffe School leads the Highcliffe Learning Alliance. This network provides a framework for a programme of shared teaching and learning across the age range (primary / secondary). Participating schools value this alliance as part of their school improvement programme.

Highcliffe School

Governors' Report for the Year Ended 31 August 2017 (continued)

Highcliffe recognises that it is a good school however we also always look to continually improve our practices . We believe that the learner should be at the centre of all school activities and that a consistent approach to the experiences provided for our learners is a key feature of our school development plan and it is this belief that informs our Vision Statement of:

'We believe in the power of education to change lives'

Objectives and activities

Objects and aims

Over the course of 2016/2017 the school's aims were:

Improving the quality and effectiveness of learning and teaching

The school has introduced a redeveloped continued professional development programme and a new performance management system based on Coaching and Mentoring being introduced across both the Teaching and Non-teaching staff. The school has also introduced a new feedback and marking policy developed in 2015/2016 and implemented from September 2016. 2016/2017 was also the second year of the schools Learning and Teaching development plan which focussed on assessment, critical thinking and differentiation.

Improving learning by implementing in a consistent manner the Behaviour for Learning policy

September 2015 saw the introduction of new Rewards and Behaviour policies which have resulted in celebration of success becoming common practice whilst also improving students learning behaviours. 2016/2017 has seen this being a professional development target for all staff across the school.

Life without levels: development of assessment to promote progress

With the removal of levels for assessment the school has undertaken a complete review of its Year 7 to 9 assessment and reporting system. This has resulted in a new system focussed on being able to identify gaps in students' knowledge/understanding to inform future curriculum planning and in class interventions to remove these. This system was developed in 2015/2016 and launched across the school as 'Continuous Assessment' from September 2016.

2016/17 was a year of transformation for the governing board as we continue to adapt and adopt the latest governance practices as an Academy and responded to changes in the education landscape. Change is always difficult and for us it has been compounded by the need to do this in a flat funding system where Dorset is within the lowest 15 funded local authorities national.

In spite of the challenges, the school has achieved a significant amount and secured a platform to build upon for continued success.

Highcliffe School

Governors' Report for the Year Ended 31 August 2017 (continued)

Public benefit

The Academy provides educational services to all children in the local area. The Governors confirm that they have complied with the duty in Section 4 of the Charities Act 2006 to have due regard to the public benefit guidance provided by the Charity Commission.

We aim to ensure secure learning for all our students and ensure that they have a relevant experience which will equip them for the future world.

The governors have complied with their duty to have due regard to guidance on public benefit published by the Charity Commission in exercising their power and duties.

The school offers considerable public benefit through its role as a local, non-selective provider of education and the links it has developed with the local community. There is a well-established programme of twilight classes in two different foreign languages which run all year. The school has strong links with multi-agencies such as the police and social services and runs several focus days for students using police, health and other community organisations as deliverers and advisors. The school maintains strong links with the local Rotarians organising several joint activities with students and parents. Art and Design work is displayed in a public forum at Highcliffe Castle and other venues such as permanent displays at Bournemouth Hospital. There was an exhibition of student work at the Red House museum in Christchurch.

The school maintains strong curriculum links with its seven feeder schools both in Dorset and Hampshire with the Highcliffe Learning Alliance. Outreach work occurs in English, Mathematics, Modern Foreign Languages, Science, Physical Education, Music and ICT. There are joint events for gifted and talented students (i.e. a Chrismaths evening in December) which are held for parents and students of our feeder schools. There are several whole-day curriculum events for KS2 students (i.e. the Murder Mystery day).

Highcliffe School

Governors' Report for the Year Ended 31 August 2017 (continued)

Strategic Report

Achievements and performance

GCSE Outcomes:

GCSE Attainment has remained significantly in excess of national outcomes. The numbers gaining 5 or more A*-C rose to 86% in 2013, were 71% in 2014 and 79.4% in 2015 (examination best result) and 73% in 2016. Older 'expected progress' measures show English (best entry) and Mathematics being in line with national figures over 2014 and 2015 with the newer Progress 8 figures showing English having made a substantial improvement in terms of progress in 2016 (both Literature and Language).

The average grade capped at best 8 over the past 3 years has been C+.

Summer 2017 saw the first reformed GCSE's being undertaken in Mathematics, English and English Literature. The percentage of students achieving English and Maths at grade 4 or above was 70% which is expected to be significantly above the national figure with the percentage achieving 5+ in English and Maths was 42%. The school saw a drop in its Progress 8 figure particularly across English and Maths where the newly reformed GCSE's were sat and a key area going forward will be working across these subjects to improve the results around the 5+ and 7+ grades. The schools Attainment 8 figure for 2016 was 53.1 (48.2 nationally) shows the school's curriculum to be broad and balanced whilst also adapting to the needs of our students. The 22% of students achieving the EBACC measure in 2016 was in line with the national percentage of 22.8% but a slight reduction on previous years of 25% in 2015 and 26% in 2014 despite an increase in eligibility/entries. This has subsequently improved in 2017 with 28.3% achieving at 4+ and 23.5% using the new 5+/Strong Pass measure.

In 2016 the strategies adopted by the English subject team and the extra support provided tangible impact on the final outcome across Language and Literature with the Progress 8 English element being 0.24. The schools overall Progress 8 measure of -0.07 placed the school at the higher end of the average category in the performance tables. The 2017 results were not so favourable with drops in Progress 8 figures in English and Maths being lower, partially due to the introduction of reformed GCSE's. The school is aware of the requirement to improve these outcomes for students with higher prior attainment at KS2 and subject development plans will reflect these priorities over 2017/2018.

Sixth Form Outcomes:

At A2, an impressive 23% of students' grades achieved were A*-A with over 51% of all grades being A*-B and 73% of grades being at A*-C. The average grade overall was sustained at a C+.

The A2 ALPS single year grading was a 5 putting the overall sustained three-year T-Score at a 4/Very Good. This was a drop from the exceptional ALPS grade of 2 in 2016.

For the BTEC and Diploma subjects 83% of all grades were D*-D moving the ALPS sustaining the ALPS score of 5. This ALPS 5 was impacted by a very small number of students across a small cohort taking BTEC qualifications. Both A2 and BTEC/Diploma subjects show a clear three-year trend of improvement in KS5 results and we believe shows substantial improvement across time.

The sixth form has also attracted a substantial increase of students entering from our own Year 11 and externally as of September 2017 with these students also increasing the average grade on entry to a B- from a C- three years ago.

Highcliffe School

Governors' Report for the Year Ended 31 August 2017 (continued)

Strategic Report

Destinations data from 2014 (last data available) showed 96% of students progressing at KS4 to education or training against a national figure of 94% and reflects the suitability of the school's curriculum, subsequent adjustments made for individuals and the CEIG. Students leaving at the end of KS5 progress to apprenticeships and a large array of universities with over 50% entering courses at the 40 top universities. The school has also continued its trend of having at least one student progress to Oxbridge each year over the past 9 years.

Going concern

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

Financial review

During the year 31 August 2017, the school generated a deficit of £131,000 in the restricted general fund, excluding the pension reserve, which relates mainly to the recurrent general grant from the Education and Skills Funding Agency. The unrestricted balance at 31 August 2017 was £532,000,

Reserves policy

The total of reserves held in both restricted and unrestricted funds, excluding the pension fund reserve, amounts to £42,000. This includes amounts of funding received by the school prior to conversion to academy status and is impacted by the inclusion of the cost of new lighting for the whole school that will be recovered through future cost savings. The Governors intend that Reserves should be retained at an appropriate but not excessive level to balance the continual investment in year with planning for future developments. Longer term initiatives include the review of arrangements to provide places for increased student numbers transferring from local feeder schools and planned new housing developments in the locality.

Principal risks and uncertainties

Over 90% of the School's revenue funding is provided by the Education Funding Agency in the form of recurrent grants, the use of which is restricted to specific purposes.

The School's approach to strategic planning takes account of potential changes to funding levels being brought about by the application of revised local and national formulae for the allocation of funds between institutions. This aims to ensure that planned levels of expenditure can be accommodated through anticipated levels of funding and reserves. The governors review the forecasts in detail funding remains a priority given its sensitivity to adverse variances.

In the current economic climate, it is difficult to forecast accurately the impact that restrictions on public sector expenditure will have at individual school level.

Plans for future periods

The Governing Body is committed to maintaining and improving the infrastructure of the School whilst maintaining a balanced budget.

Highcliffe School

Governors' Report for the Year Ended 31 August 2017 (continued)

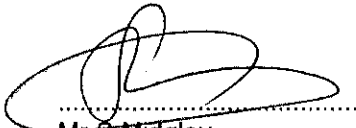
Strategic Report

Auditor

In so far as the Governors are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Governors 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.

Governors' Report, incorporating a Strategic Report, was approved by order of the members of the Governing Body, as the company directors, on ~~07/12/2017~~ and signed on its behalf by:



Mr S Midgley
Governor

Highcliffe School

Governance Statement

Scope of responsibility

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

The Governing Body has delegated the day-to-day responsibility to Mr P D Earnshaw, 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 Highcliffe School and the Secretary of State for Education. They are also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Governors' Report and in the Statement of Governors' Responsibilities. The Governing Body has formally met 5 times during the year. Attendance during the year at meetings of the Governing Body was as follows:

Trustee	Meetings attended	Out of a possible
Mr J M Allin	1	3
Mr M Downs	4	5
Mrs L G Downie	5	5
Mrs D Chaffey	4	5
Mr P D Earnshaw	5	5
Mr N C Geary	1	5
Mr J Loftis	5	5
Mr S Midgley	5	5
Mr G D Moore	5	5
Mr W T Smith	5	5
Mrs T Heathman	5	5
Mrs C Dooks	1	3
Mr T Sampson	5	5
Ms S Evans	2	2
Mr P Hilliard	3	4
Mr T Sanders	4	5
Mr S Welch	3	4

Highcliffe School

Governance Statement (continued)

The Resources Committee is a sub-committee of the main Governing Body. Its purpose is to ensure compliance with relevant statutory and internal regulations; to submit annual revenue and capital budgets to the full governing body for approval; to monitor actual expenditure against these budgets; to annually review the School's internal financial policies and procedures, including the policy for fees and charges and to be responsible for:

- receiving quotations, tenders and contracts for all services;
- risk management and insurance arrangements;
- the maintenance, refurbishment and safety of buildings.

During the year, this committee also absorbed the functions of the Audit Committee which reviews risks to internal financial control at the Academy Trust. This includes responsibility for:

- Establishing arrangements for internal audit;
- Informing the Governance Statement in the statutory published accounts;
- Providing assurance to the external auditors.

Activities of this committee during the academic year 2016/17 included:

- ensuring completion of statutory returns to the Education & Skills Funding Agency
- setting budgets in accordance with statutory guidelines and monitored activities against the budgets
- considering the impact of funding reforms on future spending plans
- Reviewing arrangements for covering the cost of staff absences
- Approving the charging policy for 2016/17
- Reviewing Financial Controls Documents
- Reviewing findings of the Health and Safety Audit report and considered the updated Health and Safety Policy
- Reviewing employer discretions under the Local Government Pension Scheme
- Appointment of a new Internal Auditor

Attendance at meetings during the year was as follows:

Trustee	Meetings attended	Out of a possible
Mr P D Earnshaw	6	8
Mr G D Moore	5	8
Mr W T Smith	8	8
Mr N C Geary	0	8
Mrs T Heathman	7	8
Mr J Lofts	4	8
Mrs C Dooks	2	3
Mr P Hilliard	7	7
Mr T Sampson	1	8

Highcliffe School

Governance Statement (continued)

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 Governors 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 deploying existing resources in a manner that has improved performance of the school's students in a number of ways:

- The school's KS4 performance remained significantly in excess of national outcomes.
- The A2 ALPS score for 2015 should the school improving from 4 to 2 meaning the School was in the top 10% of A level providers.
- There was a significant improvement in the lower ability KS2 band which had a positive 0.23 value add score on Progress 8.

Over the coming year, the school intends to review the value for money obtained from services provided or centrally tendered by Dorset County Council, and to consider the potential benefit of engaging alternative suppliers.

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 priorities the risks to the achievement of the School's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in Highcliffe School for the year ended 31 August 2017 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Governing Body 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 Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the year ending 31 August 2017 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body.

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 finance and facilities committee on behalf of the Governing Body;
- Regular reviews by the Resources Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes
- Clearly defined purchasing guidelines

Highcliffe School

Governance Statement (continued)

- Delegation of authority and segregation of duties
- Identification and management of risks
- Reviewing reports from the internal auditor. This service is provided by the Southern Internal Audit Partnership.

During the year, the internal auditors carried out checks on the following areas:

- Governance Information published on the website
- Purchasing Cycle
- Bank reconciliations
- Performance Reporting
- VAT income and Partial Exemption
- VAT Returns
- Census
- Payroll
- Gifts and Hospitality policies

Review of effectiveness

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

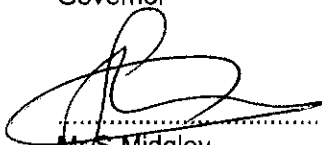
- the work of the internal auditor;
- the work of the external auditor;
- the financial management and governance self assessment process;
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Finance and General Purposes 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 Governing Body on 3/12/12 and signed on its behalf by:



.....
Mr P D Earnshaw
Accounting officer
Governor



.....
Mrs S Midgley
Governor

Highcliffe School

Statement on Regularity, Propriety and Compliance

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

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

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



.....
Mr P D Earnshaw
Accounting officer

Date: 7/12/17

Highcliffe School

Statement of Governors' Responsibilities

The Governors (who act as the governors of Highcliffe School and are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Governors' Report and the financial statements in accordance with the Annual Accounts Direction published by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Governors to prepare financial statements for each financial year. Under company law the Governors 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 Governors are required to:

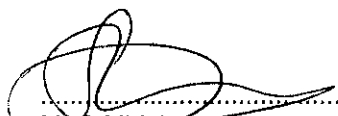
- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards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

The Governors 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 Governors 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 the ESFA/DfE have been applied for the purposes intended.

The Governors 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 Governing Body on ~~07/12/2017~~ and signed on its behalf by:


.....
Mr S Midgley
Governor

Highcliffe School

Independent Auditor's Report on the Financial Statements to the Members of Highcliffe School

Opinion

We have audited the financial statements of Highcliffe School (the 'Academy') for the year ended 31 August 2017, which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, Balance Sheet, 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 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In our opinion the financial statements:

- give a true and fair view of the state of the Academy's affairs as at 31 August 2017 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Academy 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.

Use of our report

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

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

Other information

The Governors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Highcliffe School

Independent Auditor's Report on the Financial Statements to the Members of Highcliffe School (continued)

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 Strategic Report and Governors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Governors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Governors' Report.

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

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

Responsibilities of Governors

As explained more fully in the Statement of Governors' Responsibilities [set out on page 15], the Governors 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 Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Highcliffe School

Independent Auditor's Report on the Financial Statements to the Members of Highcliffe School (continued)

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



.....
Paul Giessler (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor

Hitchcock House
Hilltop Park
Devizes Road
Salisbury
Wiltshire
SP3 4UF

Date: 8 December 2017

Highcliffe School

Independent Reporting Accountant's Report on Regularity to Highcliffe School and the Education and Skills Funding Agency

In accordance with the terms of our engagement letter dated 11 December 2011 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Highcliffe School during the period 1 September 2016 to 31 August 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

Respective responsibilities of the Governing Body's Accounting Officer and the reporting Accountant

The Accounting Officer is responsible, under the requirements of Highcliffe School's funding agreement with the Secretary of State for Education dated 30 March 2011 and the Academies Financial Handbook extant from 1 September 2016, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

Approach

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

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

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

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

The work undertaken to draw to our conclusion includes:

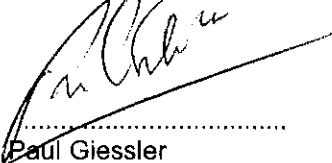
- Inspection and review of documentation providing evidence of governance procedures;
- Evaluation of the system of internal controls for authorisation and approval;
- Performing substantive tests on relevant transactions.

Highcliffe School

Independent Reporting Accountant's Report on Regularity to Highcliffe School and the Education and Skills Funding Agency (continued)

Conclusion

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



Paul Giessler

For and on behalf of Francis Clark LLP, Chartered Accountants

Hitchcock House
Hilltop Park
Devizes Road
Salisbury
Wiltshire
SP3 4UF

Date: 8 December 2017

Highcliffe School

Statement of Financial Activities for the Year Ended 31 August 2017 (including Income and Expenditure Account)

	Note	Unrestricted Funds £ 000	Restricted General Funds £ 000	Restricted Fixed Asset Funds £ 000	Total 2017 £ 000
Income and endowments from:					
Donations and capital grants	2	23	-	30	53
<i>Charitable activities:</i>					
Funding for the Academy Trust's educational operations	3	309	6,976	-	7,285
Other trading activities	4	124	-	-	124
Investments	5	1	-	-	1
Total		457	6,976	30	7,463
Expenditure on:					
Raising funds	6	110	5	-	115
<i>Charitable activities:</i>					
Academy trust educational operations	7	315	7,329	366	8,010
Total		425	7,334	366	8,125
Net income/(expenditure)		32	(358)	(336)	(662)
Transfers between funds		-	(28)	28	-
Other recognised gains and losses					
Actuarial gain/(loss) on defined benefit pension schemes	22	-	229	-	229
Net movement in funds/(deficit)		32	(157)	(308)	(433)
Reconciliation of funds					
Total funds/(deficit) brought forward at 1 September 2016		500	(3,401)	16,875	13,974
Total funds/(deficit) carried forward at 31 August 2017		532	(3,558)	16,567	13,541

Highcliffe School

Statement of Financial Activities for the Year Ended 31 August 2016 (including Income and Expenditure Account)


	Note	Unrestricted Funds £ 000	Restricted General Funds £ 000	Restricted Fixed Asset Funds £ 000	Total 2016 £ 000
Income and endowments from:					
Donations and capital grants	2	14	-	30	44
<i>Charitable activities:</i>					
Funding for the Academy Trust's educational operations	3	304	7,156	-	7,460
Other trading activities	4	89	-	-	89
Investments	5	4	-	-	4
Total		411	7,156	30	7,597
Expenditure on:					
Raising funds	6	77	5	-	82
<i>Charitable activities:</i>					
Academy trust educational operations	7	319	7,868	373	8,560
Total		396	7,873	373	8,642
Net income/(expenditure)		15	(717)	(343)	(1,045)
Transfers between funds		-	12	(12)	-
Other recognised gains and losses					
Actuarial gain/(loss) on defined benefit pension schemes	22	-	(1,119)	-	(1,119)
Net movement in funds/(deficit)		15	(1,824)	(355)	(2,164)
Reconciliation of funds					
Total funds/(deficit) brought forward at 1 September 2015		485	(1,577)	17,230	16,138
Total funds/(deficit) carried forward at 31 August 2016		500	(3,401)	16,875	13,974

Highcliffe School

(Registration number: 07631213) Balance Sheet as at 31 August 2017

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Tangible assets	11	16,567	16,875
Current assets			
Debtors	12	184	166
Cash at bank and in hand		<u>597</u>	<u>758</u>
		781	924
Creditors: Amounts falling due within one year	13	<u>(656)</u>	<u>(783)</u>
Net current assets		<u>125</u>	<u>141</u>
Total assets less current liabilities		16,692	17,016
Creditors: Amounts falling due after more than one year	14	<u>(83)</u>	-
Net assets excluding pension liability		16,609	17,016
Defined benefit pension scheme liability	22	<u>(3,068)</u>	<u>(3,042)</u>
Total assets		<u><u>13,541</u></u>	<u><u>13,974</u></u>
Funds of the Academy:			
Restricted funds			
Restricted general fund		(490)	(359)
Restricted fixed asset fund		16,567	16,875
Restricted pension fund		<u>(3,068)</u>	<u>(3,042)</u>
		13,009	13,474
Unrestricted funds			
Unrestricted general fund		<u>532</u>	<u>500</u>
Total funds		<u><u>13,541</u></u>	<u><u>13,974</u></u>

The financial statements on pages 21 to 44 were approved by the Governors, and authorised for issue on ~~07/12/2017~~ and signed on their behalf by:


.....
Mrs S Midgley
Governor

Highcliffe School

Statement of Cash Flows for the Year Ended 31 August 2017

	Note	2017 £ 000	2016 £ 000
Cash flows from operating activities			
Net cash used in operating activities	18	(134)	(256)
Cash flows from investing activities	19	<u>(27)</u>	<u>17</u>
Change in cash and cash equivalents in the year		(161)	(239)
Cash and cash equivalents at 1 September		<u>758</u>	<u>997</u>
Cash and cash equivalents at 31 August	20	<u><u>597</u></u>	<u><u>758</u></u>

Highcliffe School

Notes to the Financial Statements for the Year Ended 31 August 2017

1 Accounting policies

Statement of accounting policies

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

Basis of preparation

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

Going concern

The governors 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 governors make this assessment in respect of a minimum period of one year from the date of approval of the financial statements.

The governing body has taken steps through restructuring the school's staffing to ensure that there is a reasonable expectation of the academy trust returning to an annual surplus and having 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.

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.

Highcliffe School

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

1 Accounting policies (continued)

Sponsorship income

Sponsorship income provided to the Academy Trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable, where there is certainty of receipt.

Donations

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

Other income

Other income, including the hire of facilities and fees to other schools and organisations for services rendered, is recognised in the period it is receivable and to the extent the goods have been provided or on completion of the service.

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'.

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the Academy Trust's accounting policies.

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.

All resources expended are inclusive of irrecoverable VAT.

Expenditure on raising funds

This includes all expenditure incurred by the Academy Trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

Highcliffe School

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

1 Accounting policies (continued)

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.

Tangible fixed assets

Assets costing £2,000 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. The related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the Academy Trust's depreciation policy.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset over its expected useful lives, per the table below.

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.

Asset class	Depreciation method and rate
Freehold buildings	50 years straight line
Freehold improvements	3 - 10 years straight line
Furniture & fittings	3 - 5 years straight line
Computer equipment	3 - 5 years straight line
Motor vehicles	5 years straight line

Liabilities

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

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.

Highcliffe School

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

1 Accounting policies (continued)

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 12. Prepayments are not financial instruments. Amounts due to the charity's wholly owned subsidiary are held at face value less any impairment.

Cash at bank - is classified as a basic financial instrument and is measured at face value.

Financial liabilities - Other than the Salix loan, trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 13. The loan from Salix is included in other creditors is included at the amount receivable less repayments. 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. Amounts due to charity's wholly owned subsidiary are held at face value less any impairment.

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 Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Highcliffe School

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

1 Accounting policies (continued)

Pension 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, are contracted out of the State Earnings-Related Pension Scheme ('SERPS'), and the assets are held separately from those of the Academy Trust.

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 quinquennial valuations using a prospective benefit method. As stated in the notes to the financial statements, the TPS is a multi-employer scheme and the Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit 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 gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other 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 Governors.

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

Restricted general funds comprise all other restricted funds received and include grants from the Department for Education.

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.

Highcliffe School

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

1 Accounting policies (continued)

Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2013 has been used by the actuary in valuing the pensions liability at 31 August 2017. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Critical areas of judgement

A critical area of judgement is the recognition of trip income and costs as either restricted or unrestricted funds.

The school has a long-standing policy that any surplus on an individual trip in excess of a reasonable administration fee per pupil is returned to the parent. The school does not retain any surplus in respect of any this income. It is raised from parents for an explicit purpose, and where a trip is cancelled subsequent to contributions being collected then all of the contributions received are returned to the parents concerned. Therefore, this clearly is not money that is available for the general purposes of the charity and so is classified as restricted.

A critical area of judgement is whether the school has a construction obligation in respect of a redundancy payment or not.

The school issues a member of staff a notice of termination of employment. This notice creates a constructive obligation between the member of staff and the school. At this point the school recognises an accrual or provision in the accounts for the expected redundancy payment.

2 Donations and capital grants

	Unrestricted funds £ 000	Restricted fixed asset funds £ 000	Total 2017 £ 000	Total 2016 £ 000
Capital grants	-	30	30	30
Other donations	23	-	23	14
	<u>23</u>	<u>30</u>	<u>53</u>	<u>44</u>

Highcliffe School

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

3 Funding for the Academy Trust's educational operations

	Unrestricted funds £ 000	Restricted funds £ 000	Total 2017 £ 000	Total 2016 £ 000
DfE/ESFA revenue grants				
General Annual Grant (GAG)	-	6,476	6,476	6,684
Other ESFA grants	-	243	243	200
	<u>-</u>	<u>6,719</u>	<u>6,719</u>	<u>6,884</u>
Other government grants				
Local Authority grants	-	76	76	56
Non-government grants and other income				
Catering Income	309	-	309	304
Trip Income	-	181	181	216
	<u>309</u>	<u>181</u>	<u>490</u>	<u>520</u>
Total grants	<u>309</u>	<u>6,976</u>	<u>7,285</u>	<u>7,460</u>

4 Other trading activities

	Unrestricted funds £ 000	Total 2017 £ 000	Total 2016 £ 000
Minibus income	72	72	52
Music income	11	11	11
Sales of educational supplies	6	6	8
Sales of educational services	16	16	7
Hire of facilities	1	1	1
Other generating funds income	18	18	10
	<u>124</u>	<u>124</u>	<u>89</u>

5 Investment income

	Unrestricted funds £ 000	Total 2017 £ 000	Total 2016 £ 000
Short term deposits	<u>1</u>	<u>1</u>	<u>4</u>

Highcliffe School

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

6 Expenditure

	Non Pay Expenditure			Total 2017 £ 000	Total 2016 £ 000
	Staff costs £ 000	Premises £ 000	Other costs £ 000		
Expenditure on raising funds	50	-	65	115	82
Academy's educational operations					
Direct costs	5,072	366	486	5,924	6,768
Allocated support costs	912	551	623	2,086	1,792
	<u>6,034</u>	<u>917</u>	<u>1,174</u>	<u>8,125</u>	<u>8,642</u>

Net income/(expenditure) for the year includes:

	2017 £ 000	2016 £ 000
Operating leases - other leases	5	7
Fees payable to auditor - audit	9	9
- other audit services	2	5

7 Charitable activities

	Total 2017 £ 000	Total 2016 £ 000
Direct costs - educational operations	5,924	6,768
Support costs - educational operations	2,086	1,792
	<u>8,010</u>	<u>8,560</u>

	Educational operations £ 000	Total 2017 £ 000	Total 2016 £ 000
Analysis of support costs			
Support staff costs	912	912	796
Technology costs	45	45	42
Premises costs	551	551	411
Other support costs	562	562	528
Governance costs	16	16	15
Total support costs	<u>2,086</u>	<u>2,086</u>	<u>1,792</u>

Highcliffe School

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

8 Staff

Staff costs

	2017 £ 000	2016 £ 000
Staff costs during the year were:		
Wages and salaries	4,606	4,899
Social security costs	416	400
Operating costs of defined benefit pension schemes	979	930
	<u>6,001</u>	<u>6,229</u>
Supply teacher costs	33	7
Staff restructuring costs	-	426
	<u>6,034</u>	<u>6,662</u>
	2017 £ 000	2016 £ 000
Staff restructuring costs comprise:		
Redundancy payments	-	426

Staff numbers

The average number of persons (including senior management team) employed by the Academy Trust during the year was as follows:

	2017 No	2016 No
Charitable Activities		
Teachers	96	110
Administration and support	82	86
Management	7	7
	<u>185</u>	<u>203</u>

Highcliffe School

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

8 Staff (continued)

Higher paid staff

The number of employees whose emoluments exceeded £60,000, including redundancy payments where appropriate, was:

	2017 No	2016 No
£60,001 - £70,000	1	1
£70,001 - £80,000	1	3
£80,001 - £90,000	-	1
£90,001 - £100,000	1	-
£100,001 - £110,000	2	2
£140,001 - £150,000	-	1
£150,001 - £160,000	-	1

The key management personnel of the Academy Trust comprise the Governors, Headteacher and Deputy Headteacher as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the Academy Trust was £439,025 (2016: £512,976).

9 Related party transactions - Trustees' remuneration and expenses

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

Mr P D Earnshaw (Headteacher):

Remuneration: £105,000 - £110,000 (2016 - £105,000 - £110,000)

Employer's pension contributions: £15,000 - £20,000 (2016 - £15,000 - £20,000)

Mr M Downs (Staff governor):

Remuneration: £55,000 - £60,000 (2016 - £50,000 - £55,000)

Employer's pension contributions: £5,000 - £10,000 (2016 - £5,000 - £10,000)

Mrs L G Downie (Staff governor):

Remuneration: £45,000 - £50,000 (2016 - £45,000 - £50,000)

Employer's pension contributions: £5,000 - £10,000 (2016 - £5,000 - £10,000)

Mrs T Heathman (Staff governor):

Remuneration: £15,000 - £20,000 (2016 - £10,000 - £15,000)

Employer's pension contributions: £0 - £5,000 (2016 - £0 - £5,000)

Other related party transactions involving the Governors are set out in note 23.

Highcliffe School

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

10 Trustees' and officers' insurance

In accordance with normal commercial practice the Academy has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy business. The insurance provides cover up to £2,000,000 on any one claim and the cost for the year ended 31 August 2017 was £969 (2016 - £947).

The cost of this insurance is included in the total insurance cost.

11 Tangible fixed assets

	Freehold land and buildings £ 000	Furniture and equipment £ 000	Motor vehicles £ 000	Computer equipment £ 000	Total £ 000
Cost.					
At 1 September 2016	18,449	45	87	105	18,686
Additions	33	-	-	25	58
At 31 August 2017	18,482	45	87	130	18,744
Depreciation					
At 1 September 2016	1,633	31	77	70	1,811
Charge for the year	320	7	6	33	366
At 31 August 2017	1,953	38	83	103	2,177
Net book value					
At 31 August 2017	16,529	7	4	27	16,567
At 31 August 2016	16,816	14	10	35	16,875

12 Debtors

	2017 £ 000	2016 £ 000
Trade debtors	14	10
Prepayments	114	109
VAT recoverable	56	47
	184	166

Highcliffe School

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

13 Creditors: amounts falling due within one year

	2017 £ 000	2016 £ 000
Trade creditors	140	112
Other taxation and social security	120	144
Other creditors	71	19
Pension scheme creditor	91	139
Accruals and deferred income	234	369
	<u>656</u>	<u>783</u>

	2017 £ 000
Deferred income	
Deferred income at 1 September 2016	177
Resources deferred in the period	221
Amounts released from previous periods	<u>(177)</u>
Deferred income at 31 August 2017	<u>221</u>

At the balance sheet date the Academy Trust was holding funds received in advance for trips which will take place in the new financial year, as well as funds received in advance on grants which cover the year to 31 March 2018.

Included within other creditors is a loan of £10,000 from Salix which is provided on the following terms: Interest free with repayments every six months and a final repayment date of September 2022.

14 Creditors: amounts falling due after one year

	2017 £ 000	2016 £ 000
Other creditors	<u>83</u>	<u>-</u>

Included within other creditors is a loan of £83,000 from Salix which is provided on the following terms: Interest free with repayments every six months and a final repayment date of September 2022.

Highcliffe School

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

15 Funds

	Balance at 1 September 2016 £ 000	Incoming resources £ 000	Resources expended £ 000	Gains, losses and transfers £ 000	Balance at 31 August 2017 £ 000
Restricted general funds					
General Annual Grant (GAG)	(442)	6,476	(6,535)	(28)	(529)
Pupil Premium	23	214	(205)	-	32
Other DfE grants	60	29	(82)	-	7
LEA and other grants	-	76	(76)	-	-
Trips	-	181	(181)	-	-
	<u>(359)</u>	<u>6,976</u>	<u>(7,079)</u>	<u>(28)</u>	<u>(490)</u>
Restricted fixed asset funds					
Donation from Local Authority	16,681	-	(280)	-	16,401
DfE capital funding	70	30	(37)	-	63
Other donations	51	-	(3)	-	48
Capital expenditure from GAG	73	-	(46)	28	55
	<u>16,875</u>	<u>30</u>	<u>(366)</u>	<u>28</u>	<u>16,567</u>
Restricted pension funds					
Pension reserve	<u>(3,042)</u>	<u>-</u>	<u>(255)</u>	<u>229</u>	<u>(3,068)</u>
Total restricted funds	13,474	7,006	(7,700)	229	13,009
Unrestricted funds					
Unrestricted general funds	<u>500</u>	<u>457</u>	<u>(425)</u>	<u>-</u>	<u>532</u>
Total funds	<u>13,974</u>	<u>7,463</u>	<u>(8,125)</u>	<u>229</u>	<u>13,541</u>

Highcliffe School

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

15 Funds (continued)

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

General Annual Grant (GAG) - The Academy's principal funding stream received from the Education and Skills Funding Agency (ESFA).

A transfer has been made from the fixed asset fund to GAG to cover revenue expenditure that does not meet the capitalisation criteria.

A transfer of the pension costs has been made from GAG to the pension fund.

Pupil premium - DfE funding to address inequalities between children eligible for free school meals and their wealthier peers by ensuring that funding reaches the pupils who need it most.

Other DfE grants - Other specific grants from the DfE including grants for bursary funding, assistance with the cost of reporting requirements and PE teacher grants.

LEA and other grants - Other grants from the Local Education Authority including for teacher training and skills support.

Pension reserve - The deficit on the Local Government Pension Scheme has been recognised against restricted funds in order to match it against GAG as recommended by the Academies Accounts Direction.

Trips - Contributions from students towards trips and events run by the school. Where a surplus above a set limit is generated on a specific trip, this is returned to the students.

Restricted fixed asset funds - Funding for capital items and projects. This also includes an element of capital spend funded from GAG.

16 Analysis of net assets between funds

Fund balances at 31 August 2017 are represented by:

	Unrestricted funds £ 000	Restricted general funds £ 000	Restricted fixed asset funds £ 000	Total funds £ 000
Tangible fixed assets	-	-	16,567	16,567
Current assets	532	249	-	781
Current liabilities	-	(656)	-	(656)
Creditors over 1 year	-	(83)	-	(83)
Pension scheme liability	-	(3,068)	-	(3,068)
Total net assets	<u>532</u>	<u>(3,558)</u>	<u>16,567</u>	<u>13,541</u>

Highcliffe School

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

17 Financial commitments

Operating leases

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

	2017 £ 000	2016 £ 000
Amounts due within one year	30	10
Amounts due between one and five years	61	5
	<u>91</u>	<u>15</u>

18 Reconciliation of net expenditure to net cash inflow/(outflow) from operating activities

	2017 £ 000	2016 £ 000
Net expenditure	(662)	(1,045)
Depreciation	366	372
Capital grants from DfE and other capital income	(30)	(30)
Interest receivable	(1)	(4)
Defined benefit pension scheme cost less contributions payable	190	98
Defined benefit pension scheme finance cost	65	67
(Increase)/decrease in debtors	(18)	85
(Decrease)/increase in creditors	(44)	201
Net cash used in Operating Activities	<u>(134)</u>	<u>(256)</u>

19 Cash flows from investing activities

	2017 £ 000	2016 £ 000
Dividends, interest and rents from investments	1	4
Purchase of tangible fixed assets	(58)	(17)
Capital grants from DfE/ESFA	30	30
Net cash (used in)/provided by investing activities	<u>(27)</u>	<u>17</u>

20 Analysis of cash and cash equivalents

	At 31 August 2017 £ 000	At 31 August 2016 £ 000
Cash at bank and in hand	<u>597</u>	<u>758</u>
Total cash and cash equivalents	<u>597</u>	<u>758</u>

Highcliffe School

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

21 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.

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 Dorset 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 £(91,087) (2016 - £(138,867)) were payable to the schemes at 31 August and are included within creditors.

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

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

The key elements of the valuation and subsequent consultation are:

Highcliffe School

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

22 Pension and similar obligations (continued)

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%))
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

The employer's pension costs paid to TPS in the period amounted to £556,554 (2016: £617,205).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

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

Local government pension scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2017 was £168,000 (2016 - £200,000), of which employer's contributions totalled £168,000 (2016 - £148,000) and employees' contributions totalled £Nil (2016 - £52,000). The agreed contribution rates for future years are 17.4 per cent for employers and 5.8 per cent for employees.

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

Highcliffe School

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

22 Pension and similar obligations (continued)

Principal actuarial assumptions

	At 31 August 2017 %	At 31 August 2016 %
Rate of increase in salaries	4.20	3.80
Rate of increase for pensions in payment/inflation	2.70	2.30
Discount rate for scheme liabilities	2.60	2.20
Inflation assumptions (CPI)	2.70	2.30
RPI increases	3.60	3.20
Commutation of pensions to lump sums	<u>50.00</u>	<u>50.00</u>

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

	At 31 August 2017	At 31 August 2016
Retiring today		
Males retiring today	23.90	22.90
Females retiring today	26.00	25.30
Retiring in 20 years		
Males retiring in 20 years	26.20	25.20
Females retiring in 20 years	<u>28.30</u>	<u>27.70</u>

Sensitivity analysis

	At 31 August 2017 £000	At 31 August 2016 £000
Discount rate +0.1%	5,221	4,705
Discount rate -0.1%	5,464	4,913
Mortality assumption – 1 year increase	5,331	4,943
Mortality assumption – 1 year decrease	5,157	4,677
CPI rate +0.1%	5,443	4,898
CPI rate -0.1%	5,241	4,720
Salary rate +0.1%	5,361	4,822
Salary rate -0.1%	<u>5,321</u>	<u>4,794</u>

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

Highcliffe School

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

22 Pension and similar obligations (continued)

	At 31 August 2017 £ 000	At 31 August 2016 £ 000
Equities	1,254	1,019
Gilts	303	194
Other bonds	257	225
Property	200	181
Cash and other liquid assets	60	18
Other	199	129
Total market value of assets	<u>2,273</u>	<u>1,766</u>

The actual return on scheme assets was £264,000 (2016 - £165,000).

Amounts recognised in the statement of financial activities

	2017 £ 000	2016 £ 000
Current service cost	357	245
Interest income	(41)	(63)
Interest cost	106	130
Admin expenses	1	1
Total amount recognised in the SOFA	<u>423</u>	<u>313</u>

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

	2017 £ 000	2016 £ 000
At start of period	4,808	3,308
Current service cost	357	245
Interest cost	106	130
Employee contributions	57	52
Actuarial (gain)/loss	64	1,221
Benefits paid	(51)	(148)
At 31 August	<u>5,341</u>	<u>4,808</u>

Highcliffe School

Notes to the Financial Statements for the Year Ended 31 August 2017 (continued)

22 Pension and similar obligations (continued)

Movements in the fair value of Academy Trust's share of scheme assets

	2017	2016
	£ 000	£ 000
At start of period	1,766	1,550
Interest income	40	62
Actuarial gain/(loss)	293	102
Employer contributions	168	148
Employee contributions	57	52
Benefits paid	<u>(51)</u>	<u>(148)</u>
At 31 August	<u>2,273</u>	<u>1,766</u>

23 Related party transactions

There were no related party transactions in the year, other than certain trustees' remuneration and expenses already disclosed in note 9.