

Registered number: 07652902

SOUTH FARNHAM EDUCATIONAL TRUST
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

SOUTH FARNHAM EDUCATIONAL TRUST
(A company limited by guarantee)

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REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 AUGUST 2016

Members

F Bodenham (appointed 17 November 2016)
A Carter (resigned 21 November 2016)
G Knights (appointed 21 November 2016)
C Lennard
L Ross
J Steventon (appointed 21 November 2016)

Trustees

A Carter, CEO and Accounting Officer
A Chester (appointed 4 October 2016)
K Hutchinson (resigned 30 September 2016)
G Kendall (appointed 16 November 2016)
C Lennard, Vice Chair
A Little (appointed 25 November 2016)
J Reyersbach
L Ross, Chair

Company registered number

07652902

Company name

South Farnham Educational Trust

Principal and registered office

Menin Way, Farnham, Surrey, GU9 8DY

Company secretary

C Booth

Senior management team

A Carter, Chief Executive Officer
S Shoveller, Deputy Chief Executive Officer
C Booth, Finance & Business Director
C Donnachie, Headteacher (South Farnham School)
C Harnden, Deputy Headteacher (South Farnham School)
A Jones, Deputy Headteacher (South Farnham School)
L Reynolds, Assistant Headteacher and Head of Early Years and Key Stage 1 (South Farnham School)
G West, Headteacher (Highfield South Farnham)
D Wilson, Deputy Headteacher (Highfield South Farnham)

Accountants

James Cowper Kreston, Reading Bridge House, George Street, Reading, Berkshire, RG1 8LS

Bankers

HSBC, 33 The Borough, Farnham, Surrey, GU9 7NJ

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Advisers (continued)

Solicitors

Browne Jacobson, Mowbray House, Castle Meadow Road, Nottingham, NG2 1BJ

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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2016

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 1 September 2015 to 31 August 2016. The annual report serves the purposes of both a trustees' report, and a directors' report under company law.

The trust operates two primary academies in the south east of England. Its academies have a combined pupil capacity of 1054 and had a roll of 1018 (excluding the nursery) in the school census on 1 October 2016.

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 South Farnham Educational Trust are also the directors of the charitable company for the purposes of company law. The charitable company is known as South Farnham Educational Trust.

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

Members' Liability

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

Trustees' Indemnities

The Trust has joined the Department for Education's risk protection arrangement scheme that offers indemnity to cover Trustees and officers in respect of losses arising as a result of claims arising from negligent acts, errors or omissions occurring whilst on Trust business.

Method of Recruitment and Appointment or Election of Trustees

The members may appoint up to five directors through such process as they determine. Up to 3 Academy Trustees may be appointed in accordance with any policy decided by the Trustees who shall be either the Headteacher, Head of School or Chair of Governors from a Local Governing Body. Parent and staff representatives are within the local governing body at each school.

The Board of Trustees have overall responsibility and ultimate decision making authority for all work of the Trust including the establishing and running of the academies operated by the Trust. In order to assist with the discharge of their responsibilities, the Directors have established a Local Governing Body for each academy pursuant to Articles 100 to 104 of the Articles of Association of the Trust. This arrangement will be reviewed annually.

Policies and Procedures Adopted for the Induction and Training of Trustees

Trustees are appointed based on the skills that they will bring to the trust board. Trustees receive information relating to the Trust and attend a briefing and receive an induction pack on the role and responsibilities of Trustees. The trust has a service level agreement for trustee support and training for trustees and local governing members is offered through this training programme.

During the period Trustees were offered all necessary training.

Organisational Structure

The Trust converted from a single academy trust to a multi-academy trust and sponsored another academy, Highfield South Farnham in January 2015. It is now working with a number of potential new schools to develop a multi-academy trust that seeks to develop excellence across Surrey and beyond. From September 2016 it has taken on full responsibility for the Surrey South Farnham SCITT, previously a partnership with Surrey County Council. The Accounting Officer is the Chief Executive Officer, Sir Andrew Carter.

The structure consists of four levels: the Trustees, Local Governing Body Members, Senior Leadership Team and Heads of Year & Curriculum departments. The aim of the management structure is to devolve responsibility

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

and encourage involvement in decision making at all levels.

The Trustees are responsible for setting general policy, adopting an annual plan and budget monitoring the Academy by the use of budgets and making major decisions about the direction of the Academy, capital expenditure and senior staff appointments.

The Senior Leadership Team in each academy are the Chief Executive Officer, the Deputy Chief Executive Officer, the Headteacher, Deputy Headteachers, Assistant Headteacher (at South Farnham School) and Finance & Business Director. These leaders control the Academy at an executive level implementing the policies laid down by the Trustees and reporting back to them.

The Trust Board has five sub-committees. Each sub-committee has its own terms of reference detailing the responsibilities discharged to the sub-committee, to the Chief Executive Officer (the Accounting Officer) and to the Senior Management Team. The terms of reference and meeting frequency for each sub-committee is reviewed and approved by the Board of Directors annually. The terms of reference for the Finance Sub-Committee detail the School's authorised spending limits.

The sub-committees of the Governing Body are the:

- Finance Committee (including the functions of an audit committee)
- Pay Committee
- Admissions Committee
- South Farnham School Local Governing Body
- Highfield South Farnham Local Governing Body
- SCITT Strategic Board

Arrangements for setting pay and remuneration of key management personnel

The Pay Committee meet once a year to discuss the performance of senior leadership and the arrangements for setting the pay and remuneration of all key management personnel. External advice has been taken by the committee from a Babcock 4S consultant who reviewed the procedures used for this process. Remuneration is set at appropriate levels taken from the school leadership scales, taking into account performance review.

Related Parties and other Connected Charities and Organisations

National Teaching School

designated by



National College for
Teaching & Leadership

Teaching School

On September 1st 2011 South Farnham School became one of the first 100 schools to be appointed a Teaching School. This designation follows the Government White Paper which set out the principles of a self-improving school system to be led and facilitated through Teaching Schools. The Chief Executive Officer sits on the Teaching Schools Council. Our role as a Teaching School is to:-

- Collaboratively deliver ITT, CPD, Leadership Development, School-to-School Support and Research and Development
- Designate and broker Specialist Leaders of Education (SLE)
- Develop the next generation of school leaders

We are delighted to continue with this important strategic role which places us at the heart of the national educational agenda.

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As part of the Surrey Teaching Schools Network (STSN) we share our extensive experience with potential school leaders and have a proven track record of successful leadership development. Our NPQML supports participants in becoming highly effective middle leaders, with the skills, confidence and knowledge to drive and inspire successful team performance and improved classroom practice. The programme is offered through a blended learning package that includes face to face events, online resources, peer learning, reflection, discussion around the latest research, and the opportunity to share and learn from the experiences of practising school leaders from a variety of backgrounds and educational contexts. The NPQML provides continued professional development for individuals with responsibility for leading a team, including key stage/subject curriculum leaders, heads of department and pastoral leaders. It also provides CPD for experienced facilitators and colleagues who act as sponsors for participants. Similarly, we support the delivery of the National College's other licenced programmes; NPQSL and NPQH. Two members of staff have completed facilitator training in order to deliver these programmes. We plan delivery of the New National Professional Qualifications as soon as they are developed.

Developing Middle Leadership is aimed at existing, new and aspiring middle leaders, often as a precursor to NPQML. The programme enables middle leaders to develop their leadership skills and qualities and gives them the confidence to make a difference to the quality of children's learning in schools. It is delivered through five afternoon sessions over seven months, beginning in the Autumn Term. The programme provides CPD for participants and their coaches and has a direct impact on teaching and learning through the school-based leadership project. Following the success of this programme we are delivering a Developing Senior Leadership programme to provide CPD for existing, new and aspiring senior leaders and training for their school based coaches.

South Farnham Teaching School is a registered City & Guilds Training Centre delivering the QCF Level 3 Certificate: Supporting Teaching and Learning in Schools to offer professional development for Classroom Assistants. Tutorial/workshops cover each of the eleven units required for the Certificate and are delivered at South Farnham School throughout the year. Each candidate has an Assessor who guides them through the course and meets with them for one-to-one sessions interspersed among the more formal tutorials; this also provides CPD for teachers who train to take on the role of City and Guilds Assessors. Over the past five years we have trained nearly 100 Classroom Assistants to Level 3 (ours and those from schools in our neighbourhood).

The Return to Primary Teaching course is delivered for qualified teachers looking to update their knowledge of the educational landscape and regain confidence in the classroom. The two week course involves a variety of taught sessions delivered by expert primary practitioners as well as observation and teaching experience in our outstanding infant or junior settings. Taught sessions focus on key changes that have taken place at national level, such as, the new National Curriculum and assessment procedures as well as providing practical training regarding the most up to date pedagogy and methodology. The teaching placement is a bespoke element of the course allowing us to personalise training to participants' needs and experience.

Our NQT programme, as part of Farnhamme Confederation provides CPD for NQT mentors, final assessors as well as the team of staff who plan and deliver the training.

Last year South Farnham and George Abbot Teaching Schools collaborated on a 'Next Step Headship' programme for aspiring Headteachers funded by the National College for Teaching and Leadership through the Teaching School Council. This programme included workshops, school visits and mentoring support by a current Headteacher. Participants also undertook a Leadership Development Project in their school which had a direct impact on teaching and learning in their schools. As a result of the success of this programme we are now developing a Cross-phase Leadership course to support leaders who wish to change phase.

We plan to offer an in-house Masters in Education to provide continued professional development for colleagues across our alliance with school based research and development with a direct impact on teaching and learning in their settings. Two members of staff are currently completing their MA independently with research projects focused on the school.

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TRUSTEES' REPORT (continued)
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Specialist Leaders of Education

We have appointed various cohorts of SLEs (Specialist Leaders of Education). These are middle/senior leaders who are appointed by Teaching Schools to be a support to schools in their alliances and beyond. They work in a coaching role with other middle/senior leaders in a school which has identified a need.

Surrey South Farnham SCITT

South Farnham has an established role in the training of teachers having been a Recommending Body in its own right, part of the Surrey Designated and Accredited Recommending Body and then the Surrey Primary EBITT. In September 2012, in collaboration with Surrey LA and Babcock International, the Surrey South Farnham SCITT opened providing much needed primary ITT provision in and around the county of Surrey. On 1st September 2016 the SCITT was migrated to South Farnham Educational Trust.

Surrey South Farnham SCITT is an ITT provider based on the South Farnham Teaching School Alliance, but drawing on opportunities available to trainees in a large and expanding group of primary schools across the whole of Surrey and its borders. It is the only SCITT operating in Surrey that has an 'outstanding' Ofsted rating (March 2014). For 2016-17 there are 106 trainees. This provides extensive CPD opportunities for the class teachers, mentors and Support Tutors who work with the trainees as well as the wide team of staff who plan and deliver the training. Recruitment is underway for 2017-18 with a target to recruit of 150.

The children are educated in an environment where learning is seen to be a lifelong activity.

Research and Development

We have been engaged in Research and Development relating to 'What Makes Great Pedagogy?' funded through NCSL. We were awarded a grant for £10,000 for a research project to develop assessment materials relating to the new curriculum. A further grant of £15,000 was given in order to coordinate all 38 assessment research projects nationally, on behalf of the National College, which involved engaging with the revised Bloom's Taxonomy as an assessment tool for the new National Curriculum. This work was carried out under the guidance of Dr d'Reen Struthers, Head of Teacher Enquiry & Research development in Schools at the University of Roehampton. This year, we are delivering an EYFS – Lighting Up Learning project in the Farnham area. This is a funded opportunity to develop cohesion between EYFS, P and V settings and schools so all children enter Reception 'school ready'. The project provides professional development for Reception teachers and the colleagues in their nursery settings, including 2 days' training with Julie Cigman; national EYFS expert on developing children's literacy.

All of these activities support our aim to play our part in the national education agenda for the benefit of the education of all children.

National Support School

Sir Andrew Carter is a National Leader of Education and South Farnham School is designated a National Support School. This allows us to continue our well-established role in the raising of standards in other schools both in Surrey and nationally. We have visits from approx. 30-40 schools annually, to work with Leadership Teams, Governors and School Business Managers. Claire Donnachie, Headteacher at South Farnham School has recently been appointed a National Leader of Education which will ensure continuity as part of our succession plan.

In a more formal role we support schools in difficulty, sometimes working in partnership with the Local Authority. As a National Support School, we have supported several schools in Special Measures/R.I. through the Deployment Fund (National College) and in conjunction with Surrey LA School Improvement programmes. We continue to support schools across Surrey in difficult circumstances. We play a key role in our local Maths Hub with one teacher taking on the role of Deputy Director Surrey Plus Maths Hub and another being trained as a Mastery Maths Specialist Teacher.

South Farnham School is a lead school in ITT, Mathematics, AfL, Leadership and Management and School Business Management and act in an advisory capacity with the DfE and other national organisations such as the National Centre for Excellence in Mathematics.

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Sir Andrew Carter has been appointed as a Primary Academy Associate and is part of a small team of primary academy Headteachers (around 15 nationally) who offer advice and support to schools across the country who wish to become academies.

As the Lead Primary school in our Regional Maths Hub we are further developing Maths Mastery, curriculum development and variation and providing support for other schools in developing their mathematical teaching and pedagogy.

In addition, we are the Lead Primary school in our Regional Science Learning Partnership and we provide professional development for science curriculum leaders and teachers as well as for colleagues delivering training.

The Chief Executive Officer sits on: the Surrey Primary Council; the Joint Venture Group; Surrey LA Finance Forum and speaks on financial and other educational issues at venues across the UK.

A distinctive aim of the trust is its enduring quest for excellence. Tangible evidence of this is the 'outstanding' (OFSTED 2011 – South Farnham School) environment which has been developed for teaching and learning.

We are committed to the widest possible provision for our pupils. Extended provision includes over 45 extracurricular clubs a week and an After-school care facility at both schools which runs from 3.30 to 6pm and a breakfast club at Highfield from 7.45 to 8.45am.

There is extensive use of the buildings by the community during the school day and in the evenings e.g. choirs, Pilates and local community groups.

Our 'Bright Futures' Programme is an initiative which introduces primary age children to the world of work and wealth creation through structured involvement of members of the local community. Children begin to develop an awareness of the relevance of their learning to future hopes and aspirations and an understanding is fostered of the responsibilities and opportunities of being a contributing adult.

Objectives and Activities

Whilst all schools in our Trust will have their distinctive features, all will show commitment to, and be accountable for, a shared drive for excellence in all aspects of educational provision.

All staff will be valued and will be provided with a safe and professional working environment.

There will be high expectation and challenge for every pupil to fully develop and achieve intellectually, physically, socially and aesthetically.

All policies, procedures and practices will be developed in conjunction with stakeholders, as appropriate, and directed, approved and monitored by the Trust.

All pupils are encouraged to:-

- develop into happy and confident individuals with a secure foundation in learning that will last throughout their lives.
- develop lively and enquiring minds through knowledge with understanding.
- establish a command of the subjects contained in the National Curriculum.
- value and understand religious and moral beliefs, develop a respect for the views of others and an understanding of British values.
- understand something of the world in which we live with regard for our mutual dependence on others as individuals, groups and nations.
- appreciate human achievements and aspirations.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

All schools in the Trust will provide:-

- a school environment in which children can enjoy learning and developing social skills with others
- a differentiated and challenging curriculum including rigorous assessment procedures which ensures that no child is overlooked and every child succeeds
- whole school and individual staff professional development which ensures the highest quality of teaching and learning
- whole-school procedures and practices which ensure consistency and clarity of approach to the education of the children representative of the principles and aims above

The Trust and all member schools will aim to:-

- play their part in raising national standards in education through sharing good practice with other school and teachers across the country
- take a leading role in national initiatives and be in the forefront of educational thinking and improvement

The Academy Trust has the responsibility and authority to ensure that all schools within the Trust fulfil the principles and aims outlined above.

Public Benefit

The Trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on Public Benefit when reviewing the charity's aim and objectives and in planning future activities. In particular the trustees consider how planned activities will contribute to the aims and objectives they have set.

Achievements and Performance
South Farnham School

Key Stage 2 Results

We are delighted with our 2015-16 End of Key Stage 2 Results for both the statutory externally marked tests and also of Teacher Assessment. Children sitting Key Stage 2 tests in May 2016 were the first to be taught and assessed under the new National Curriculum. This means the expected standard is higher than previously and for that reason we are especially proud of our results. Results are no longer reported as levels; therefore figures for 2016 are not comparable to those for previous years.

The following tables show the percentage of Year 6 pupils (170 children) at South Farnham School achieving the expected standard in 2016 compared to national average.

	National Test Results	South Farnham School Test Results	South Farnham School Teacher Assessment
Reading	66%	99%	99%
English Grammar, Punctuation, Vocabulary and Spelling	72%	100%	
Mathematics	70%	100%	99%
Writing (Teacher Assessment only)	74%		99%
Science (Teacher Assessment only)			99%

National percentage of pupils who achieved the expected standard in Mathematics, Reading and Writing	South Farnham School percentage of pupils who achieved the expected standard Mathematics, Reading and Writing
53%	98%

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Percentage of Year 6 pupils (24 children) at Highfield South Farnham School achieving the expected standard in 2016 compared to national average.

	National Test Results	Highfield South Farnham School Test Results	Highfield South Farnham School Teacher Assessment
Reading	66%	92%	92%
English Grammar, Punctuation, Vocabulary and Spelling	72%	92%	
Mathematics	70%	96%	92%
Writing (Teacher Assessment only)	74%		88%
Science (Teacher Assessment only)			92%

National percentage of pupils who achieved the expected standard in Mathematics, Reading and Writing	Highfield South Farnham School percentage of pupils who achieved the expected standard in Mathematics, Reading and Writing
53%	92%

Provisional 2016 KS2 assessment data. (Unvalidated to be confirmed December 2016)

Key Stage 1 Results

We are also delighted with our 2015-16 End of Key Stage 1 Results for both the statutory externally marked tests and also of Teacher Assessment. Children sitting Key Stage 1 tests in May 2016 were the first to be taught and assessed under the new National Curriculum.

Percentage of Year 2 pupils (60 children) at South Farnham School achieving the expected standard in 2016:

	South Farnham School Test Results	South Farnham School Teacher Assessment
Reading	92%	95%
English Grammar, Punctuation, Vocabulary and Spelling	90%	
Mathematics	92%	95%
Writing (Teacher Assessment only)		92%
Science (Teacher Assessment only)		100%

Percentage of Year 2 pupils (29 children) at Highfield South Farnham School achieving the expected standard in 2016:

	Highfield South Farnham School Test Results	Highfield South Farnham School Teacher Assessments
Reading	83%	86%
English Grammar, Punctuation, Vocabulary and Spelling	Not tested	
Mathematics	80%	83%
Writing (Teacher Assessment only)		83%
Science (Teacher Assessment only)		83%

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TRUSTEES' REPORT (continued)
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Provisional 2016 KS1 assessment data. (Unvalidated to be confirmed December 2016)

Key Performance Indicators

South Farnham School achieved excellent SATS results at Key Stages 1 & 2, it exceeded its Fischer Family Trust targets and all groups of students achieved well with no major differences between girls and boys and different ethnic groups. Excellent progress was made by all vulnerable children and pupils receiving Pupil Premium. This year's phonics results were in the top 2% of schools with 100% of pupils achieving the expected standard.

A distinctive feature of South Farnham School has been its achievement of four Outstanding OFSTED reports (1998, 2003, 2007 and 2012) with no key issues. This demonstrates the sustained period of high performance standard attained by the school.

At Highfield South Farnham the end of Key Stage 2 results were in line with expectations of our teaching staff and represent the onward journey of excellence.

Attendance during the academic year 2015-16:

South Farnham School – 97.3% Authorised absence – 2.6% Unauthorised absence – 0.1%

Highfield South Farnham – 94.9% Authorised absence – 4.0% Unauthorised absence – 1.1%

Going Concern

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

Financial Review

Most of the Trust's income is obtained from the Education Funding Agency (EFA) in the form of recurrent grants, some of which is restricted to particular purposes. The grants received from the EFA during the year ended 31 August 2016 and the associated expenditure are shown as restricted funds in the statement of Financial Activities.

The Trust also receives devolved formula capital grant from the EFA for each academy. In accordance with the Charities Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2015), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets.

During the year ended 31 August 2016, total expenditure of £5,427,122 was met by recurrent grant funding from the EFA together with other incoming resources.

The Trust has continued to receive income from providing school to school support. The Trust applied for capital bids to the Condition Improvement Fund and was successful in two bids, a new fire alarm system at South Farnham infant and junior sites and improved lighting and ceiling acoustics at South Farnham School junior site.

At 31 August 2016 the net book value of fixed assets was £15,097,947. Movements in tangible assets is shown in note 13 to the financial statements. The assets were used exclusively for providing education and the associated support services to the pupils of the Academy.

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At 31 August 2016 the value of the LGPS pension deficit was £1,098,000. A detailed explanation of the actuarial basis of this valuation is shown in note 20. The pension liability has not crystallised and the Governors do not need to designate any of their existing funds to meet future pension commitments. Parliament, at the request of the Secretary of State for Education, has guaranteed 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.

Reserves Policy

The level of reserves held at 31 August 2016 total £15,120,321. The reserves will be allocated and spent as part of the School Development Plans, to update, improve and maintain its facilities and resources. A capital spending plan has been completed detailing the short, medium and long term needs and plans of each Academy for which reserves will be allocated and determined in order of priority to meet the need of the Academy. The Trustees review the reserve levels of the Trust annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. £15,141,093 is held in a separate Fixed Asset Fund.

An appropriate level of free reserves has been reviewed in light of possible schools joining the trust. It is necessary to provide a cushion to cover financial risks facing the Trust from reductions in funding. A portion of free reserves will be used to manage projected reductions in funding and increases in costs, reduction in education services grant funding, removal of the national insurance rebate, increases in both Teachers Pension Scheme and Local Government Pension Scheme contribution rates and reductions in deprivation and high needs funding. At 31 August 2016 the level of free reserves held is £947,769.

A portion of reserves will be used for condition improvement and to support an increase in pupil numbers at the infant site at South Farnham School.

Investment Policy

The Academy aims to manage its cash balances to provide for the day-to-day working capital requirements of its operations, whilst protecting the real long term value of any surplus cash balances against inflation. The School does not consider the investment of funds as a primary activity, rather as a result of good stewardship as and when circumstances allow.

Principal Risks and Uncertainties

The trust has implemented a risk management policy and created a risk register and risk review process. The main risks identified include both strategic and operational risks and have been assessed under the following categories: Professional – achieving strategic aims, management structures, educational objectives, conduct, liability beyond the classroom and staff and pupil procedures, Physical – injury to staff and pupils, property, Financial, Legal, Environmental, Contractual, Technological and Disaster recovery.

The Trustees have assessed the major risks to which each Academy is exposed, in particular those relating to the specific teaching, provision of facilities and other operational areas of each Academy, and its finances. The Trustees have implemented a number of systems to assess risks that the school faces, especially in the operational areas (eg in relation to teaching, health & safety and school trips) and in relation to the control of finance. The Trustees have introduced systems, including internal financial controls in order to minimise risk and are satisfied that systems are in place to mitigate any exposure to major risks. Where risks still remain they have ensured they have adequate insurance cover. The Academy has an effective system of internal financial controls and this is explained in more detail in the Governance statement on pages 14-18.

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A formal review of the Trust's risk management process is undertaken on an annual basis and key controls in place include:

- Formal agendas for all committee activity
- Terms of reference for all governing body and delegated committees under the direction of the governing body
- Pecuniary interests of Governors reviewed at each meeting
- Comprehensive budgeting and management reporting
- Established organisational structure and clear lines of reporting
- Formal written policies
- Clear authorisation and approval levels
- Vetting procedures as required by law for protection for the vulnerable

Plans for Future Periods

The aim is to provide a structure for continuous improvement and achievement at all key stages and to maintain high level results at Foundation Stage, Key Stage 1 and 2.

South Farnham School has been awarded Teaching School status and as part of its development is providing continuous professional development for staff, school to school support and initial teacher training.

The South Farnham School Development Plan links the future targets and plans of the school to the School Evaluation Form and is summarised under the following headings:

Priorities which reflect the context in which we work

- Continue to develop National Teaching School status
- Continue to develop National Support School status
- Further development of Extended School Identity (QCF/SCITT/Confederation/Community)
- Develop Multi-academy Trust status.
- Develop use of KS2 Music Block
- Grow the multi-academy trust to include like minded schools who strive for excellence across Surrey and beyond.
- Further development of Classroom Assistant's role in teaching and learning across the Academy Trust

Attainment Quality of Learning

- To continue to work as an effective National Teaching School.
- To gain positive value-added indicators at end of Key Stage 1 and 2
- To continue to maintain our standards and further increase the percentage of children 'Working at greater depth within the expected standard' at KS1 and KS2 (ref. interim teacher assessment frameworks at the end of KS1 and KS2, September 2015)
- To further develop our role as a provider of ITT
- To continue the effective delivery of QCF Level 3 through our status as City & Guilds Centre

Personal Development and Well-Being

- To continue to develop our Bright Futures Programme
- To engage in the self-review process as part of our Healthy Schools Award
- To continue to work closely with our Catering Managers in the maintenance of the Healthy Menus Programme
- To establish use of the catering facilities for KS1 to provide Free School Meals for all KS1 children
- To fully reflect the principles of Fundamental British Values in accordance with the Teacher Standards and central government guidance

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

The Quality of Provision

- To deliver the Staff Development Plans
- To further embed, through focused training, the use of the new wide range of interactive programmes held on our network and beyond
- To extend the use of multi-sensory learning opportunities in English and Maths for the less-able pupils
- To embed in existing staff and train new staff, including Governors, the understanding of our provision for Gifted and Talented pupils
- To provide access to all children, staff, governors and parents to a Virtual Learning Platform and embed its usage throughout the curriculum.

Leadership and Management

- To continue to work the school as a National Teaching School and a National Support School
- To continue discussions with the Farnham Confederation of Schools about the role that it can play in the raising of standards
- To develop Governors' skills and knowledge through the delivery of the Governors' Training Plan as the composition of the Body evolves
- To operate the highest professional level of leadership, measuring ourselves against external national standards
- To continue our strategic partnership with Babcock in the delivery of the SCITT Programme.
- To continue our role as a City & Guilds Centre delivering QCF Level 3 in Supporting Teaching and Learning in the Classroom
- To further develop the school's involvement in educational Research and Development.

The Highfield South Farnham Development Plan is summarised as follows:

Effectiveness of Leadership and Management

- To maintain good/outstanding judgement by ensuring a well-defined vision is clearly communicated to all stakeholders, which provides an outstanding overall education for pupils.
- Ensure that all stakeholders have the highest expectations of all members of the school community and consequently outcomes and standards are outstanding for all learner groups.
- To ensure improving outcomes for all, with a focus on disadvantaged pupils. The use of pupil premium funding, providing clear evidence of impact on pupil learning and achievement.
- To ensure Safeguarding procedures are outstanding. Pupils are listened to and feel safe at all times. Staff are appropriately trained and vigilant.

Quality of Teaching, Learning and Assessment

- Maintain positive Value-Added Indicators and achieve School Targets in End of Key Stage Tests: 90% of all pupils will have 'met' the required National Standard in all subjects.
- Maintain the highest standards in teaching and learning across the curriculum as measured by School Effectiveness Programme /Summative and Teacher Assessment
- To continue with INSET for new and existing staff in the understanding and effective use of higher order learning skills and the implementation of 'Assessment for Learning'.
- To develop activities for pupils in the EYFS both inside and outdoors that challenges children's thinking ensuring that rapid progress is made in line with pupil potential.

Personal Development, Behaviour and Welfare

- Maintain outstanding judgement by continual first quality teaching, consistent and sustained whole staff approach to high expectations of both behaviour and safety.

Outcomes for Children and Learners

- 90% of all pupils to have "met" national expected standard by the end of Key Stage 2 in all required subjects. (current format not yet known)
- 90% of all pupils to have achieved a pass in the National phonics screening by the conclusion of Key Stage 1.
- To ensure the pupils are provided with high quality opportunities to write across all subject areas (key focus Key Stage 1).

SOUTH FARNHAM EDUCATIONAL TRUST
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 AUGUST 2016

- To ensure that progress of all groups (inc Pupil Premium) pupils are in line or exceed with all other pupil attainment groups.
- Increase progress and attainment in Maths. To ensure performance is in line with or exceeding national expectations.

Funds Held as Custodian Trustee on Behalf of Others

There were no funds held as custodian trustee on behalf of others.

Auditor

In so far 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.

James Cowper Kreston are appointed as the Trusts external auditor.

Trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on *1st December 2016* and signed on the board's behalf by:



L Ross
Chair of Trustees

SOUTH FARNHAM EDUCATIONAL TRUST
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GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

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

The board of trustees has delegated the day-to-day responsibility to the Chief Executive Officer, 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 South Farnham Educational Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

GOVERNANCE

The information on governance included here supplements that described in the Trustees' report and in the Statement of Trustees' responsibilities. The board of trustees has formally met 4 times during the year. Attendance during the year at meetings of the board of trustees was as follows:

Trustee	Meetings attended	Out of a possible
A Carter, CEO and Accounting Officer	4	4
A Chester	0	0
K Hutchinson	3	4
G Kendall	0	0
C Lennard, Vice Chair	4	4
A Little	0	0
J Reyersbach	4	4
L Ross, Chair	4	4

The trust is approved as a sponsor and converted to a multi-academy trust in January 2015. Highfield South Farnham (previously a LA maintained school) joined the Trust as a sponsored academy on 1 February 2015.

At this time the composition of the Trust board changed and local governing bodies with experienced governors were established as sub-committees of the board.

The trustees review the governance structure at least annually and more often whilst the Trust is growing to ensure effective governance remains in place. Trustees and local governing body members completed a Governing Board Skills Audit during the year so that relevant data was available to assist the trustees in their self evaluation of the governance of the Trust.

The finance committee is a sub-committee of the main board of trustees. Its purpose is to assist the decision making of the trust board, by enabling more detailed consideration to be given to the best means of fulfilling the trust board's responsibility to ensure sound management of the academy finances and resources, including proper planning, monitoring and probity. This committee will make appropriate comments and recommendations on such matters to the board on a regular basis. Major issues will be referred to the full board for ratification.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
C Lennard (Committee Chair)	3	3
A Carter	3	3
J Reyersbach	2	3
L Ross	2	3

For the year ended 31 August 2016 the function of the audit committee was covered under the terms of reference of the Finance committee.

SOUTH FARNHAM EDUCATIONAL TRUST
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GOVERNANCE STATEMENT (continued)

REVIEW OF VALUE FOR MONEY

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

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

Approach

The governors and school managers have applied the principles of best value when making decisions about:

- The allocation of resources to best promote the aims and values of the school
- The targeting of resources to best improve standards and the quality of provision
- The use of resources to best support the various educational needs of all pupils

Improving Educational Results

To ensure that standards are continually raised the Trust operated a programme of internal reviews of the curriculum. South Farnham School is a National Teaching School and gained 'outstanding' in all inspection areas in June 2012. This 'outstanding' award was remarkably for the fourth time in a row demonstrating the sustained period of high performance standard attained by the school.

Targeted improvement: The trust has kept its staffing structure under review and deployed staff efficiently to support an improved curriculum through quality of teaching and learning, adult-pupil ratio and curriculum management.

Focus on individual pupils: Each academy managed the differing needs of pupils through a series of focus group teaching classes that are offered in each year group

Collaboration: The academy trust engaged with other educational providers and experts to share good practice and drive up standards for the least cost. This included work as the lead school in a teaching school alliance.

Financial governance and oversight

The academy 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.

Purchasing, the efficient and effective use of resources

The governors and school managers deployed equipment, materials and services to provide pupils and staff with resources which support quality of teaching and quality of learning.

Benchmarking: The finance committee have reviewed the latest available benchmarking reports for the academy comparing performance to other primary academies and to all academies in the same local authority to demonstrate that the trust provides good value for money.

Economies of scale: the academy trust currently operates over three sites and savings have been made by sharing administration and procurement costs, including the purchase of ICT equipment across the trust.

Purchasing: The trustees have developed procedures for assessing need, obtaining goods and services which provide 'best value' in terms of suitability, efficiency, time and cost. Measures already in place include clearly defined purchasing guidelines:

- Formal tendering procedures (for goods and services over £50,000)
- Procedures for accepting best value quotes which are not necessarily the cheapest (eg suitability

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GOVERNANCE STATEMENT (continued)
for purpose and quality of workmanship)

- For purchases above £10,000 three quotes are required
- Procedures which minimise office time by the purchase of goods or services under £1,000 directly via a purchase order from known, reliable suppliers (eg stationery, small equipment)
- Time and resource is not wasted on investigating minor areas where few improvements and savings can be achieved as this is not considered cost effective and can distract management from more valuable areas

Maximising income generation

The Trust explored available opportunities to generate income through the letting of facilities, provision of additional services such as training courses and school to school support.

Reviewing controls and managing risks

A formal review of the Trust's risk management process is undertaken on an annual basis and key controls in place include:

- Formal agendas for all committee activity
- Terms of reference for all governing body and delegated committees under the direction of the governing body
- Pecuniary interests of Governors reviewed at each meeting
- Comprehensive budgeting and management reporting
- Established organisational structure and clear lines of reporting
- Formal written policies
- Clear authorisation and approval levels
- Vetting procedures as required by law for protection for the vulnerable

The trust has an investment policy and has moved balances to an interest earning deposit account to maximise interest earning potential.

Insurance levels are reviewed annually and used cost-effectively to manage risks.

The trustees review the reserve levels of the Academy annually. This review encompassed the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The trustees have determined that an appropriate level of free reserves should be maintained to provide a cushion to deal with unexpected emergencies such as urgent maintenance and to plan for future capital works.

Maximising use of resources

Expenditure within each budget heading is reviewed on a regular basis and adjustments are made based on the strategies identified in the Academy Development Plan.

Pupils' Welfare

The quality of the school environment and the school ethos has been reviewed in order to continue to provide a supportive environment conducive to learning and recreation.

The Academy tracked attendance for all pupils and attendance was well above the national average.

Health & Safety

The governors and school managers have reviewed the quality of the school environment and equipment carrying out risk assessments where appropriate, in order to provide a safe working environment for pupils, staff and visitors.

Monitoring

Areas were monitored for best value by:

- In-house monitoring by the Headteachers and curriculum managers
- Termly target setting meetings between the Headteachers and curriculum managers
- Annual performance management

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GOVERNANCE STATEMENT (continued)

- Annual budget planning
- Headteachers' monthly financial review
- Visits by internal auditor
- Analysis of school pupil performance data eg SATs results, standardised test results
- Analysis of available financial data eg benchmarking through data for all academies and similar schools
- Analysis of DfE pupil performance data eg RAISE online
- Ofsted Inspection reports
- Local Governing member termly classroom observations
- Local Governing members termly committee meetings
- Trustees full termly meetings
- Trustees annual finance review

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of academy policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in South Farnham Educational Trust for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements.

CAPACITY TO HANDLE RISK

The board of trustees has reviewed the key risks to which the academy is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy's significant risks, that has been in place for the year 1 September 2015 to 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

THE RISK AND CONTROL FRAMEWORK

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

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

The board of trustees has considered the need for a specific internal audit function and has decided to appoint James Cowper Kreston to perform a limited scope internal assurance review of the academy trust to give advice on financial matters and perform a range of checks on the finance systems. Reports have been presented to trustees on a regular basis throughout the year on the operation of the systems of control and on the discharge of the board of trustees financial responsibilities. There are no material control issues arising as a result of the auditors work.

In particular the checks carried out in the current period included a review of financial policies, procedures and minutes from Trustee meetings. In addition:

- testing of financial controls

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GOVERNANCE STATEMENT (continued)

- checking of declarations of business interests
- testing of control account/ bank reconciliations
- testing of payroll systems
- testing of income systems
- testing of purchase systems
- testing of control account/ bank reconciliations

Reports are presented to the board of trustees, through the finance 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 Chief Executive Officer 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 reviewer;
- the work of the external auditors;
- the work of the finance committee
- the work of local governing bodies
- the financial management and governance self-assessment process;
- the work of the senior leadership team within each academy who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the and 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 ~~1st December 2016~~ and signed on their behalf, by:



L Ross
Chair of Trustees



Sir Andrew Carter
Accounting Officer

SOUTH FARNHAM EDUCATIONAL TRUST
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of South Farnham Educational Trust I have considered my responsibility to notify the academy trust board of trustees and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA 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 2015.

I confirm that I and the academy trust board of trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2015.

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 EFA.


.....
Sir Andrew Carter
Accounting Officer

SOUTH FARNHAM EDUCATIONAL TRUST
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STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2016

The trustees are responsible for preparing the Strategic report, the Trustees' report and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

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

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

The Trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from the EFA/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 1st December 2016 and signed on its behalf by:



L Ross
Chair of Trustees

SOUTH FARNHAM EDUCATIONAL TRUST
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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF SOUTH FARNHAM EDUCATIONAL TRUST

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

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

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

As explained more fully in the Statement of Trustees' responsibilities, the Trustees (who are also the directors of the academy for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

UNQUALIFIED OPINION

In our opinion the financial statements:

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

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Trustees' report, incorporating the Strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

SOUTH FARNHAM EDUCATIONAL TRUST
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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF SOUTH FARNHAM EDUCATIONAL TRUST

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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 Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Alexander Peal BSc(Hons) FCA DChA (Senior Statutory Auditor)

James Cowper Kreston

Chartered Accountants and Statutory Auditor

Reading Bridge House

George Street

Reading

Berkshire

RG1 8LS

Date:

8 December 2016

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SOUTH FARNHAM EDUCATIONAL TRUST
(A company limited by guarantee)

INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO SOUTH FARNHAM EDUCATIONAL TRUST AND THE EDUCATION FUNDING AGENCY

In accordance with the terms of our engagement letter dated 7 October 2016 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by South Farnham Educational Trust during the year 1 September 2015 to 31 August 2016 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 South Farnham Educational Trust and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to South Farnham Educational Trust and the EFA 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 South Farnham Educational Trust and the EFA, for our work, for this report, or for the conclusion we have formed.

RESPECTIVE RESPONSIBILITIES OF SOUTH FARNHAM EDUCATIONAL TRUST'S ACCOUNTING OFFICER AND THE REPORTING AUDITORS

The accounting officer is responsible, under the requirements of South Farnham Educational Trust's funding agreement with the Secretary of State for Education dated 7 January 2015, and the Academies Financial Handbook extant from 1 September 2015, 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 2015 to 2016. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2015 to 31 August 2016 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 2015 to 2016 issued by the EFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

Our work on regularity included a review of the internal controls policies and procedures that have been implemented and an assessment of their design and effectiveness to understand how the academy complied with the framework of authorities. We also reviewed the reports commissioned by the governors to assess the internal controls throughout the year.

Specific work undertaken to draw to our conclusion includes:

- reviewing the minutes of the meetings of the Board of Governors and other evidence made available to us, relevant to our consideration of regularity;
- a review of the objectives and activities of the academy, with reference to the income streams and other information available to us as auditors of the academy;
- testing of a sample of payroll payments to staff;
- testing of a sample of payments to suppliers and other third parties;

**INDEPENDENT REPORTING AUDITORS' ASSURANCE REPORT ON REGULARITY TO SOUTH FARNHAM
EDUCATIONAL TRUST AND THE EDUCATION FUNDING AGENCY (continued)**

- testing of a sample of grants received and other income streams;

We performed detailed testing based on our assessment of the risk of material irregularity, impropriety and non-compliance. This work was integrated with our audit on the financial statements where appropriate and included analytical review and detailed substantive testing of transactions.

CONCLUSION

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



James Cowper Kreston

Chartered Accountants and Statutory Auditor

Reading Bridge House
George Street
Reading
Berkshire
RG1 8LS

Date: 8 December 2016

SOUTH FARNHAM EDUCATIONAL TRUST
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2016**

	Note	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Restated Total funds 2015 £
INCOME FROM:						
Donations and capital grants	2	2,252	-	236,662	238,914	356,022
Charitable activities	3	361,052	4,596,446	-	4,957,498	4,402,461
Other trading activities		154,975	-	-	154,975	144,035
Investments	4	392	-	-	392	282
Transfer from local authority on conversion		-	-	-	-	4,100,682
TOTAL INCOME		518,671	4,596,446	236,662	5,351,779	9,003,482
EXPENDITURE ON:						
Charitable activities		278,853	4,677,335	470,934	5,427,122	4,795,727
TOTAL EXPENDITURE	7	278,853	4,677,335	470,934	5,427,122	4,795,727
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS						
Transfers between Funds	16	239,818 (283,698)	(80,889) 100,000	(234,272) 183,698	(75,343) -	4,207,755 -
NET INCOME / (EXPENDITURE) BEFORE OTHER GAINS AND LOSSES						
		(43,880)	19,111	(50,574)	(75,343)	4,207,755
Actuarial gains/(losses) on defined benefit pension schemes	20	-	(301,000)	-	(301,000)	9,000
NET MOVEMENT IN FUNDS		(43,880)	(281,889)	(50,574)	(376,343)	4,216,755
RECONCILIATION OF FUNDS:						
Total funds brought forward		991,649	(686,652)	15,191,667	15,496,664	11,279,909
TOTAL FUNDS CARRIED FORWARD		947,769	(968,541)	15,141,093	15,120,321	15,496,664

SOUTH FARNHAM EDUCATIONAL TRUST

(A company limited by guarantee)
REGISTERED NUMBER: 07652902

**BALANCE SHEET
AS AT 31 AUGUST 2016**

	Note	£	2016 £	2015 £
FIXED ASSETS				
Tangible assets	13		15,097,947	15,014,415
CURRENT ASSETS				
Debtors	14	161,856	188,691	
Cash at bank and in hand		1,433,236	1,506,494	
		<u>1,595,092</u>	<u>1,695,185</u>	
CREDITORS: amounts falling due within one year	15	<u>(474,718)</u>	<u>(456,936)</u>	
NET CURRENT ASSETS			<u>1,120,374</u>	<u>1,238,249</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>16,218,321</u>	<u>16,252,664</u>
Defined benefit pension scheme liability	20	(1,098,000)	(756,000)	
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u><u>15,120,321</u></u>	<u><u>15,496,664</u></u>
FUNDS OF THE ACADEMY				
Restricted funds:				
Restricted funds	16	129,459	69,348	
Restricted fixed asset funds	16	15,141,093	15,191,667	
Restricted funds excluding pension liability		<u>15,270,552</u>	<u>15,261,015</u>	
Pension reserve		<u>(1,098,000)</u>	<u>(756,000)</u>	
Total restricted funds			<u>14,172,552</u>	<u>14,505,015</u>
Unrestricted funds	16		<u>947,769</u>	<u>991,649</u>
TOTAL FUNDS			<u><u>15,120,321</u></u>	<u><u>15,496,664</u></u>

The financial statements were approved by the Trustees, and authorised for issue, on 1st December 2016 and are signed on their behalf, by:



L Ross, Chair

The notes on pages 29 to 46 form part of these financial statements.

SOUTH FARNHAM EDUCATIONAL TRUST
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Net cash provided by operating activities	18	<u>245,145</u>	<u>353,962</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		392	282
Purchase of tangible fixed assets		(554,466)	(440,342)
Capital grants from DfE/EFA		236,662	341,802
Interest paid		(991)	(1,065)
Net cash used in investing activities		<u>(318,403)</u>	<u>(99,323)</u>
Change in cash and cash equivalents in the year		(73,258)	254,639
Cash and cash equivalents brought forward		<u>1,506,494</u>	<u>1,251,855</u>
Cash and cash equivalents carried forward	19	<u><u>1,433,236</u></u>	<u><u>1,506,494</u></u>

SOUTH FARNHAM EDUCATIONAL TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES

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

1.1 Basis of preparation of financial statements

The financial statements of the academy 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 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

South Farnham Educational Trust constitutes a public benefit entity as defined by FRS 102.

1.2 Fund accounting

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

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

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

1.3 Income

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

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

General Annual Grant is recognised in full in the Statement of financial activities incorporating income and expenditure account in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS
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1. ACCOUNTING POLICIES (continued)

1.4 Expenditure

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

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

All resources expended are inclusive of irrecoverable VAT.

1.5 Going concern

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

1.6 Tangible fixed assets and depreciation

All assets costing more than £2,000 are capitalised.

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold land	-	Over 125 years on cost or over remaining useful life
Leasehold buildings	-	Over 50 years on cost or over remaining useful life
Building improvements	-	10% on cost
Furniture and equipment	-	33% on cost and 20% on cost

1.7 Cash at Bank and in hand

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

1.8 Liabilities and provisions

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

1.9 Taxation

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

1. ACCOUNTING POLICIES (continued)

1.10 Pensions

Retirement benefits to employees of the academy are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes and the assets are held separately from those of the academy.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 20, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

1. ACCOUNTING POLICIES (continued)

1.11 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.

Local Government Pension Scheme

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 20, 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 2016. 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.

Depreciation

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as the remaining life of the asset and projected disposal values.

2. INCOME FROM DONATIONS AND CAPITAL GRANTS

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Restated Total funds 2015 £
Donations	2,252	-	-	2,252	14,220
Capital grants	-	-	236,662	236,662	341,802
	<u>2,252</u>	<u>-</u>	<u>236,662</u>	<u>238,914</u>	<u>356,022</u>

In 2015, of the total income from donations and capital grants, £14,220 was to unrestricted funds and £341,802 was to restricted funds

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

3. INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Restated Total funds 2015 £
Educational operations (see below)	-	4,421,866	4,421,866	3,833,819
Local Authority	-	174,580	174,580	45,712
Other income from the academy trust's educational operations	361,052	-	361,052	522,930
	<u>361,052</u>	<u>4,596,446</u>	<u>4,957,498</u>	<u>4,402,461</u>

In 2015, of the total income from charitable activities, £522,930 was to unrestricted funds and £3,879,531 was to restricted funds.

FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Restated Total funds 2015 £
DfE/EFA grants				
General Annual Grant (GAG)	-	3,358,778	3,358,778	3,003,069
Other DfE/EFA grants	-	1,063,088	1,063,088	830,750
	<u>-</u>	<u>4,421,866</u>	<u>4,421,866</u>	<u>3,833,819</u>

In 2015, of the total income from charitable activities, £nil was to unrestricted funds and £3,833,819 was to restricted funds.

4. INVESTMENT INCOME

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Restated Total funds 2015 £
Investment income	392	-	392	282

In 2015, of the total investment income, £282 was to unrestricted funds and £nil was to restricted funds.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

5. DIRECT COSTS

	Educational operations £	Total 2016 £	<i>Restated Total 2015 £</i>
Technology	68,036	68,036	119,656
Educational supplies	359,428	359,428	296,202
Staff development	6,507	6,507	8,167
Wages and salaries	2,241,804	2,241,804	2,093,118
National insurance	171,209	171,209	147,925
Pension cost	425,945	425,945	330,938
	<u>3,272,929</u>	<u>3,272,929</u>	<u>2,996,006</u>

In 2015, of the total direct costs, £370,443 was to unrestricted funds and £2,625,563 was to restricted funds.

6. SUPPORT COSTS

	Educational operations £	Total 2016 £	<i>Total 2015 £</i>
Recruitment and support	78,374	78,374	69,351
Depreciation	470,934	470,934	402,849
Technology costs	28,340	28,340	18,249
Premises costs	303,790	303,790	357,804
Other support costs	822,221	822,221	567,696
Governance costs	50,136	50,136	25,536
Wages and salaries	305,286	305,286	277,448
National insurance	19,198	19,198	15,119
Pension cost	75,914	75,914	65,669
	<u>2,154,193</u>	<u>2,154,193</u>	<u>1,799,721</u>

In 2015, of the total support costs, £35,616 was to unrestricted funds and £1,764,105 was to restricted funds.

7. EXPENDITURE

	Staff costs 2016 £	Premises 2016 £	Other costs 2016 £	Total 2016 £	<i>Total 2015 £</i>
Activities:					
Direct costs	2,838,958	-	433,971	3,272,929	2,996,006
Support costs	400,398	303,790	1,450,005	2,154,193	1,799,721
	<u>3,239,356</u>	<u>303,790</u>	<u>1,883,976</u>	<u>5,427,122</u>	<u>4,795,727</u>

In 2016, of the total expenditure, £278,853 (2015 - £406,059) was to unrestricted funds and £5,148,269 (2015 - £4,389,668) was to restricted funds.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

8. NET INCOMING RESOURCES/(RESOURCES EXPENDED)

This is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets:		
- owned by the charity	470,934	402,848
Auditor's remuneration - audit	7,250	6,900
Auditor's remuneration - non audit services	3,700	2,265
	<u>481,884</u>	<u>411,953</u>

9. STAFF COSTS

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	2,547,090	2,370,566
Social security costs	190,407	163,044
Operating costs of defined benefit pension schemes	501,859	396,607
	<u>3,239,356</u>	<u>2,930,217</u>

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

	2016 No.	2015 No.
Teachers	41	39
Administration and Support	47	42
Management	10	8
	<u>98</u>	<u>89</u>

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

	2016 No.	2015 No.
In the band £60,001 - £70,000	0	1
In the band £130,000 - £140,000	0	1
In the band £140,000 - £150,000	1	0

The above employee participated in the Teachers' Pension Scheme. During the year ended 31 August 2016 employer's pension contributions amounted to £11,182 (2015: £27,740).

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 contributions) received by key management personnel for their services to the academy trust was £670,306 (2015: £551,168). The increase is due to the expansion of the trust.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

10. CENTRAL SERVICES

The academy has provided the following central services to its academies during the year:

- Strategic leadership support
- Educational support
- Finance and administration services
- HR support
- ICT support service

The trust funded the provision of these central services this year by charging each academy a central services fee set at 5% of GAG funding. This percentage will be reviewed on an annual basis.

The actual amounts charged during the year were as follows:

	2016 £	2015 £
South Farnham School	120,689	71,721
Highfield South Farnham	46,291	25,829
	<u>166,980</u>	<u>97,550</u>

11. TRUSTEES' REMUNERATION AND EXPENSES

One or more Trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The Principal and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of principal and other staff members under their contracts of employment, and not in respect of their role as Trustees. The value of the Chief Executive Officers' remuneration was £145,000 - £150,000 (2015: £130,000 - £135,000) and the value of employers pension contributions in respect of the Chief Executive Officer was £10,000 - £15,000 (2015: £15,000 - £20,000).

During the year ended 31 August 2016, expenses totalling £2,711 (2015 - £3,057) were reimbursed to 1 Trustee (2015 - 3).

12. TRUSTEES' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £5,000,000 on any one claim. The cost for the year ended 31 August 2016 and the year ended 31 August 2015 was included within the Academy's Risk Protection Arrangement (RPA) cover and therefore is not a separable cost. This is included within the total insurance cost.

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**NOTES TO THE FINANCIAL STATEMENTS
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13. TANGIBLE FIXED ASSETS

	Land & Buildings £	Furniture & Equipment £	Total £
Cost			
At 1 September 2015	16,252,362	79,034	16,331,396
Additions	419,761	134,705	554,466
At 31 August 2016	<u>16,672,123</u>	<u>213,739</u>	<u>16,885,862</u>
Depreciation			
At 1 September 2015	1,262,763	54,218	1,316,981
Charge for the year	452,857	18,077	470,934
At 31 August 2016	<u>1,715,620</u>	<u>72,295</u>	<u>1,787,915</u>
Net book value			
At 31 August 2016	<u>14,956,503</u>	<u>141,444</u>	<u>15,097,947</u>
At 31 August 2015	<u>14,989,599</u>	<u>24,816</u>	<u>15,014,415</u>

The land and buildings occupied by the Academy Trust are held under a 125 year lease. The freehold property is owned by Surrey County Council.

14. DEBTORS

	2016 £	2015 £
Trade debtors	13,261	9,125
Other debtors	106,793	92,943
Prepayments and accrued income	41,802	86,623
	<u>161,856</u>	<u>188,691</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

15. CREDITORS: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	83,536	150,675
Other taxation and social security	55,224	43,369
Other creditors	65,910	61,476
Accruals and deferred income	270,048	201,416
	<u>474,718</u>	<u>456,936</u>
	2016 £	2015 £
Deferred income		
Deferred income at 1 September 2015	96,512	75,212
Resources deferred during the year	136,563	96,512
Amounts released from previous years	(96,512)	(75,212)
Deferred income at 31 August 2016	<u>136,563</u>	<u>96,512</u>

At 31 August 2016 South Farnham Educational Trust were holding funds received in advance for the 2015/16 financial year, including Universal Infant Free School Meals grants and Teaching School grants that relate to 2016/17.

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**NOTES TO THE FINANCIAL STATEMENTS
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16. STATEMENT OF FUNDS

	Brought Forward £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Carried Forward £
Unrestricted funds						
Unrestricted funds	991,649	518,671	(278,853)	(283,698)	-	947,769
Restricted funds						
General Annual Grant	49,913	3,633,579	(3,658,848)	100,000	-	124,644
School Direct Salaried Grant	-	713,870	(713,870)	-	-	-
Teaching School	19,435	74,417	(89,037)	-	-	4,815
Local authority	-	174,580	(174,580)	-	-	-
Pension reserve	(756,000)	-	(41,000)	-	(301,000)	(1,098,000)
	<u>(686,652)</u>	<u>4,596,446</u>	<u>(4,677,335)</u>	<u>100,000</u>	<u>(301,000)</u>	<u>(968,541)</u>
Restricted fixed asset funds						
Assets on conversion	15,014,415	-	(470,934)	554,466	-	15,097,947
DFC	-	29,570	-	(29,570)	-	-
CIF	177,252	207,092	-	(341,198)	-	43,146
	<u>15,191,667</u>	<u>236,662</u>	<u>(470,934)</u>	<u>183,698</u>	<u>-</u>	<u>15,141,093</u>
Total restricted funds	<u>14,505,015</u>	<u>4,833,108</u>	<u>(5,148,269)</u>	<u>283,698</u>	<u>(301,000)</u>	<u>14,172,552</u>
Total of funds	<u>15,496,664</u>	<u>5,351,779</u>	<u>(5,427,122)</u>	<u>-</u>	<u>(301,000)</u>	<u>15,120,321</u>

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

Restricted General Funds - EFA grants (including GAG), which must be used to meet the cost of running South Farnham Educational Trust. Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016.

Unrestricted Funds - represents income generated by the academy (such as lettings and hire of facilities) and any other donations or investment income, which is not restricted for any specific purpose and can be spent as determined by the Governing Body. Under the funding agreement with the Secretary of State, the academy was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016.

The LGPS deficit fund has been created to separately identify the pension deficit inherited from the local authority upon conversion to academy status, and through which all the pension scheme movements are recognised. The pension liability has not crystallised and the trustees do not need to designate any of their existing funds to meet future pension commitments. Parliament, at the request of the Secretary of State for Education, has guaranteed 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.

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

ANALYSIS OF ACADEMIES BY FUND BALANCE

Fund balances at 31 August 2016 were allocated as follows:

	Total 2016 £	Total 2015 £
South Farnham School	945,152	987,247
Highfield South Farnham	132,076	73,750
Total before fixed asset fund and pension reserve	1,077,228	1,060,997
Restricted fixed asset fund	15,141,093	15,191,667
Pension reserve	(1,098,000)	(756,000)
Total	15,120,321	15,496,664

ANALYSIS OF ACADEMIES BY COST

Expenditure incurred by each academy during the year was as follows:

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs excluding depreciat- ion £	Total 2016 £	Total 2015 £
South Farnham School	1,998,203	310,086	290,038	1,199,351	3,797,678	3,662,011
Highfield South Farnham	840,755	90,312	69,390	158,053	1,158,510	721,867
	2,838,958	400,398	359,428	1,357,404	4,956,188	4,383,878

17. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2016 £	Restricted funds 2016 £	Restricted fixed asset funds 2016 £	Total funds 2016 £	Restated Total funds 2015 £
Tangible fixed assets	-	-	15,097,947	15,097,947	15,014,415
Current assets	947,769	604,177	43,146	1,595,092	1,695,185
Creditors due within one year	-	(474,718)	-	(474,718)	(456,936)
Pension liability	-	(1,098,000)	-	(1,098,000)	(756,000)
	947,769	(968,541)	15,141,093	15,120,321	15,496,664

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

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

	2016 £	2015 £
Net (expenditure)/income for the year (as per Statement of financial activities)	(75,343)	4,207,755
Adjustment for:		
Depreciation charges	470,934	402,849
Dividends, interest and rents from investments	(392)	(282)
Decrease in debtors	26,835	18,160
Increase in creditors	17,782	1,083
Capital grants from DfE and other capital income	(236,662)	(341,802)
Defined benefit pension scheme finance cost	41,000	222,000
Net (loss) on assets and liabilities from local authority on conversion	-	(4,156,866)
Interest paid	991	1,065
Net cash provided by operating activities	245,145	353,962

19. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash in hand	1,433,236	1,506,494
	1,433,236	1,506,494

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**NOTES TO THE FINANCIAL STATEMENTS
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20. PENSION COMMITMENTS

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

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2013.

Contributions amounting to £54,592 were payable to the schemes at 31 August 2016 (2015 - £51,614) 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

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay, including a 0.08% employer administration charge (currently 14.1%)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- 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 will be as at March 2016, 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 £268,788 (2015 - £229,473).

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

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20. PENSION COMMITMENTS (continued)

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

Local Government Pension Scheme

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £240,000 (2015 - £196,000), of which employer's contributions totalled £195,000 (2015 - £157,000) and employees' contributions totalled £45,000 (2015 - £39,000). The agreed contribution rates for future years are 25.9% for employers and 5.5-12.5% for employees.

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

Principal actuarial assumptions:

	2016	2015
Discount rate for scheme liabilities	2.00 %	3.75 %
Rate of increase in salaries	2.40 %	4.05 %
Rate of increase for pensions in payment / inflation	2.10 %	2.65 %

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

	2016	2015
Retiring today		
Males	22.5	22.5
Females	24.6	24.6
Retiring in 20 years		
Males	24.5	24.5
Females	26.9	26.9

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

	Fair value at 31 August 2016 £	Fair value at 31 August 2015 £
Equities	983,000	682,000
Bonds	223,000	156,000
Property	79,000	64,000
Cash	26,000	19,000
Total market value of assets	<u>1,311,000</u>	<u>921,000</u>

The actual return on scheme assets was £133,000 (2015 - £(7,000)).

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20. PENSION COMMITMENTS (continued)

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

	2016 £	2015 £
Current service cost (net of employee contributions)	<u>(208,000)</u>	<u>(184,000)</u>

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

	2016 £	2015 £
Opening defined benefit obligation	1,677,000	1,439,000
Current service cost	208,000	184,000
Interest cost	66,000	52,000
Contributions by employees	45,000	39,000
Actuarial losses/(gains)	434,000	(16,000)
Benefits paid	(21,000)	(21,000)
	<u>2,409,000</u>	<u>1,677,000</u>
Closing defined benefit obligation	<u>2,409,000</u>	<u>1,677,000</u>

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

	2016 £	2015 £
Opening fair value of scheme assets	921,000	725,000
Interest income	38,000	28,000
Actuarial gains and (losses)	133,000	(7,000)
Contributions by employer	195,000	157,000
Contributions by employees	45,000	39,000
Benefits paid	(21,000)	(21,000)
	<u>1,311,000</u>	<u>921,000</u>
Closing fair value of scheme assets	<u>1,311,000</u>	<u>921,000</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 £nil for the debts and liabilities contracted before he/she ceases to be a member.

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22. RELATED PARTY TRANSACTIONS

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

The following related party transactions took place in the period of account:

Sir Andrew Carter is a trustee of The Helen Arkell Dyslexia Trust. The Trust received payments of £1,470 (2015: £1,078) in respect of DBS checks carried out on behalf of the charity. The trust paid £nil (2015: £450 for the purchase of Inset Training Days) to The Helen Arkell Dyslexia Trust.

South Farnham School Services Limited, a company in which Sir Andrew Carter is a director, were charged £31,128 (2015: £32,375) by the academy for salary costs and consumables in respect of services performed by the academy. The Trust paid £nil (2015: £5,312 for the purchase of school uniform as part of the rebranding expenditure for Highfield South Farnham) to South Farnham School Services.

South Farnham School Trust (SFST), which has three trustees in common with the South Farnham Educational Trust (SFET) donated £150,590 (2015: £142,430) to the SFET which has been used towards the costs of school trips. The SFET also received £1,000 (2015: £1,000) in respect of administration services.

South Farnham Educational Trust received payments totalling £9,447 (2015: £nil) during the year from Surrey Teaching School Network in relation to training provided.

23. FIRST TIME ADOPTION OF FRS 102

It is the first year that the Academy Trust has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

The policies applied under the academy's previous accounting framework are not materially different to FRS 102 and have not impacted on funds or net income/expenditure. However, as a result of the conversion to FRS 102, there has been a reallocation between actuarial gains/(losses) on defined benefit pension schemes and interest costs within charitable activities expenditure which has no impact on the net movement in funds for the prior year.